DECISION MEMORANDUM

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WORKING FILE

FROM:BRAD PURDY

DATE:JANUARY 10, 1997

RE:CASE NO. IPC-E-96-26; IDAHO POWER’S APPLICATION FOR AUTHORITY TO IMPLEMENT A PUBLIC PURPOSES CHARGE TO FUND THE COM­PANY’S PARTICIPATION IN THE NORTHWEST ENERGY EFFICIENCY ALLIANCE

On December 31, 1996, the Idaho Power Company (Idaho Power; Company) filed an Application for an Order approving the implementation of a “public purposes charge” to allow for recovery of the Company’s participation in the Northwest Energy Efficiency Alliance, Inc.  (NEEA), an organization formed for the purpose of transforming markets for selected electric conservation products and services on a regional basis.  The public purposes charge (Schedule 50) is requested to become effective on February 1, 1997, with implementation of the charge to be reflected on bills commencing on July 1, 1997.

The Company states that it has agreed to participate in and support NEEA, a nonprofit regional corporation consisting of northwest energy users represented by (1) Northwest Utilities, both public and private, (2) state and local governments, (3) public interest groups, and (4) private sector interests founded to improve the efficiency of electric use and to reduce the cost of energy efficiency products and services through market transformation.  Historically, this has occurred on an ad hoc basis.  The Company contends that market transformation needs to be collaborative because the markets typically cut across utility and even regional boundaries.  Idaho Power notes that while there is uncertainty in the region regarding how to implement energy efficiency services in the future, there is wide spread agreement that maintaining and building on the region’s success in market transformation efforts should be a priority.  NEEA is based on the belief that by transforming markets, it is possible to achieve improvements in the efficiency of electric use without the need for long-term utility incentives.

Idaho Power contends that the proposed public purposes charge is not a request for a general rate increase under Rule 122 of the Commission’s Rules of Procedure, IDAPA 31.01.01.  It is, rather, an application for a specific charge, the revenues of which will be used for a specific purpose.  The Company states that it will monitor the collection of the charge to ensure that the proceeds collected will only be used to fund Idaho Power’s participation in NEEA.

The Company requests that the charge be applicable to its Prairie service area.  Under the provisions of Order No. 24398 (Case No. IPC-E-92-11) implementation of the charge in the Prairie service area is proper under the “contract standard”, i.e., that to not impose the charge would be adverse to the public interest, the Company contends.  Idaho Power argues that the charge will be utilized to fund market transformation activities throughout the Pacific Northwest and all investor-owned and federally supplied utilities in the region will be participating.  Therefore, excluding a group of Idaho customers like the Prairie service area customers from the charge would not be in the public interest, Idaho Power argues.

The Company further contends that under the provisions of Order No. 26216 (Case No. IPC-E-95-11—the rate stability case) Idaho Power is authorized to file as a specific exception to the settlement stipulation approved in that Order “an Application . . . requesting changes in the manner in which demand side management charges are recovered.”  The Company contends that its Application falls within this exception.

Idaho Power states that the proposed monthly charge for residential, small general service, street lighting and unmetered customers (Schedules 1, 7, 40, 41, 42, A, B, OU, OP and UM) is 25¢ per account, per customer.  For large general service (Schedules 9, LP and LW) the proposed charge is $2.00 per month.  For irrigation customers (Schedules 24 and I) the proposed charge is $6.00 per month during the irrigation season.  For large power customers (Schedule 19) and special contract customers, the proposed charge is $70 per month.

The company proposes to recover the costs of participation in NEEA on a pay-as-you-go, dollar-for-dollar cost recovery basis.  The charges are designed to bring in the revenue during 1997-1999 to match the period when contributions are made to the regional fund.  The Company proposes a flat charge within particular customer groups applicable to all retail customers of the Company in Idaho including those served under the Prairie service area rate schedules.  The maximum NEEA funding level for Idaho Power for 1997 is $857,000 and is $1,700,000 for each of the two subsequent years for a total over the period of $4,250,000.  Once costs were assigned to customer classes, the monthly charge was produced by dividing the costs by the number of customers in each class.  The Company tempered, however, the impact on large energy users.  This impact was tempered in the following manner.  First, the classes were combined into three groups.  The average public purposes charge was computed for the first and second groups separately.  The monthly charges for these two groups were then set at 25¢ per account per month and $2.00 per account per month, respectively.  The revenue for customers served under Schedule 24 and Schedule I will be recovered during the four months of the irrigation season only.  The monthly charge for these customers will, therefore, be $6.00.  The charges proposed by the Company for customer groups 1 and 2 produce an estimated revenue of $3,837,458, assuming a 30-month recovery period.  The difference between this and the $4,049,825, need from all Idaho customers is $212,367, and represents the amount needed from customer group 3 for the period.  The monthly charge for this group was computed by dividing the $212,367, by the number of customers in the group and then dividing by 30 months for a resulting charge of $70 per account, per month.

Idaho Power states that time is of the essence in that the Company’s participation in NEEA is conditioned upon approval by the Commission of the public purpose charge.  The Company has agreed to advance contributions prior to July 1, 1997, once it has received approval from the Commission for implementation of the charge.  Consequently, the Company requests that this Application be processed under Modified Procedure.  Staff agrees that Modified Procedure would be appropriate for this case.

Commission Decision

Does the Commission wish to suspend the proposed effective date of February 1, 1997, and process this matter under Modified Procedure?

Brad Purdy

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