DECISION MEMORANDUM

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FROM:BRAD PURDY

DATE:MAY 2, 1997

RE:CASE NO.  IPC-E-97-2; IN THE MATTER OF THE APPLICATION OF IDAHO POWER COMPANY FOR AUTHORITY TO DISCONTINUE ITS DESIGN EXCELLENCE AWARD PROGRAM.

On February 25, 1997, the Idaho Power Company (Idaho Power; Company) filed an Application for Authority to Discontinue the Company’s “Design Excellence Award Program” (DEAP); a program instituted for the purpose of introducing and fostering the use of energy modeling software into the design of new and major retrofit commercial buildings.  The DEAP accomplishes its objectives by (1) funding the initial purchase of energy modeling software; (2) providing training on the basics of energy modeling in design; (3) providing standards of reasonable beginning efficiency levels for consideration; (4) working with participants to develop an efficient report format for transferring the results to their customers; and (5) paying an incentive to the participating design professional for modeling performed under the program to encourage incorporating energy modeling into the building design.  The payments to the design professional range from $1,500 to $4,500, depending on the project.

According to Idaho Power, in 1996 almost $98,000 in program payments were deferred under the DEAP with all of the deferred amount being for incentive building modeling payments.  The Company contends that the design firms that have availed themselves of this service have now gained the necessary experience to efficiently utilize the energy modeling software in their possession.  Since the inception of the DEAP, Idaho Power asserts, 12 firms have performed 75% of the energy modeling.  In the last two years, there has only been one new design firm that submitted a single DEAP package.  Thus, the Company contends, discontinuing the DEAP will not remove the energy modeling software from the design professionals who have it in their possession.  Nor will it affect the experience they have developed.  The Company asserts that the skill and experience gained through the DEAP will enable the design professional community to offer energy modeling to customers based on market demand.  The Company contends that it has created the required market transformation and that its participation in the program is no longer required.  Idaho Power states that the next step for consideration is the implementation of a commercial building energy code by the Idaho Legislature when it is deemed that such legislation should be implemented in the state of Idaho.

Idaho Power notes that DEAP activity continued to decline in 1996.  During that year, the Company certified 30 buildings completed under the program but only four of them were primarily heated by electricity.  Consequently, much of the energy savings attributable to the program are in the form of reduced natural gas usage.  The Company contends that an electric utility should not continue funding a conservation program which results in energy savings primarily in the form of natural gas, particularly in light of the restructuring of the electric industry.

Idaho Power proposes that, although participation in the DEAP has been minimal, the Company would notify the known design firms which have participated in the program that discontinuance of the DEAP would occur one month after Commission approval.  Any project submitted during this period would be processed for possible DEAP participation.

On April 3, 1997, the Commission issued a Notice of Application/Modified Procedure soliciting comments in response to Idaho Power’s Application.  The only party to file comments was the Commission Staff.

Commission Staff

Staff supports the Company’s Application to terminate the DEAP.  Staff agrees that the skill and experience gained through the DEAP will enable the design professional community to offer energy modeling to customers based on market demand.  Staff recommends, however, that Idaho Power be required to continue to maintain the capability to provide technical support for users of the modeling software in the event assistance is requested.  In addition, Staff also believes that the software should continue to be made available to any new design firms who request it.  If the Company’s claims about the market being transformed are indeed true, Staff contends, then the amount of effort needed to maintain a similar level of support should be minimal and not burdensome to the Company.

Regarding the termination of the DEAP, Staff agrees that an electric utility should not continue funding conservation programs which results in savings primarily in the form of natural gas.  While such savings are beneficial to society as a whole, it should not be the responsibility of electric utilities to provide incentives to acquire them, Staff posits.

Regarding the cost Idaho Power incurs in implementing the DEAP, Staff believes that this is not an opportune time for the Company to continue to add to its deferred accounts.  This increase the Company’s stranded cost exposure as the industry moves toward restructuring.  Staff believes that a different cost recovery mechanism, other than deferral, is needed for any ongoing or new conservation programs in order to lessen the risk that investments made now may not be recoverable in the future.

If the Commission agrees to terminate the DEAP program, Staff recommends that the Company be required to notify the known design firms which have participated in the program and provide those firms with up to two months (rather than one month as proposed by the Company) to submit any new designs for review.  Any project submitted during this period would be processed for possible DEAP participation.  Staff believes that the Commission should encourage Idaho Power to continue to investigate commercial conservation opportunities and to pursue those which are cost effective whether through the Company’s participation in the Northwest Energy Efficiency Alliance or through other future programs.

Commission Decision

Idaho Power did not respond to Staff’s comments.  Should Idaho Power’s Application to terminate the DEAP program be granted?  If so, should Idaho Power be required to continue to maintain the capability to provide technical support for users of the modeling software in the event assistance is requested?  Should the software continue to be made available to any new design firms who request it?  Should Idaho Power be directed to notify the known design firms which have participated in the program and provide those firms up to two months to submit any new designs for review and possible participation in DEAP?

Brad Purdy

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