(text box: 1)BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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| IN THE MATTER OF THE APPLICATION OFIDAHO POWER COMPANY FOR AUTHORITY TO DISCONTINUE ITS COMMERCIAL LIGHTING ENERGY EFFICIENCY PROGRAM.                                                                                       | ))))) | CASE NO. IPC-E-98-1ORDER NO.  27375 |

On January 5, 1998, Idaho Power Company filed an Application requesting that the Commission grant it authority to discontinue its Commercial Lighting Energy Efficiency Program effective March 7, 1998.  On January 26, 1998, the Commission ordered the Application be considered under modified procedure and requested interested persons file written comments regarding this Application by February 17, 1998.  Order No. 27320.  Only Staff filed comments on  February 17, 1998.  No other persons filed comments.

Based upon a review of the Application and the Staff’s comments, the Commission grants Idaho Power Company’s Application.

IDAHO POWER COMPANY’S APPLICATION

The Commercial Lighting Energy Efficiency Program was authorized by the Commission on May 26, 1993 byOrder No. 24913. It was designed to promote energy conservation among its commercial customers through installation of more efficient lighting.  Idaho Power’s program offers its commercial customers two options: (1) the Customized Lighting Systems Option, and (2) the Commercial Lighting Menu Option.

In its Application, Idaho Power requested the Commission authorize it to give its customers two months notice that this program would be discontinued and requested that the two-month period begin on January 5, 1998.  This means that the program would cease on March 7, 1998.  Projects submitted under the Customized Option during the two-month notice period would continue to be processed under that option so long as the project was completed within four months of the date of Idaho Power’s Application or by May 7, 1998.  Requests for payment submitted under the Menu Lighting Option during the two-month period would be processed for payment under that option’s terms.

STAFF COMMENTS

Idaho Power gave three reasons for discontinuing this program: participation in the program is declining; participation in a regional approach to demand side management (DSM), such as participation in the Northwest Energy Efficiency Alliance, Inc., a regional conservation program, is a better plan for conservation; and, Idaho Power intends to “reduce the deferral of expenditures for recovery at a later date.”

Program Participation and Cost Effectiveness

While the actual number of program participants declined, Staff found that Idaho Power’s program costs and reported energy savings were as high or higher for both 1996 and 1997 projects.  According to Idaho Power’s 1997 Conservation Plan and responses to Staff questions, the cost-effectiveness of the Commercial Lighting Energy Efficiency Program has not declined.  In fact, Idaho Power’s claimed levelized, real, utility cost decreased from approximately 7 mills per kilowatt hour saved for the 1995 projects to about 6 mills for both 1996 and 1997 projects.  However, Staff could not accurately evaluate the reported cost-effectiveness of Idaho Power’s DSM programs because estimated energy savings and levelized costs per kilowatt-hour are based upon a best-case scenario.  No distinction was made among participants who would have increased their energy efficiency even without the program and those who would not have done so.

Northwest Energy Efficiency Alliance

Staff found that Northwest Energy Efficiency Alliance is currently funding five projects specific to improving lighting efficiency, ranging from providing rebates to manufacturers of efficient lights to encouraging efficient lighting design and research and several other projects which affect lighting efficiency.  Staff agreed that these projects are aimed more toward permanent lighting efficiency market transformation than is Idaho Power’s own Commercial Lighting Energy Efficiency Program.  However, Staff found that the sustained success of the Northwest Energy Efficiency Alliance programs must still be proven given the short length of time these programs have operated.

Deferred DSM Cost Recovery and Potentially Stranded Costs

Staff found that problems associated with increasing deferred, and potentially stranded investments, especially in the face of possible electric utility restructuring, are sound reasons for discontinuing the Commercial Lighting Energy Efficiency Program.  These problems were among the reasons the Commission approved Idaho Power’s Applications to discontinue two other DSM programs last year, the Partners in Industrial Efficiency Program and the Design Excellence Award Program. See Order Nos. 26753 and 26818 (IPC-E-96-22) and Order No. 26957 (IPC-E-97-2).  Staff found that Idaho Power’s desire to continue to reduce the deferral of DSM expenditures is consistent with these Orders.  See Order No. 26753, pp. 8-9 and Order No. 26931, pp. 2-3.

Staff suggested that reducing deferrals does not necessarily preclude securing least-cost energy resources through continuing cost-effective DSM programs.  However, Staff found that if electric utilities are restructured and electricity becomes a competitive commodity for all customers, then deferred DSM program investments may become “stranded costs.”  According to Staff, non-deferred DSM expenses may cause some customers to be charged for programs from which they receive no benefits unless there is a mechanism in place to recover DSM costs from those who received the primary benefits.

STAFF RECOMMENDATION

Although Staff did not necessarily agree with Idaho Power on all points (or with its cost-effectiveness calculations), Staff recommended that the Commission approve Idaho Power’s Application to discontinue its Commercial Lighting Energy Efficiency Program.  Staff found that the potential for Lighting Program costs to become “stranded,” coupled with the existence ofNorthwest Energy Efficiency Alliance regional lighting efficiency programs, was sufficient reason not to oppose discontinuing this program.  Staff, therefore, recommended that the Commission approve Idaho Power’s Application to discontinue its Commercial Lighting Energy Efficiency Program.

F I N D I N G S

This Commission supports investment in conservation and renewable-based resources.  The social value of such programs, while difficult to quantify, is undeniable.  The electric industry is, however, in the midst of fundamental change.  Idaho’s regulated electric utilities will face the challenges of at least partial deregulation and competing in a more open market with other providers including utilities and independent power producers.

The Commission finds that it is in the best interest of Idaho Power’s ratepayers to grant Idaho Power’s Application to terminateCommercial Lighting Energy Efficiency Program.  Participation in the Commercial Lighting Energy Efficiency Program has diminished. As the Commission previously found, it is the inherent nature of some conservation programs that they have limited useful lives.  No customer opposed terminating this program.  The Commission finds that  adding to Idaho Power’s deferred accounts increases Idaho Power’s stranded cost exposure as the industry moves toward restructuring.  That is not a risk worth taking for a conservation program that has outlived its useful life where other options for energy conservation exist, such as Northwest Energy Efficiency Alliance’s regional lighting efficiency programs.

The Commission is not departing from its historical commitment to conservation.  The Commission is simply recognizing that the manner in which conservation is accomplished is changing in light of the restructuring of the electric industry

O R D E R

IT IS HEREBY ORDERED that Idaho Power’s Application to terminate the Commercial Lighting Energy Efficiency Program is granted consistent with the terms and conditions set forth herein.

THIS IS A FINAL ORDER.  Any person interested in this Order (or in issues finally decided by this Order) or in interlocutory Orders previously issued in this Case No. IPC-E-98-1  may petition for reconsideration within twenty-one (21) days of the service date of this Order with regard to any matter decided in this Order or in interlocutory Orders previously issued in this Case No. IPC-E-98-1 .  Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration.  See Idaho Code § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this                  day of February 1998.

                                                                                                                                       DENNIS S. HANSEN, PRESIDENT

                                                                                            RALPH NELSON, COMMISSIONER

MARSHA H. SMITH, COMMISSIONER

ATTEST:

Myrna J. Walters

Commission Secretary

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**COMMENTS AND ANNOTATIONS**

Text Box 1:

**TEXT BOXES**

Office of the Secretary

Service Date

February 27, 1998