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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-98-1COMMENTS OF THESTAFF |

COMES  NOW the Staff of the Idaho Public Utilities Commission, by and through its attorney of record, Cheri C. Copsey, Deputy Attorney General, in response to Order No. 27320, Notice of Application and Notice of Modified Procedure in Case No. IPC-E-98-1, issued January 26, 1998, submits the following comments.

BACKGROUND

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.  Implementation of this program was authorized on May 26, 1993, by Commission Order No. 24913.  This program 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 response to Staff questions, Idaho Power stated it began to personally advise customers and lighting vendors last summer that it intended to file this Application requesting authority to discontinue the program.  A widely distributed press release was issued by Idaho Power on January 5, 1998 and more detailed information was given to the most active lighting vendor.  As of February 9, 1998, Idaho Power said it had “not received any specific responses from our customers or vendors” and attributed this to giving advance notice of its intentions to discontinue the Commercial Lighting Energy Efficiency Program.

In its Application, Idaho Power requested the Commission authorize it to give its customers two months notice that this program will be discontinued.  It requested that the two-month period begin the date it filed this Application with the Commission.  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 ANALYSIS

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

In its Application, Idaho Power stated that the number of participants peaked in 1995 at 219, declined to 146 in 1996, and declined further to only 85 through August 1997.   Staff has since learned that 115 was the end-of-year total for 1997.  Idaho Power suggested that the lower participation in 1997 was higher than it might have otherwise been had Idaho Power not discontinued its Partners in Industrial Efficiency Program last year.  If the 1997 participation was higher than it might have otherwise been in response to the termination of its Partners in Industrial Efficiency Program, this does not support Idaho Power’s current Application to discontinue this remaining conservation program.  Furthermore, even though the number of participants has been declining, 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.  The following table summarizes these aspects of the Commercial Lighting Energy Efficiency Program since its 1993 approval by the Commission:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Calendar Year | Number of Participants | Idaho Power’sProgram Costs | Mwh Saved Annually | $/kWh Saved (levelized, real) |
| 1993 | 25 | $118,000 |  529 | $0.024 |
| 1994 | 141 |   385,000 | 4,630 |    0.009 |
| 1995 | 219 |   323,000 | 4,742 |    0.007 |
| 1996 | 146 |   323,000 | 5,473 |    0.006 |
| 1997 | 115 |   337,000 | 5,880 |          0.006 est. |

All numbers shown above, except for calendar year 1997, are from 1997 Conservation Plan, Appendix C, page 8.

However, Staff finds it is difficult to evaluate the reported cost-effectiveness of Idaho Power’s DSM programs.  Estimated energy savings and levelized costs per kilowatt-hour are based upon a best-case scenario in which no distinction is made between participants who would have increased their energy efficiency even without the program and those who would not have done so.  It is impossible to accurately measure this so called “free rider” effect, but it can be significant and often grows as programs age and markets become transformed.

Northwest Energy Efficiency Alliance

In its Application, Idaho Power also asserted that a regionalNorthwest Energy Efficiency Alliance approach to DSM is the “best approach to conservation.”  Idaho Power further asserted that the Northwest Energy Efficiency Allianceis expected to be able to permanently transform energy efficiency markets without resorting to customer rebates or other financial incentives, because it has regional market clout.  Furthermore, although the Lighting Program is claimed to have been very cost-effective in the past, Idaho Power expects that continuing the Commercial Lighting Energy Efficiency Program would not be as cost-effective because it believes that the best opportunities for efficiency improvements have already occurred.

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.  Attachment 1 contains a brief description of eight of the Northwest Energy Efficiency Alliance projects mentioned above.

Staff agrees with Idaho Power that these projects are aimed more toward permanent lighting efficiency market transformation than is Idaho Power’s own Commercial Lighting Energy Efficiency Program.  However, given the length of time such programs have been used, the sustained success of the Northwest Energy Efficiency Allianceprograms must still be established.

Deferred DSM Cost Recovery and Potentially Stranded Costs

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).  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.

Reduction of deferrals does not necessarily preclude securing least-cost energy resources through continuing cost-effective DSM programs.  However, if electric utilities are deregulated and electricity becomes a competitive commodity for all customers, then deferred DSM program investments may become “stranded costs” and non-deferred DSM expenses may cause some customers to be charged for programs from which they receive no benefits.  If DSM costs result in, or add to, electricity production costs that are above market prices for that commodity and if there is no mechanism in place to recover DSM costs from those who received the primary benefits, this will occur.

STAFF RECOMMENDATION

Although Staff does not necessarily agree with Idaho Power on all points (or with its cost-effectiveness calculations), Staff does recommend that the Commission approve Idaho Power’s Application to discontinue its Commercial Lighting Energy Efficiency Program.  Staff finds that the potential for the Lighting Program costs to become “stranded,” coupled with the fact thatNorthwest Energy Efficiency Alliancehas implemented regional lighting efficiency programs and other commercial building efficiency efforts is sufficient reason to not oppose discontinuing this program.  Staff, therefore, recommends that the Commission approve Idaho Power’s Application to discontinue its Commercial Lighting Energy Efficiency Program.

DATED  at Boise, Idaho, this            day of February 1998.

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Cheri C. Copsey

Deputy Attorney General

Technical Staff:  Lynn Anderson