DECISION MEMORANDUM

TO:COMMISSIONER HANSEN

COMMISSIONER NELSON

COMMISSIONER SMITH

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WORKING FILE

FROM:CHERI C. COPSEY

DATE:FEBRUARY 20, 1998

RE:IDAHO POWER COMPANY’S APPLICATION FOR AUTHORITY TO DISCONTINUE ITS COMMERCIAL LIGHTING ENERGY EFFICIENCY PROGRAM.  CASE NO. IPC-E-98-1.

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.  Order No. 27320.

This 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.  Idaho Power requested the Commission authorize it to give its customers two months notice that this program will be discontinued and requested that the two-month period begin to run 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 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

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 is 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).  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.

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 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 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 to not oppose discontinuing this program.  Staff, therefore, recommended that the Commission approve Idaho Power’s Application to discontinue its Commercial Lighting Energy Efficiency Program.

Commission Decision:

Does the Commission agree that Idaho Power may discontinue offering its Commercial Lighting Energy Efficiency Programs effective March 7, 1998, and agree that

1.Projects submitted under the Customized Option during the two-month notice period continue to be processed under that option so long as the project was completed by May 7, 1998; and

2.Requests for payment submitted under the Menu Lighting Option by March 7, 1998, be processed for payment under that option’s terms.

Cheri C. Copsey

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