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

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| IN THE MATTER OF THE APPLICATION OF IDAHO POWER COMPANY FOR AUTHORITY TO DISCONTINUE ITS IRRIGATION CONSERVATION PROGRAM. | )))))))) | CASE NO. IPC-E-98-4ORDER NO.  27637 |

On April 30, 1998, the Commission issued Order No. 27495 suspending the proposed May 1, 1998, effective date of Idaho Power’s proposed termination of its Irrigation Conservation Program known as the “Agricultural Choices Program” (ACP).  At the same time, the Commission issued a Notice of Modified Procedure soliciting comments in response to the Company’s Application.  Comments were submitted by the Commission Staff, the Idaho Irrigation Pumpers Association (Irrigators) and Richard Griff, representing the Grico Limited Partnership.

Commission Staff

Staff concludes that the ACP has been successful according to most measures of evaluation.  Staff notes that the only reason Idaho Power offers for the termination of the ACP is because the Company contends that regional conservation programs, such as the Northwest Energy Efficiency Alliance (NEEA) represent the most appropriate and cost effective approach to conservation.  Although Staff generally supports NEEA and its programs, it questions the inference made by Idaho Power that NEEA’s programs will replace the ACP and accomplish similar objectives.  Staff disagrees.  The ACP, Staff notes, is mostly a hardware retrofit program.  It provides evaluations of irrigation systems and pays financial incentives toward making improvements to irrigation system hardware.  By contrast, NEEA’s irrigation scheduling project is mostly an education and demonstration program intended to change irrigation practices.

Another of Idaho Power’s stated reasons for seeking to terminate the ACP is the potential that payments made for the conservation of energy to a present Idaho Power customer might not result in energy savings to the Company if in the future the customer were to obtain energy from another supplier.  Staff believes that this problem may be greatly diminished if the Commission rules in Case No. IPC-E-97-12 (Idaho Power’s accelerated DSM amortization case) to reduce the amortization for Idaho Power’s DSM investments.  In addition, Staff believes the “go slow” approach to deregulation in Idaho further lessens the chance that the Company will be unable to recover conservation program costs, at least in the short-term period.

Because of the apparent success of the ACP, the fact that no NEEA program appears designed to accomplish the same objectives, and the minimal risk that Idaho Power will be unable to recover program costs in the future, Staff is not convinced that the program should be terminated.  Staff recommends that the Company’s Application to terminate the program be denied and that the program be maintained until it is more apparent how the issue of deregulation will be played out in the state of Idaho including the establishment of a methodology for recovering stranded costs.

If the Commission should decide to allow Idaho Power to terminate the ACP, however, Staff is concerned about the timing and method of termination proposed by the Company.  Idaho Power proposes only to finalize those irrigation projects in which all of the retrofit work has already been completed and in which the only remaining task is for Idaho Power to review project invoices and to make payment to project owners.

As a result of the Commission’s decision at the April 29, 1998, decision meeting instructing Idaho Power to resume accepting new applications for participation in the program, Staff believes that this necessitates that the program be continued for at least another full year.  Unlike other DSM programs, the ACP is seasonal.  It takes any individual applicant nearly a year to make it through all of the necessary steps of the program.

In light of the foregoing, Staff proposes that if approval is given to begin terminating the program, Idaho Power be required to continue to accept new applications for participation in the large, medium and small ACP program sectors until August 1, 1998.  Staff further recommends that the retrofits under these program sectors be required to be completed and the paperwork submitted to Idaho Power no later than April 1, 1999.  For the new program sector of the ACP, because no field testing is required, Staff recommends that Idaho Power be required to accept applications until April 1, 1999.  The Company should then be able to process applications and make final payment for system improvements by July 1999.  At that time, the program could be fully terminated.

Idaho Irrigation Pumpers Association (Irrigators)

The Irrigators support the termination of the ACP contending that it has already served its useful purpose in promoting energy conservation among irrigation customers.  Terminating the ACP at this time, the Irrigators contend, is consistent with the goal of concluding other DSM programs which the Company is pursuing in an apparent effort to reduce costs in anticipation of deregulation of the electric industry.

In spite of their stated support for the termination of the ACP, the Irrigators note that the ACP was the last DSM program implemented by Idaho Power and that most farmers did not have an opportunity to begin participating until 1994.  The Irrigators state that “essentially, irrigation customers have only participated in this program for four full years.  Unlike other DSM programs that have run longer, the level of participation in the agricultural choices programs appears to still be increasing rather than decreasing.”  Comments at p. 2.

In spite of the foregoing, the Irrigators “do not object to the eventual termination of the [ACP].”  They do, however, object to the methods employed by the Company to terminate the program as well as the timing of the proposed phase-out.  The Irrigators recommend that the ACP be phased out more gradually and that irrigation customers have an opportunity to participate through December 31, 1998.  This recommendation is purportedly based on the lack of longevity of the program, continued and increasing interest in participation by irrigation customers, the time needed to design an appropriate conservation system, the practical ability of irrigators to undertake such planning during the irrigation season in progress and the confusion that likely resulted from the Company’s premature announcement that the program was terminated.

The Irrigators further recommend that the Company notify those customers who were misinformed of the program’s termination of the actual termination date ultimately established by the Commission.

Richard Griff-Grico Limited Partnership (Grico)

Grico is a family-owned farm southwest of Twin Falls which has participated in the ACP several times since the program’s inception.  Mr. Griff states that his farm’s participation in the ACP has provided an excellent learning experience.  Because of the hardware improvements implemented at the Grico farm through participation in the ACP, Grico has been able to afford larger pipe sizes with reduced pressures all adding up to years of conserved energy.  Mr. Griff states that “this conservation program has allowed the state of Idaho to grow without the need of expensive, new generation plants that would primarily service a seasonal client.”  Comments at p. 2.  He concludes that the program “has influenced a change from the predominantly 65 psi (high pressure) pivots to 10 and 15 psi pivots.”  Id.

Mr. Griff concludes by recommending that the Commission leave the ACP intact.  If the Commission rules otherwise, however, Mr. Griff recommends that (1) Idaho Power allow all participants who would have otherwise qualified in an ACP program in 1997 or the spring of 1998 to participate in the program with some leniency shown by Idaho Power in qualifying applicants due to the Company’s refusal to participate and guide them and (2) that new applications be taken throughout 1998 and until May 1, 1999, with six months following the May 1st deadline to complete the project.

Idaho Power Response

On June 11, 1998, Idaho Power filed a response to the comments submitted in response to the Company’s Application.  Idaho Power argues that the Ag Choices program should not be continued indefinitely.  The Company contends that its customers do not desire to continue funding system irrigation conservation programs.

Regarding when to terminate the Ag Choices program, Idaho Power believes that allowing irrigators to participate through December 31, 1998, is a considerably longer period of time than was awarded to other customers who participated in other demand side management programs as they have been discontinued.  Nonetheless, due to the unique characteristics of the irrigation class, the Company concedes that there is some merit in the irrigators’ proposal.  Idaho Power believes, however, that the recommendation of both the Commission Staff and Mr. Griff the program be continued well into 1999 is “extreme.”  The Company argues that requiring it to keep the program open until mid-1999 provides a transition to discontinuance beyond what can be justified by any unique characteristics class and exceeds the transition to discontinuance of other DSM programs.  Idaho Power argues that while improvements to an existing irrigation system generally may not be made until the end of the irrigation season, that customer still has late summer and early fall of 1998 to make the actual improvements to the system.  Pursuant to the Commission’s Order No. 27495 issued on April 30, 1998, in this case, the Company has kept the program open for the acceptance of applications.  Idaho Power concludes that for providing for a continued opportunity to participate through December 31, 1998, is more than adequate.

The Company proposes that a customer should be required to have completed the AG Choices program by December 31, 1998.  As noted by the Company in its Application, there is a lag between the time that the irrigation customer notifies Idaho Power that the customer desires to participate in the program and when the expenditures are made as a result of the participation.  Idaho Power claims that it attempted to address this issue by providing notice of its intention to discontinue the program.  While Idaho Power concedes that the notice was issued prior to actual approval of the Company’s Application to terminate the program by the Commission, it nonethe­less should not be totally disregarded.  The Company states that irrigation customers have again been notified Idaho Power’s intention to discontinue the AG Choices program in this proceeding.  Idaho Power reasons that the fact that the Company’s irrigation customers were made aware of this intention should be given consideration when the Commission determines how long the AG Choices program should be kept open.  Idaho Power concludes that customers should be able to complete irrigation program requirements by December 31, 1998; the same time the Company recommends for discontinuance of the program.

Finally, Idaho Power contends that there should be different time periods for participation under the four components of the Ag Choices program.  Specifically, the Company suggests that there be different time periods for the “new” and “large” components of the Ag Choices program.  The new component should have an open enrollment, Idaho Power argues, for only 30 days from the date of the issuance of the Commission’s Order authorizing discontinuance of the Ag Choices program.  Once enrolled, customers would still have until December 31, 1998, to make their system improvements.  For “new” systems, the Company states that there is no requirement to wait until the end of the irrigation season or to wait for any action on the part of Idaho Power personnel before deciding to participate.  Under the new component of the Ag Choices program, all actions except for review and approval of Company payment of an incentive are actions taken by the customer.

With regard to the “large” system component of the Ag Choices program, Idaho Power also recommends a 30-day open enrollment period following issuance of the Commission’s Order authorizing discontinuance of the program.  Large systems require customer provided engineering studies, Idaho Power notes, by stating a customer’s intent to participate during the 30 day open enrollment, adequate time will be provided to ensure that the customer fully understands the study requirements, has adequate time to perform the studies and to hire contractors to perform the necessary work by the end of the year, Idaho Power posits.

FINDINGS

We hereby grant Idaho Power’s request to terminate the Ag Choices Program.  We agree with the Staff that the Ag Choices Program has proven to be a successful acquisition of a cost effective resource and has been of benefit to all of Idaho Power’s customers.  In light of the trend in the electric industry to free regulated utilities from regulatory assets, however, we have allowed Idaho Power to terminate its other DSM programs.  We cannot justify requiring Idaho Power to maintain a program designed solely for one customer class.  We note that the Company’s Irrigation customer class was one of the last to have a DSM program designed for it.  That it is the last to be terminated is reasonable.  While we agree with the Staff that Idaho Power’s involvement in regional conservation efforts might not provide the same direct benefits to the Company’s customers as the Ag Choices program, we believe that original goal of Company sponsored conservation programs has been successful and largely completed.  Many of the conservation measures initially offered by Idaho Power through its various programs are now more readily available on the open market.  Many of the energy saving possibilities for the Company have simply been exhausted.  In fact, the programs have likely changed the way in which Idaho Power’s customers design and maintain their energy usage.  We find that it is reasonable to approach conservation on a regional basis.

We accept Idaho Power’s proposal for terminating the new and large components of its Ag Choices Program.  The new component shall have an open enrollment for a period of 30 days from the date of this Order.  Once enrolled, customers shall be given until December 31, 1998, to have completed the installation of their system improvements.

Regarding the large component, there will also be a 30 day open enrollment period from the date of this Order.  The Company is directed to cooperate with applicants under this component to assist them in completing the necessary work prior to December 31, 1998.

Finally, in regard to the medium component, customers shall be given until September 30, 1998, to submit applications to Idaho Power.  Customers must complete all work under the medium program component by June 30, 1999.

O R D E R

IT IS HEREBY ORDERED that Idaho Power’s Application in this case is approved subject to the terms and conditions set forth above.

THIS IS A FINAL ORDER.  Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order.  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 June 1998.

                                                                                                                                       DENNIS S. HANSEN, PRESIDENT

                                                                                            RALPH NELSON, COMMISSIONER

MARSHA H. SMITH, COMMISSIONER

ATTEST:

Myrna J. Walters

Commission Secretary

vld/O:IPC-E-98-4.bp2

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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| IN THE MATTER OF THE APPLICATION OF IDAHO POWER COMPANY FOR AUTHORITY TO DISCONTINUE ITS IRRIGATION CONSERVATION PROGRAM. | )))))) | CASE NO. IPC-E-98-4ERRATUM TOORDER NO.  27637 |

On July 28, 1998, the Commission issued Order No. 27637 in this proceeding resolving Idaho Power Company’s Application to terminate its Agricultural Choices Program (ACP); the conservation program designed for the Company’s irrigation customers.  In Order No. 27637 two words were inadvertently omitted from the Findings section found on page 6 of the Order.  The last paragraph of the Findings section currently reads:

“Finally, in regard to the medium component, customers shall be given until September 30, 1998, to submit applications to Idaho Power.  Customers must complete all work under the medium program component by June 30, 1999.”

The words “small and” were intended to appear before the word “medium” in the first sentence of the last paragraph of the Findings section quoted above.  That last paragraph is corrected to read as follows:

“Finally, in regard to the small and medium component, customers shall be given until September 30, 1998, to submit applications to Idaho Power.  Customers must complete all work under the medium program component by June 30, 1999.

All other portions of Order No. 27637 shall remain in full force and effect as originally issued by the Commission.

DATED at Boise, Idaho this day of August 1998.

Myrna J. Walters

Commission Secretary

vld/O:IPC-E-98-4.bp9

**COMMENTS AND ANNOTATIONS**

Text Box 1:

**TEXT BOXES**

Office of the Secretary

Service Date

July 28, 1998