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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-98-4COMMENTS OF THECOMMISSION STAFF |

COMES  NOW  the Staff of the Idaho Public Utilities Commission, by and through its attorney of record, Brad Purdy, Deputy Attorney General, and in response to the Notice of Application and Notice of Modified Procedure issued on April 30, 1998, submits the following comments.

On March 27, 1998, the Idaho Power Company (Idaho Power; Company) filed an Application for authority to discontinue its Irrigation Conservation Program, also known as the “Agricultural Choices Program.”  Idaho Power was given conditional approval to implement the program on March 15, 1993 (see Order No. 24787), and final approval on April 22, 1993 (see Order No. 24848).  The purpose of the program is to promote energy conservation among the Company’s irrigation customers through the installation and modification of more efficient irrigation systems.

Program Description

The Agricultural Choices Program consists of three components for large, medium, and small existing irrigation systems, plus a fourth component for new systems.  The large and medium components have been available to customers since 1993, while the small and new components were added in late 1994.

For large systems, customers must obtain an engineering analysis and submit a list of proposed efficiency improvements to Idaho Power.  The Company pays a financial incentive for approved energy efficiency improvements after project completion.  For medium systems, either Idaho Power or a contractor conducts a system audit to identify modifications qualifying for incentive payments.  For small systems, customers work with irrigation system dealers to identify and implement efficiency improvements.  Under the new systems program component, incentive payments are made based on meeting standards for pump efficiency, flow, water velocity, friction loss, system pressure, and/or variable speed drive motors or multiple motor pumping plants.

Program Results

A summary of the history of the Agricultural Choices Program from Idaho Power’s 1998 Conservation Plan is shown below:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Calendar Year | Number of Participants | Idaho Power’s Program Costs | kWh Saved Annually | ¢/kWh Saved (levelized, real) |
| 1993 |      2 | $  192,184    |    290,193    | 7.16 |
| 1994 |    69 |     999,290    | 5,671,670    | 1.91 |
| 1995 |    89 |     900,726    | 4,861,012    | 1.98 |
| 1996 |    92 |  1,053,242    | 6,434,928    | 1.75 |
| 1997 |    98 |     841,131    |  5,195,861    | 1.74 |
| Total |  350 | $3,986,573    | 22,453,664    | 1.91 |

The table shows that participation in this program has been good.  There has been a steady increase in the number of participants each year, indicating that the potential for energy savings in the irrigation sector remains high and that many opportunities still appear to exist for irrigation system conservation improvements.

Since the inception of the Agricultural Choices Program, Idaho Power has spent nearly  $4 million on the program.  A total of over 22 million kWh per year have been saved, with an estimated measure life of 12 years.  Idaho Power claims a real levelized cost for the Agricultural Choices Program of 1.91 cents/kWh based on the utility cost test analysis method.  This overall cost is higher than the costs of some Idaho Power Company DSM programs, but less than others.  Judging by this standard, the program has been cost effective.

Staff Analysis

Staff believes this program has been successful according to most measures of evaluation.  In fact, Idaho Power does not point to any reasons related to the successfulness of the program as the basis for termination.  Instead, the Company states that it believes that regional conservation programs represent the most appropriate and cost effective approach to conservation, particularly in light of the potential that payments made for conservation of energy to a present Idaho Power customer might not result in energy savings to Idaho Power if in the future the customer were to obtain energy from another supplier.  Idaho Power points out that the Northwest Energy Efficiency Alliance (NEEA) has approved funding for a specific irrigation program, Regional Market Transformation Venture on Scientific Irrigation Scheduling, and a program to promote high efficiency motors in the Northwest.

Although Staff generally supports NEEA and its programs, Idaho Power seems to imply that NEEA’s programs will replace Idaho Power’s Agricultural Choices Program and accomplish similar objectives.  Staff disagrees.  The Agricultural Choices Program is mostly a hardware retrofit program.  It provides evaluations of irrigation systems and pays financial incentives towards 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.  There are no provisions to provide evaluations of irrigation system hardware except for those systems which may be used for demonstration purposes.  Furthermore, there are no funds being made available as financial incentives for irrigation system hardware retrofits intended to achieve efficiency improvements.  Finally, under the Agricultural Choices Program, savings were very predictable and began occurring immediately upon completion of the irrigation system retrofits.  By contrast, under NEEA’s Irrigation Scheduling Project, Staff believes savings may be extremely difficult to measure, and if they do occur, they may happen slowly in the future as more and more irrigators change their irrigation practices.  Staff believes each program may have its own merits, and, in fact, they may be quite complementary.  However, Staff does not believe they are in any way duplicative.

NEEA’s Premium Efficiency Motors Program also does not appear to replace or duplicate the Agricultural Choices Program.  The Premium Efficiency Motors Program appears to be targeted at commercial and industrial customers, not irrigation customers.  In fact, according to NEEA’s most recent progress report, all but one of the motor dealers who received rebates so far has been located in the I-5 corridor of Washington and Oregon, or in Montana.  Only 2% of the incentives paid went to Spokane or Boise motor dealers.  Customer participation is dominated by a variety of industrial concerns, although there are a sprinkling of commercial businesses as well.  NEEA also reports that only eight customers accounted for half of all motor sales receiving incentive payments.  Staff is not aware that Idaho Power’s Agricultural Choices Program ever promoted premium efficiency motors or that incentives were ever paid under the program for premium efficiency motors.

Staff agrees with Idaho Power that a regional approach to irrigation conservation may be more appropriate and cost effective.  Staff believes that the primary benefit to Idaho Power of a regional irrigation conservation program lies in the sharing of program costs between all of the region’s ratepayers, since it is often argued that conservation is a public purpose benefitting the whole region, not just the customers of a single utility.  However, regional programs, by their very nature are broad and must use a “one size fits all” approach.  That approach is difficult with irrigation because of the differences throughout the region in weather patterns, soil types, crop types, and irrigation methods.  Although some regional coordination is desirable, and some regional management possible, a successful program in the irrigation sector must, in Staff’s opinion, be carefully tailored to fit local conditions.  NEEA’s Irrigation Scheduling Project, by being locally administered in each state, avoids many of these problems.  Staff believes a regional program similar to Idaho Power’s Agricultural Choices Program could also alternatively have been implemented, thus gaining the benefits of a regional program while continuing to achieve objectives similar to the Agricultural Choices Program.

Another of Idaho Power’s stated reasons for seeking to terminate the Agricultural Choices Program is the potential that payments made for the conservation of energy to a present Idaho Power customer might not result in energy savings to Idaho Power if in the future the customer were to obtain energy from another supplier.  A similar argument was made in recent Company applications to terminate the Partners in Industrial Efficiency Program, (see Order Nos. 26753 and 26818, IPC-E-96-22); the Design Excellence Award Program, (see Order No. 26957, IPC-E-97-2); and the Commercial Lighting Program (see Order No. 27375,

IPC-E-98-1).  Idaho Power’s desire to continue to reduce the deferral of DSM expenditures is consistent with these orders.

The current cost recovery mechanism requires that all costs, except administrative, be capitalized and deferred for future recovery.  This requires a long-term commitment from the Company and its ratepayers for cost recovery.  In a deregulated market however, the repayment commitment of ratepayers may be threatened because ratepayers would no longer be captive.  Without a mechanism in place to recover DSM costs from those who receive the primary benefits, some customers could receive the benefits of Idaho Power investments, but not pay their full share of the costs.  Staff believes this problem may be greatly diminished however, if the Commission rules in a currently ongoing case (Case No. IPC-E-97-12, The Application Of Idaho Power Company for Authority to Increase its Rates and Charges to Recover Demand Side Management/Conservation Expenditures) to reduce the amortization period for DSM investments from the current 24 years to five years.  In addition, Staff believes the “go-slow” approach to deregulation in Idaho further lessens the chance that Idaho Power will be unable to recover conservation program costs, at least in the short term.

Staff Recommendations

Because of the apparent success of the program, the fact that no NEEA program appears designed to accomplish the same objectives, and the only 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.  Furthermore, many of the most compelling reasons for terminating other DSM programs are absent in this case.  For example, the potential opportunities for conservation in the irrigation sector are far from exhausted, no energy efficiency design standards have been adopted or are common practice, and the popularity of the program is not diminishing.  Staff recommends that the Company’s application to terminate the program be denied, and that the program at least be maintained until the restructuring picture becomes clearer, the recovery method for DSM costs is decided, and the stranded cost issues resolved.

If the Commission should decide to terminate the program 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 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 this necessitates that the program be continued for at least another full year.  Unlike other DSM programs, the Agricultural Choices Program is seasonal.  It takes any individual applicant nearly a year to make it through all of the necessary steps of the program.  For example, an irrigator must first have its system tested for efficiency sometime during the irrigation season.  Following the irrigation season, Idaho Power analyzes the results of the testing and completes a report that includes recommendations on system changes.  The system owner must then make the proposed changes during the off-season.  The final steps are for the owner to complete the necessary paperwork requesting payment from Idaho Power, followed by Idaho Power’s review of payment requests and subsequent payment.  Thus, an irrigation customer requesting to participate in the program early this summer could not complete the process until sometime next spring.

Staff proposes, therefore, 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 program sectors until August 1, 1998.  Staff 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 element, because they do not require field testing, Staff recommends Idaho Power be required to accept applications until April 1, 1999.  Idaho Power should then be able to process applications and make final payment for system improvements by July 1999.  At that time, the program could then be fully terminated.

Because irrigators and irrigation equipment dealers have previously been informed by Idaho Power that the program was being terminated, Staff believes that most are still under the impression that the program ended more than a year ago.  Consequently, if the Commission wishes to extend the program for another year as suggested by Staff, then Staff proposes that Idaho Power be required to provide ample notice, either through direct contact or through advertising, that the program has not yet been terminated and that the Company is still accepting applications.  Idaho Power has expressed concern about being flooded with new applications as a result of being ordered to resume the program.  If the Company becomes overwhelmed by new applications, then Staff suggests Idaho Power make a reasonable attempt to accommodate as many new applications as possible given the limited opportunity to complete necessary field work during the remainder of the 1998 irrigation season.

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

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Brad Purdy

Technical Staff:  Rick Sterling

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