DECISION MEMORANDUM

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FROM:BRAD PURDY

DATE:JUNE 1, 1998

RE:CASE NO. IPC-E-98-4; APPLICATION OF IDAHO POWER COMPANY FOR AUTHORITY TO DISCONTINUE ITS IRRIGATION CONSERVATION PROGRAM

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 received by the Commission Staff, the Idaho Irrigation Pumpers Association 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.  Moreover, Staff contends that regional programs, by their nature, must use a one-size fits all approach which is difficult with irrigation because of differences throughout the region in weather patterns, soil types,  crop types and irrigation methods.

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.  For example, an irrigator must first have its system tested for efficiency sometime during the irrigation season.  Following the season, the Company analyzes the results of the testing and completes a report including recommendations on system changes.  The system owner must then make the proposed changes during the off season.  The final steps involve completing the necessary paperwork requesting payment from the Company followed by Idaho Power’s review of payment requests and subsequent payment.  Thus, an irrigation customer requesting to participate in the ACP early in the summer could not complete the process until sometime next spring.

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.

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 chooses 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.  The Company has expressed concern about being flooded by new applications as a result of the continuation of the ACP.  If the Company becomes overwhelmed by new applications, then Staff suggests that it 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.

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 opines that the Commission will not receive many letters regarding Idaho Power’s Application to terminate the ACP because farmers are currently in their busiest time of the year and because Idaho Power began to refuse new applicants in the spring of 1997.  Consequently, the farmers have considered this program to be discontinued and are unaware of the present action by Idaho Power, Mr. Griff contends.

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.

Commission Decision

Does the Commission wish to allow Idaho Power to terminate the ACP?  If so, should the program be terminated immediately or with some type of phase-out as suggested by the commenters?

Brad Purdy

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