ADDENDUM TO DECEMBER 15

DECISION MEMORANDUM

TO:COMMISSIONER HANSEN

COMMISSIONER NELSON

COMMISSIONER SMITH

MYRNA WALTERS

TONYA CLARK

BILL EASTLAKE

DON HOWELL

STEPHANIE MILLER

KENT SCHNEIDER

LYNN ANDERSON

TERRI CARLOCK

DAVID SCOTT

WORKING FILE

FROM:BRAD PURDY

DATE:DECEMBER 28, 1998

RE:CASE NO. IPC-E-98-12—APPLICATION OF IDAHO POWER FOR AUTHORITY TO RECOVER ITS INVESTMENT IN THE NORTHWEST ENERGY EFFICIENCY ALLIANCE THROUGH AN OFFSET TO THE COMPANY’S 1997 REVENUE SHARING BALANCE.

On December 23, 1998, Idaho Power Company filed a response to the comments filed earlier by the various parties to this proceeding.  Idaho Power characterizes the issues to be resolved by the Commission as: (1) should this proceeding remain on Modified Procedure?; (2) should Idaho Power’s Application for funding of its Idaho jurisdictional share of NEEA for 1997 and 1998 and conditional approval for 1999 be granted?

Modified Procedure

Idaho Power argues that although they request a hearing, neither Micron nor the ICIP contend that they will present any evidence but will use the proceeding only to test the prudence of particular NEEA projects that have been funded.  The Company believes that the concerns of Micron and the ICIP can be addressed without an evidentiary proceeding.

Idaho Power’s Request for Funding of its NEEA Participation

Idaho Power argues that it is not requesting a rate increase.  Idaho Power states that if the entire NEEA funding amount attributable to the Idaho jurisdiction ($2,432,085.75) for the year 1997 and 1998 is refunded to the Company’s retail customers, the refund per customer would be a credit of approximately $3.12 for the residential customer consuming 1200 kilowatt hours per month for one year and the one-time lump sum credit to Micron would be approximately $53,771.  If the Company receives funding for 1997 and the 1998 NEEA payment is deferred, the amount of the refund would be a credit of approximately $2.16 per residential customer for one year and the one-time lump sum to Micron would be approximately $35,848.  Idaho Power characterizes the amount of the refund as “very small” and a “one time event.”  Conversely, the Company argues, the carrying charges it incurs if the NEEA principle payments for the years 1997 and 1998 are not funded at this time will be in excess of $26,000 per month.  If the 1997 NEEA payment is funded and only the 1998 NEEA is deferred, the carrying costs are in excess of $17,500 per month.  These monthly amounts remain constant so long as revenue sharing amounts are used to fund the carrying charges.  Once revenue sharing funds are not available, the monthly carrying charges balance will increase at a faster rate due to compounding.

Idaho Power argues that ratepayers are better off if the full balance is paid and carrying charges are avoided.

Regarding the prudence of Idaho Power’s participation in NEEA, the Company concurs with the definition of that term applied by Staff in its comments.  Idaho Power emphasizes that this definition has been utilized by the Commission in other cases and the Commission has ruled that prudence is determined at the time the expenditure is made rather than in hind sight based on facts not in existence at the time.  Idaho Power concludes that the testimonies and exhibits of NEEA witness Gardner and Company witness Nemnich “clearly demonstrate” that the NEEA payments were prudent at the time they were made.  The Company objects to Staff’s proposal to defer a decision on the Company’s 1998 NEEA payments on the basis that such an approach necessarily relies on a hind sight prudence test.  The Company argues that if NEEA is a prudent endeavor, then the Company is justified in participating at this time and should not be subject to hind sight scrutiny based on facts not known or in existence now.

Referring to the testimonies and exhibits of witnesses Gardner and Nemnich, Idaho Power argues that the evidence establishes that the Company’s participation in NEEA was prudent.  First, Idaho Power contends, the selection of NEEA projects is consistent with the mission of the organization; to accomplish cost effective energy efficiency through market transformation.  Second, Idaho Power contends that the implementation of projects is closely monitored through market progress through evaluation reports conducted by independent third parties to ensure program efficiency.  Third, NEEA committed to documentation of project results in an open, public forum.  Fourth, Idaho Power asserts that NEEA has established an operational environment that can continue to build on its successes.  In support of the foregoing points, Idaho Power provides approximately 10 pages of argument pertaining to the NEEA program selection process and the various programs NEEA has invested in.

Idaho Power objects to Staff’s proposal that the Company conduct its own investigations and feasibility studies concerning the NEEA projects.  The Company argues that this would be duplicative and would defeat the purpose of the Company’s participation in NEEA.  Moreover, the Company asserts that it has no funds available for such a review.

Regarding the Company’s proposal to utilize 1998 revenue sharing funds if available to fund the 1999 NEEA contributions, Idaho Power states that its participation in NEEA will be reviewed after the Commission has issued its Order in this case.  If the Commission desires additional information in the year 1999 the Company will provide it, but a preliminary ruling by the Commission that 1998 revenue sharing funds can be utilized for 1999 NEEA payment would go far in providing the Company with the assurance that if it continues participation in NEEA it will be able to recover its investment.

In conclusion, Idaho Power submits that its Application can be processed under Modified Procedure and that it is in the interest of all parties that the Commission allow the funding of the 1997 and 1998 Idaho allocated share of NEEA payments (in the amount of $2,432,085.75) out of the Company’s 1997 revenue sharing funds.  Idaho Power also seeks conditional approval of the use of 1998 revenue sharing funds for funding of the 1999 NEEA payment.

Brad Purdy

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