

SCOTT WOODBURY
DEPUTY ATTORNEY GENERAL
IDAHO PUBLIC UTILITIES COMMISSION
PO BOX 83720
BOISE, IDAHO 83720-0074
(208) 334-0320
BAR NO. 1895

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IDAHO PUBLIC
UTILITIES COMMISSION

Street Address for Express Mail:
472 W. WASHINGTON
BOISE, IDAHO 83702-5983

Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF)	
PACIFICORP FOR APPROVAL OF IDAHO)	CASE NO. PAC-E-02-7
COMPACT FLUORESCENT LIGHT BULB)	
PROGRAM (TARIFF SCHEDULE 20) AND FOR)	
APPROVAL OF DEFERRED ACCOUNTING)	COMMENTS OF THE
TREATMENT.)	COMMISSION STAFF
)	

COMES NOW the Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Scott Woodbury, Deputy Attorney General, and in response to the Notice of Application, Notice of Modified Procedure, Notice of Comment Protest Deadline and Notice of Intervention Deadline issued in Order No. 29151 on November 12, 2002, submits the following comments.

On October 18, 2002, PacifiCorp dba Utah Power & Light Company (PacifiCorp; Company) filed an Application with the Idaho Public Utilities Commission (Commission) requesting approval of a proposed new tariff Schedule 20, Residential Energy Efficiency Program—Compact Fluorescent Light (CFL) Bulb Program and deferral of CFL program costs. The proposed CFL program would provide two CFLs, at no direct cost, to PacifiCorp’s 44,000 Idaho residential customers. The bulbs would be mailed directly to customers in packages that include the bulbs, information on the benefits of CFLs and advice on the most energy efficient use of the bulbs. All bulbs carry a two-year warranty through Energy Technology Laboratories (ETL),

are Energy Star certified and carry the Energy Star label. Energy Star is a self-certification process sponsored by the US Department of Energy. Products meeting Energy Star requirements are said to be built beyond energy efficiency codes and standards.

STAFF ANALYSIS AND RECOMMENDATIONS

While Staff does not oppose approval of the proposed tariff, the focus of our review in this case is with respect to deferral of program costs and retention of relevant information that will allow a full review of the program when costs are requested for recovery in a future rate case.

There are 3 accounting issues to be addressed that are associated with program cost deferral:

1. Should deferral be approved with a prudence review in a future rate case?
2. When should amortization of the deferred balance begin?
3. Should carrying charges apply?

Summary

Staff recommends that the Company be allowed to establish the CFL Tariff Schedule 20 and defer its investment in demand side management (DSM) expenses related to the CFL program. Staff recommends that amortization of the program expenses commence upon completion of light bulb distribution, with an amortization period of 5 years; that a prudence review be undertaken in conjunction with PacifiCorp's next general rate case and that Staff's recommendation regarding inclusion in rates be made at that time. Staff also recommends that accrual of interest on the deferred balance not be allowed.

Deferral and Amortization Period

The Company proposes to spend approximately \$456,000 to distribute 44,000 CFLs in a single year. Absent an accounting order allowing deferral of program costs, PacifiCorp would be required to expense those costs in the year incurred with limited opportunity for program review or cost recovery. Staff believes that DSM programs such as these can be a cost effective way to meet customer demand and should not be discouraged by eliminating the opportunity for cost recovery. Consequently, Staff does not oppose the Company's request for deferral.

Historically, DSM costs have been deferred and amortized over a period of time, usually the expected useful life of the project or program. DSM costs accumulate until a rate case, and recognition in rates of the unamortized amount does not start until the conclusion of the rate case. Staff recommends that amortization begin when distribution of the light bulbs is completed. Staff recommends a five-year amortization period. The bulbs are guaranteed for two years and, with a 10,000-hour rated life, are expected to last up to seven years.

Prudence Review

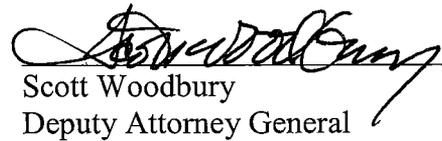
This Commission stated in Order 28097, Case No. WWP-E-98-11, Avista's last general electric rate case, "As indicated in prior Orders, it is the Company's obligation in a rate case to demonstrate the prudence of its conservation investment and our responsibility to ratepayers to determine that the Company has satisfied its obligation." Consistent with PacifiCorp's request, Staff recommends that a prudence review be undertaken when PacifiCorp files its next general rate case. Staff further recommends that the Company keep such records as will be necessary to determine whether the program costs were prudently incurred. Staff would like the Company to provide an evaluation of the program's effectiveness in obtaining direct energy savings and in encouraging its customers to purchase additional CFL light bulbs. Staff expects this evaluation would explain, for example, how ETL was chosen as the vendor for the program, how the specific CFL light bulbs were selected considering their lumens, watts, size and weight, how many households actually used the light bulbs, how many hours they used them, how many consumers purchased additional CFLs as a result of this program, and how many recipients of the CFLs were already using CFL bulbs and/or other florescent light products.

Interest on the Deferred Balance

Staff recommends that carrying charges on the deferred balance not be approved. Demand Side Management costs are akin to generation costs in that the programs are designed to forestall the construction of new generation. If new generation were constructed, the Company would accrue AFUDC during the construction phase, but would not accrue carrying charges between the time construction was completed and the time the new generation was included in rate base and in rates during a general rate case. It is not normal ratemaking treatment to accrue interest charges on new generation prior to the inclusion in rates following a rate case. With this program, there is

no construction period so AFUCD would not accrue and interest should not accrue on the DSM deferred balance during the period between implementation and inclusion in rates. Once the Company has filed a general rate case and the Demand Side Management programs have been found to be prudent, the unamortized deferred balance of DSM programs will be included in rate base with the calculated return and amortization expense recognized in rates.

Respectfully submitted this 27th day of November 2002.


Scott Woodbury
Deputy Attorney General

Technical Staff: Lynn Anderson
Kathy Stockton

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 27TH DAY OF NOVEMBER 2002, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. PAC-E-02-7, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

ROBERT LIVELY
PACIFICORP
201 S MAIN ST, SUITE 2300
SALT LAKE CITY UT 84111

MARY S HOBSON
STOEL RIVES LLP
SUITE 1900
101 S CAPITOL BLVD
BOISE ID 83702


SECRETARY