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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE PETITION OF THE)
WASHINGTON WATER POWER COMPANY)
FOR APPROVAL OF REVISED GAS AND)
ELECTRIC TARIFFS FOR IMPLEMENTATION)
OF ENERGY EFFICIENCY PROGRAMS FOR)
RESIDENTIAL, COMMERCIAL AND)
INDUSTRIAL CUSTOMERS.)**

**CASE NO. WWP-E-96-7
WWP-G-96-4**

STAFF COMMENTS

COMES now the Staff of the Idaho Public Utilities Commission by and through its attorney of record, Brad M. Purdy, Deputy Attorney General, and in response to the Application of The Washington Water Power Company (Water Power; Company) for approval of tariff revisions related to the Company's energy efficiency programs, submits the following comments.

On October 24, 1996, Water Power filed an Application for approval of tariff revisions related to the Company's energy efficiency programs and funding. Through its filing, Water Power proposes to continue the Company's electric energy programs at their current level and the energy efficiency tariff rider (Schedule 91) at the current 1.50% of base rates. Water Power states that the resulting revenue of approximately \$5 million per year, on a system basis, is dedicated exclusively to electric energy efficiency programs. The tariff rider for natural gas programs (Schedule 191) is proposed to be decreased from a surcharge of 0.52% to 0.

The tariff rider is a method of funding water power's energy efficiency programs. It is basically a surcharge dedicated to energy efficiency programs. It results in an expensing of conservation expenditures rather than the creation of regulatory assets.

According to the Company, the proposed changes to existing electric programs are, for the most part, "housekeeping" modifications. A significant change is proposed for the Company's market transformation programs. Water Power proposes to reorient its market transformation efforts through participation, starting in 1997, in a coordinated regional approach under the auspices of the Northwest Energy Efficiency Partnership.

The Company states that the proposed withdrawal of Schedule 190 results from the avoided cost of natural gas having decreased to a level that significantly reduces the cost effectiveness of natural gas energy efficiency programs. The Company intends to make available information on financing and installation options for interested customers. Additionally, to avoid lost opportunities, natural gas efficiency improvements may be examined when Company representatives are reviewing a customer's potential electricity improvements. Because the cost of this service is expected to be minimal, Water Power is not proposing cost recovery at this time. The Company will continue to monitor the weighted average cost of gas to determine if there are any substantive changes in the gas commodity prices that would improve the cost effectiveness of gas energy efficiency programs.

Water Power asserts that the tariff rider remains a good response for the continuation of energy efficiency as the industry continues to experience change to a more competitive environment. Likewise, Water Power continues to gain experience regarding the provision of energy efficiency at low costs to benefit participating and non-participating customers.

The Company states that in the course of the 1997-1999 energy efficiency planning, eight organizations participated in two meetings to discuss and critique Water Power's proposed programs. The DSM Opportunities Group (DOG) offered helpful suggestions, many of which have been incorporated in the Company's filing, Water Power states. According to the Company, there is no change in revenue associated with Schedules 90 and 91. The total revenue projected to be raised by the rider will remain at the same annual levels as approved for the 1995 and 1996 period. Due to load growth on a system basis, the proposed electric rider is now at 1.50% of gross revenues, compared to the 1.55% level during the 1995-1996 period. Because of differences in load growth

between customer classes, Water Power notes that there is a very slight change (i.e., up to 0.013¢/kWh) in the effective rate of some schedules. The Company states that the proposed revisions to Schedules 190 and 191 result in a revenue decrease of approximately \$450,000 per year on a system basis, and a corresponding reduction in expenditures for the gas DSM program.

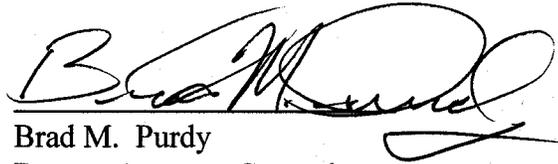
Water Power requests that the Commission approve the proposed DSM tariff changes included in the Company's filing effective January 1, 1997, for a three-year period ending December 31, 1999. Staff has reviewed the Application and agrees that the changes to the electric DSM programs are, for the most part, housekeeping measures. Staff participated in the first DOG meeting conducted by the Company in preparation for this program. Most of the comments raised by those in attendance at the meeting were positive and constructive, Staff believes. Staff also believes that the Company has done a good job of incorporating the suggestions made during that meeting into the Application ultimately submitted.

The Company's decision to participate in the regional market transformation effort, the Northwest Energy Efficiency Partnership, is a preferred alternative, Staff believes, to the Company's independent efforts for these types of programs. Regional action for this type of effort should be more effective over the long term and should result in savings for the rate payers.

Although Staff expressed reservations about the tariff rider concept when initially proposed, it is pleased with the manner in which the Company has implemented it and the positive effects that the stable source of funding has had on the Company's DSM efforts. Staff has no reservations in recommending the continuation of the tariff rider for electric customers.

Staff also concurs with the Company's decision to reduce the gas tariff rider to zero and eliminate the programs that apply to gas customers. While Staff has not independently verified any of the calculations used to justify this decision, the results of the Company's analysis are consistent with Staff's expectations with regard to gas supply costs as reported by Water Power. Water Power has proposed a reasonable process for termination of the gas DSM program, Staff contends, and the ongoing efforts the Company has identified for customer service after the programs are eliminated are positive and reasonable alternatives.

DATED at Boise, Idaho this 27th day of November 1996.

A handwritten signature in black ink, appearing to read "Brad M. Purdy", written over a horizontal line.

Brad M. Purdy
Deputy Attorney General

vld/N:WWP-E-96-7.bp2

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 27TH DAY OF NOVEMBER 1996, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NOS. WWP-E-96-7/ WWP-G-96-4, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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