DECISION MEMORANDUM

TO:COMMISSIONER NELSON

COMMISSIONER SMITH

COMMISSIONER HANSEN

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GARY RICHARDSON

WORKING FILE

FROM:BRAD PURDY

DATE:OCTOBER 29, 1996

RE:RATE CASE NOS.  WWP-E-96-7 AND WWP-G-96-4

APPLICATION OF WASHINGTON WATER POWER FOR APPROVAL OF REVISIONS TO DSM PROGRAMS

On October 24, 1996, The Washington Water Power (Water Power; Company) 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 successful 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 the 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.

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 is proposing 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.

Water Power states that the proposed withdrawal of Schedule 190 results from the avoided cost of natural gas having decreased to a level which 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 customer’s potential electricity improvements.  Because the cost of this service is expected to be minimal, the Company is not proposing cost recovery at this time.  Water Power 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 states that this filing is based on the following planning objectives:

(1)   Emphasize customer satisfaction as a key measure;

(2)   recognize that energy efficiency provides

new resources and long term resource diversity,

customer service,

public policy responsiveness,

social benefits;

(3)  focus on market transformation and leveraging opportunities;

(4)  build on previous field experience and market research;

(5)  participants pay major percentage when possible; and,

(6)  provide stable funding for energy efficiency programs compatible with Water Power financial criteria and the changing industry environment.

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 the Company’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 Water Power, there is no change in revenue associated with Schedules 90 and 91.  Due to load growth on a system basis, an electric rider is 1.50% compared to the 1.55% level during the 1995-96 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.

Water Power requests that the Commission approve the proposed DSM tariff changes included in the Company’s filing to be effective January 1, 1997 for a three-year period ending December 31, 1999.

Commission Decision

Staff has conducted an initial review of the Company’s Application.  Expecting little or no controversy, Staff believes that this matter could best be handled under Modified Procedure.  Does the Commission wish to issue a Notice of Modified Procedure soliciting comments in response to the Company’s Application.

Brad Purdy

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