DECISION MEMORANDUM

TO:COMMISSIONER HANSEN

COMMISSIONER NELSON

COMMISSIONER SMITH

MYRNA WALTERS

TONYA CLARK

DON HOWELL

STEPHANIE MILLER

DAVE SCHUNKE

RICK STERLING

DAVID SCOTT

WORKING FILE

FROM:SCOTT WOODBURY

DATE:OCTOBER 6, 1997

RE:CASE NO. WWP-E-97-7

PROPOSED CHANGES TO ENERGY EFFICIENCY TARIFFS

On August 4, 1997, The Washington Water Power Company (Water Power; Company)  made a letter filing with the Idaho Public Utilities Commission proposing four changes to the Company’s energy efficiency tariffs.  Modifications are proposed to the Home Automation and Commercial Fuel Switching Rebate programs.  A new Leasing Program is proposed.  The final requested change is to name the Northwest Energy Efficiency Partnership by its proper title, i.e., the Northwest Energy Efficiency Alliance.

Home Automation

The Home Automation revision changes the program from a high-end demonstration project contemplated in the original tariff to a low-end home automation project.  As represented by the Company, this midstream fine tuning enhances the market transformation characteristics of the program.  The high-end of the market (e.g., houses with market value greater than $250,000) appears to be transforming without utility assistance.  Under this tariff, the Company will review home automation products for their energy saving characteristics and offer customer incentives either on a per device or connected load basis.  These products may control end-uses such as lighting (interior and exterior), water heating, HVAC, swimming pool filtration and heating or other electric end-uses.  There is no change from the original tariff in the maximum funding for this program.

Commercial Prescriptive Fuel Switching Rebate Program

This program will provide low interest loans to customers for capital expenditures associated with switching from electric to natural gas.  The proposed revision to the Company’s Commercial Prescriptive Fuel Switching Rebate Program adds a prescriptive path for water heating units under 150 gallons and also allows other end uses to be converted at a rate of 3¢ per kWh.  This rate, the Company contends, is consistent with the rate implicit in the space heating incentives contained in the original tariff.  The majority of projects eligible for incentives under this tariff, the Company states, will be either in the space or water heat prescriptive paths.  Some occasional cooking, process or other loads may be converted based upon the 3¢ per kWh path.  There is no change from the original tariff in the maximum funding for this program.

Electric Efficiency Leasing Program

The proposed Electric Efficiency Leasing Program is new and is targeted to educational or public institutions, primarily schools.  The funding is based upon $500,000 in “seed” money from anticipated lower expenditures in the HVAC System Efficiency Program (which is now largely a regional program) in the Northwest Energy Efficiency Alliance (NEEA).  This program is proposed, the Company contends, due to unique market barriers faced by educational and other public institutions having borrowing limitations for conservation and energy efficiency projects.  Specifically, many of these customers are unable to undertake such projects because they cannot commit funding beyond the term of their current school board or legislative body.  As a consequence of this restriction, such public entities frequently rely upon leases rather than purchases for their capital equipment.  This program will provide public entities with the means to obtain such equipment, with the equipment becoming the property of the customer at the end of the lease.  The lease payments will be structured such that the implicit interest rate will not exceed the market rate of interest for the tax exempt entities.  The program will be limited to the leasing of equipment which is vital to the operation of the facility and which incorporates an improvement in energy efficiency.  Lease revenues will reimburse the Energy Efficiency Tariff Rider fund but will not necessarily be used to fund other leases.  The program will expire when the funds available for purchase of leased equipment are exhausted.

Name Change

The final change proposed by the Company in its filing is renaming the Northwest Energy Efficiency Partnership by its proper title, i.e., the Northwest Energy Efficiency Alliance.

Water Power contends that there is no revenue change associated with this filing.

Notices of Application and Modified Procedure in Case No. WWP-E-97-7 were issued on September 2, 1997.  The deadline for filing written comments was September 24, 1997.  The Commission Staff was the only party to file comments.  Informal reply comments were communicated to Staff by the Company on October 2, 1997.

Staff comments and recommendations can be summarized as follows:

Home AutomationProgram

Staff characterizes the revision in the home automation program as much more than midstream “fine tuning.”  Although the objective of the program remains market transformation, the focus changes from demonstration and promotion of new technologies and a few closely monitored installations, to market transformation through installation of a large number of relatively low-cost energy control devices.  Staff is skeptical as to whether the program can be effective in transforming the market.  Staff expresses concern that the cost effectiveness of these devices has not been proven and recommends that the program (if approved) include a strong monitoring and evaluation component.  Should a similar program be undertaken by NEEA (suggested as perhaps a more effective vehicle for achieving regional market transformation), Staff recommends that Water Power’s program be discontinued or redesigned so as to not be duplicative.

Staff also expresses concern regarding the marketing of the home automation program.  Staff believes that the primary focus of advertising and promotion should be on reaching the customer before they have committed to shopping for equipment, before they have indicated a predisposition to buying.

Commercial Prescriptive Fuel Switching Rebate Program

Given that the Commission only recently approved this program in January 1997, and that the program is scheduled to expire on December 3, 1999, Staff supports the proposed modifications.  Noting the price advantages of gas over electricity, Staff, however, expresses its belief that substantial incentives already exist to encourage customers to switch to gas.  With the advent of increased competition in the electric industry, Staff questions whether Water Power electric customers should be paying to switch Water Power electric customers to Water Power gas.

Electric Efficiency Leasing Program

Staff believes that some general cost effectiveness guidelines should be established to determine eligible measures under the program so that it maintains its purpose of promoting cost effective energy efficiency and is not simply utilized as a financing mechanism for general school improvements.  Staff proposes that a maximum term be established for the leases (five years) and that a cap be placed on the maximum amount of the leases ($50,000) for each participating customer and recommends that these limits be stated in the Company’s tariffs.  The Company in its informal reply comments indicates its desire to retain a degree of flexibility in implementation of this tariff and suggests that it may be premature to establish the five year and $50,000 limits.

Northwest Energy Efficiency Alliance

Staff identifies this change as simply “housekeeping” and supports it.

Commission Decision

Water Power is proposing four changes to the Company’s energy efficiency tariffs:

●Modifications to the home automation program;

—if approved, Staff recommends monitoring and evaluation component.

●Modifications to the commercial prescriptive fuel switching rebate program;

●Implementation of a new electric efficiency leasing program:

—Staff recommends general cost effectiveness guidelines be established.

—Staff recommends explicit maximum lease term and maximum $ amount per participant.  (Opposed by WWP).

●Renaming the Northwest Energy Efficiency Partnership by its proper title, i.e., the Northwest Energy Efficiency Alliance.

Should the proposed changes be approved?  With or without modification?

Scott Woodbury

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