(text box: 1)BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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| IN THE MATTER OF THE PETITION OF THE WASHINGTON WATER POWER COMPANY FOR APPROVAL OF REVISED ELECTRIC TARIFFS FOR IMPLEMENTATION OF ENERGY EFFICIENCY PROGRAMS FOR RESIDENTIAL, COMMERCIAL AND INDUSTRIAL CUSTOMERS | )))))))) | CASE NOS. WWP-E-98-9                      WWP-G-98-2ORDER NO.  27794 |

Electric—

On August 24, 1998 (and by subsequent September 25, 1998 and October 2, 1998, revisions), The Washington Water Power Company (Water Power; Company; WWP) filed an Application with the Idaho Public Utilities Commission (Commission) requesting approval of proposed revisions to the Company’s Electric Schedule 90 Energy Efficiency Tariffs and extension of the related Schedule 91 funding mechanism.  Pursuant to prior Commission Order, Water Power funds its Schedule 90 electric energy efficiency conservation programs in Idaho by means of a distribution surcharge of 1 1/2% of retail electric sales.  (Schedule 91 Energy Efficiency Rider).

As described by the Company, the goals of the Schedule 91 Energy Efficiency Rider and Energy Efficiency Programs are to

1.  Maintain continuity in the promotion and support of energy efficiency;

2.  Provide for long-term resource diversity through energy saving programs;

3.  Recognize the timing of resource needs;

4.  Promote the transformation of consumer markets to energy efficient choices; and

5.  Provide customer service value.

The purpose of the Schedule 91 Energy Efficiency Rider, the Company states, is to continue energy efficiency funding irrespective of increased competition in the electric industry.

Water Power’s Schedule 91 Energy Efficiency Rider collects approximately $4.7 million per year.  For the period of 1997 through July 1998, Water Power contends that its programs have resulted in estimated savings of 5.4 aMW (including projects in progress).

Water Power has nine active programs plus active participation in the regional market transformation effort, the Northwest Energy Efficiency Alliance.  The programs include:

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| Program | Sector |
| ∙HVAC — furnace filter component—duct sealing∙Limited Income Energy Efficiency ∙Site Specific∙Trade Ally∙Resource Management Partnership∙Energy 2,000—New Technologies—LED Traffic Lights—LED Exit Signs—Assisted Technologies∙Prescriptive Lighting∙Prescriptive Fuel Switch | ResidentialResidentialResidentialCommercial/IndustrialCommercial/Residential/IndustrialCommercialCommercialCommercialCommercialResidentialCommercialCommercial |

The Company’s filing include descriptions of programs, and a detailed cost-effectiveness analysis of all existing programs, proposed modifications to ongoing programs and new programs considered for inclusion in the WWP portfolio.

In this filing, Water Power proposes the following three changes:

•Removal of the termination date of December 31, 1999 in the Schedule 90 Energy Efficiency Programs and Schedule 91 Energy Efficiency Rider to provide program continuity for customer service and to avoid administrative disruption.

•Provide a mechanism for program review (examination of funding levels and savings results) and modification in lieu of termination date.

—Water Power proposes that its stakeholder group, the External Energy Efficiency Board (Triple E Board), formerly known as the DSM Opportunities Group, be convened annually to review program design results and future programs.  A report will be provided to the Commission in late November of each year.  This proposal, the Company states, essentially formalizes the informal, voluntary public involvement process Water Power has undertaken since 1995.  The Triple E Board and Water Power employees will also investigate the availability of potential energy efficiency programs on a triennial basis beginning in the year 2000.

•Minor housekeeping revisions (major changes in the programs, the Company contends, are not warranted at this time due to ongoing fine tuning and the opportunity provided by the mechanism for future modifications.)  Revisions proposed at this time include

—Removal of the Manufactured Housing Acquisition Program (MAP).  This was a regional program performed in conjunction with the BPA.

—Addition of duct testing and sealing to the limited-income residential programs.

—Refocus the Assisted Technologies program on low-end technologies to increase customer acceptance.  Water Power’s experience with home automation in the past year has shown that the upper-end market does not need utility intervention to increase customer acceptance.

—Removal of budget ceilings on a program by program basis.  Other changes include inclusion of Schedules 12 and 22 when program offerings are available to Schedules 11 and 21, respectively.

—Addition of the federal Department of Energy approved guidelines for health and safety repairs on program-qualified residences to the limited income program.  Also proposed is a revision to the reimbursement process by combining funds of the participating agencies.

—Removal of the budget ceiling of $100,000 per calendar year per site and $200,000 per individual project from the General Rules and Provisions.  These terms were applicable only to the Site Specific and New Technologies programs.  Instead, these two programs will have their own cap of $250,000 per project per year and $150,000 per project per year, respectively.

Natural Gas—

Water Power has reviewed the potential for providing natural gas efficiency services to natural gas customers.  The initial DSM tariff rider and program filing in 1995 included a natural gas tariff rider of approximately 0.5% and corresponding program offerings.  The natural gas tariff rider was reduced to 0.00% beginning in 1997 as a result of the lack of cost-effective program opportunities at the time of its approval.  The analysis detailed in the Company’s filing again comes to the conclusion that gas efficiency programs are not sufficiently cost-effective to warrant a programmatic effort at this time.

Water Power will continue to monitor the weighted average cost of gas (WACOG) (as a proxy for gas avoided costs) and will re-evaluate the cost-effectiveness of natural gas programs should the WACOG increase significantly.  Water Power will re-evaluate the potential for gas efficiency programs if changes in the WACOG, gas end-use technologies or methods of program delivery warrant the effort.

On October 9, 1998, the Commission in Case Nos. WWP-E-98-9 and WWP-G-98-2 issued a Notice of Application and Modified Procedure.  The deadline for filing written comments was October 30, 1998.  The Commission Staff was the only party to file comments.

Staff recommends that the Commission approve the Company’s Application (as revised and amended), but with one change to tariff Schedule 90, Sheet 90, to make it consistent with a prior Commission order.  The original, current and proposed tariff each include a statement that “acquisition of resources is cost-effective as defined by a Total Resource Cost test (TRC).”  This is inconsistent, Staff states, with Order No. 22299 (pp 16-17) issued January 27, 1989, in Case No. U-1500-165, which found that prudent prices for conserved resources will be determined on a case-by-case basis within a range determined by the rate-impact or “no losers” test to the full avoided cost of new generating resources.(footnote: 1)  The Commission, Staff opines, apparently did not envision that all programs passing a total resource cost test would necessarily be deemed prudent and thus, for consistency, Staff recommends that WWP’s tariff language alluding to such should be removed.

Staff reserves judgment on the prudence of programs and the exact methods the Company is currently using to evaluate programs.

Washington Water Power in response to Staff comments provided the Commission with the following statement:

In regards to Staff’s comments about the rate-impact or “no-losers” test, Washington Water Power’s filing proposes to use (and has used since at least 1995) a combination of the utility cost test and the total resource cost test.  Under these tests, WWP programs are cost-effective . . . those that have marginal cost-effectiveness, such as new and/or experimental offerings, are scrutinized on an ongoing basis by the Company and its external stakeholders group whereupon the appropriate modifications are made.  WWP trusts that today’s approval of its filing means that the language contained in Order 22299 will be applied on a case-by-case basis allowing WWP to offer the programs contained in its filing and as supported in Attachment F, Cost-effectiveness. WWP understands that any prudence issues would be determined at a later date; but WWP seeks clarification that it is currently following appropriate cost-effectiveness tests.

Commission Findings

The Commission has reviewed the filings of record in Case Nos. WWP-E-98-9/WWP-G-98-2 and based upon its review of the record, the Commission continues to find that the issues presented for consideration are appropriate for processing under Modified Procedure and that the public interest does not require a hearing.  IDAPA 31.01.01.204.

The Commission finds that the Company’s proposal and rationale for removing the December 31, 1999 termination date of Water Power’s Energy Efficiency Programs (Schedule 90) and 1.5% tariff rider funding mechanism (Schedule 91) are reasonable.  The Commission finds that the proposed External Energy Efficiency Board (Triple E Board) is a reasonable means for stakeholders to review and recommend changes to programs and funding levels.  The Commission finds the Company-identified minor adjustments and revisions to Schedule 90 programs to also be reasonable.

Regarding the Staff comments about Schedule 90 inconsistency with prior Commission Order language regarding Total Resource Cost v. “no losers” test, we look to our language in Order No. 22299 which states as follows:

Conservation seems to be very site and measure specific.  The price necessary to penetrate different conservation markets appears to be independent of avoided cost.  Therefore, we refrain from setting any general policy relative to conservation pricing except to state that in Idaho the maximum possible prudent price for conservation measures, ignoring lost revenues, is the full avoided cost.  The actual prudent price will be determined on a case-by-case basis until more experience is gained.  That is, once a conservation resource is identified as a candidate for purchase by a utility, the price to be paid should be determined by considering benefits accruing to all parties, risk allocation, supplier participation, cost to penetrate the market, etc.  We expect experimental pricing for some types of resources until there is a clear indication of benefit-cost relationships.  We expect some resources may be priced at full avoided cost, some at "no losers" cost, and some below "no losers" cost.  And we expect the appropriate prices to become apparent once specific resources are identified and analyzed.

In reviewing the Company’s response to Staff’s comments, we find that the Company recognizes that the prudence of its programs will be determined on a case-by-case basis by the Commission.  We expect that the Company will make such an offer of proof in its upcoming general rate case filing.  Accordingly, we find no change necessary in the Company’s tariffs and find it reasonable to approve the Company’s Application (as revised and amended).

CONCLUSIONS OF LAW

The Commission has jurisdiction over the Washington Water Power Company, an electric and natural gas utility, and over the issues presented in the Company’s Application in this case pursuant to the authority and jurisdiction granted the Commission under Title 61 of the Idaho Code and pursuant to the Commission’s Rules of Procedure, IDAPA 31.01.01.000 et seq.

O R D E R

In consideration of the foregoing and as more particularly described and qualified above, IT IS HEREBY ORDERED and the Commission does hereby approve Washington Water Power Company’s proposed and requested revisions to its WWP electric Schedule 90 Energy Efficiency Tariffs and related Schedule 91 funding mechanism.  The Company is directed to file with the Commission Secretary amended tariffs conforming with this Order.

THIS IS A FINAL ORDER.  Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order.  Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration.  See Idaho Code § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this                  day of November 1998.

                                                                                                                                       DENNIS S. HANSEN, PRESIDENT

                                                                                            RALPH NELSON, COMMISSIONER

MARSHA H. SMITH, COMMISSIONER

ATTEST:

Myrna J. Walters

Commission Secretary

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**FOOTNOTES**

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It may be debatable, Staff contends, whether the term “full avoided cost” as used by the Commission contemplated including total resource cost test benefits such as reduced maintenance or environmental degradation, but the Company’s definition of full avoided cost found on Sheet 90A of its tariff does not appear to include such externalities.  Thus, by its own definitions, WWP’s use of the total resource cost test to evaluate cost-effectiveness may result in implementation of projects that are not cost-effective based on a full avoided cost test.

**COMMENTS AND ANNOTATIONS**

Text Box 1:

**TEXT BOXES**

Office of the Secretary

Service Date

November 6, 1998