DECISION MEMORANDUM

TO:COMMISSIONER HANSEN

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COMMISSIONER SMITH

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FROM:SCOTT WOODBURY

DATE:OCTOBER 30, 1998

RE:CASE NOS. WWP-E-98-9/WWP-G-98-2

ENERGY EFFICIENCY TARIFFS—ELECTRIC SCHEDULE 90

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 non-by passable distribution charge, i.e., 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.  The revenue funds nine programs.  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).

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 for the stated purposes of program continuity for customer service and to avoid administrative disruption.

∙Providing a mechanism for program review (examination of funding levels and savings results) and modification in lieu of no termination date.

—Water proposes that its stakeholder group, the External Energy Efficiency Board (Triple E Board), formerly known as the DSM Opportunities Group or “DOG”, 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 Staff will also investigate the availability of potential energy efficiency programs on a triennial basis beginning in the year 2000.

∙Several 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.

—Duct testing and sealing has been added to the limited-income residential programs.

—The Assisted Technologies program now focus 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.

—Throughout the proposed tariff revisions budget ceilings have been removed 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.

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

—Under the General Rules and Provisions, the budget sealing of $100,000 per calendar year per site and $200,000 per individual project is removed.  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.

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

|  |  |
| --- | --- |
| 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 | Residential  Residential  Residential  Commercial/Industrial  Commercial/Residential/Industrial  Commercial  Commercial  Commercial  Commercial  Residential  Commercial  Commercial |

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.

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 the 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 (attached).

Staff recommends that the Commission approve the Company’s Application (as 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 includes a statement that “acquisition of resources is cost-effective as defined by a Total Resource Cost test (TRC).”  This is inconsistent 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 apparently did not envision that all programs passing a total resource cost test would necessarily be deemed prudent and thus, for consistency, 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.

Commission Decision

∙Does the Commission continue to find Modified Procedure appropriate in Case Nos. WWP-E-98-9/WWP-G-98-2?

∙Does the Commission find it reasonable to remove the December 31, 1999 termination date of Water Power’s energy efficiency programs (Schedule 90) and 1.5% tariff rider funding mechanism (Schedule 91)?

∙Does the Commission find the proposed External Energy Efficiency Board (Triple E Board) to be a reasonable means for stakeholders to review and recommend changes to programs and funding levels?

∙Does the Commission find the identified minor adjustments and revisions to Schedule 90 programs to be reasonable?  If not, what is the Commission’s preference.

∙How does the Commission wish to treat the Schedule 90 inconsistency with prior order language regarding Total Resource Cost v. “no losers” test?

Scott Woodbury

vld/M:WWP-E-98-9.sw2

**FOOTNOTES**

1:

It may be debatable 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.