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IDAHO PUBLIC  
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Attorney for the Commission Staff

## BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF )	
IDAHO POWER COMPANY FOR AN )	CASE NO. IPC-E-06-20
ACCOUNTING ORDER FOR TREATMENT OF )	
THE DEMAND SIDE MANAGEMENT )	
PROGRAMS. )	COMMENTS OF THE
)	COMMISSION STAFF
)	
)	

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**COMES NOW** the Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Scott Woodbury, Deputy Attorney General, and in response to the Notice of Application, Notice of Modified Procedure and Notice of Comment/Protest Deadline issued on September 28, 2006, submits the following comments.

### BACKGROUND

On September 11, 2006, Idaho Power Company (Idaho Power; Company) filed an Application with the Idaho Public Utilities Commission (Commission) for an accounting order authorizing the Company to track its transactions for demand side management (DSM) programs. As reflected in the Company's Application, since the 2002 approval of the Energy Efficiency Rider (Rider) by the Commission in Order No. 29026, DSM programs have been an integral part of the Company's operations. On May 13, 2005, in Order No. 29784, the Commission approved an

increase in the funding and program expenditures associated with the Rider by authorizing the collection of 1.5% of customers' base revenues.

According to Generally Accepted Accounting Principles (GAAP), Statement of Financial Accounting Concept (SFAC) No. 6, ¶¶ 70, 78-81, 215, money collected and expended as part of a company's standard business needs to be reflected on the company's income statement.

Presently Idaho Power utilizes the following accounting entries to track rider funds:

1. As funding is received from customers, the following transaction is made to record cash received and set up the obligation to spend the money in the future on specific programs funded through the Energy Efficiency Rider:

Dr. Account 131000 – Cash  
Cr. Account 254201 – Regulatory Liability

2. As DSM program expenditures are made, the following transaction is made to record cash paid and reduce the liability account:

Dr. Account 254201 – Regulatory Liability  
Cr. Account 131000 – Cash

These accounting entries, the Company contends, accurately track DSM-related regulatory liabilities by recording all transaction activity exclusively through the Company's balance sheet accounts.

The Company in this Application, however, in addition to continuing the above mentioned balance sheet accounting entries, to be consistent with GAAP standards, proposes to implement an automatic "monthly voucher" to parallel the balance sheet activity in the Company's income statement. At the end of each month, the Company would make a set of accounting entries to recognize the expenditures made in serving the regulatory obligation along with an equal, offsetting entry to recognize the proceeds from Energy Efficiency Rider funds. To accomplish this objective, the proposed accounting entries are:

Dr. Account 908.xxx – Customer Service Operating Expense  
Cr. Account 456.xxx – Other Operating Revenue

Because the incoming and outgoing dollars recognized in the income statement sub accounts will be of equal amounts, the net result of the Company's net income will be zero. Idaho Power contends therefore that there are no current economic tax liability changes or any other net financial effects from the inclusion of these income statement accounting entries. However, for external reporting purposes, the accounting trail of specific DSM related funding and expenditures would be

much easier to track through income statement detail rather than relying solely on cumulative balance sheet activity.

In summary, the Company states that it is not proposing to change its current balance sheet accounting procedures regarding Energy Efficiency Rider funding. The Company seeks only to make parallel accounting entries to the income statement in an attempt to more closely comply with GAAP standards and auditing efficiencies. If the Company's proposed accounting entries are approved, it states that there will be no effect on the Company's net income. Nor, it states, are there any ratemaking implications associated with its proposal.

## **ANALYSIS**

Staff conducted an audit of the Company's current accounting treatment of three DSM categories: Irrigation Efficiency, Commercial Building Efficiency and AC Cool Credit to determine how the Company accounts for DSM expenditures now and how the proposed accounting treatment, if approved, will be used to track expenditures in the future. Staff also verified bookkeeping entries to the three referenced Balance Sheet accounts and tested offsetting expenditures between the assigned liability account and cash accounts. Staff traced sample bookkeeping entries to ensure that future accounting of DSM related expenses are easily identified for compliance with GAAP requirements.

Staff is concerned that using Account 908 to track the monthly DSM amounts provides a potential for double recovery during a rate case since Account 908 is used to record allowable expenses. In this regard, Idaho Power provided Staff with its intended adjustment methodology and the separate sub-account information. For ratemaking purposes an adjustment will be made to remove the separate revenue and expense sub-accounts (456131 and 908131). These two sub-accounts will offset each other (zero out the balance) so income shown in the income statement will not change. These sub-accounts and adjustment methodology for rate cases will provide the ability to ensure that any expenses associated with the Rider programs or funding will not be commingled or receive double recovery for ratemaking purposes. Idaho Power also delineated the 908 sub-account to be used to record DSM expenses and provided an explanation addressing Staff's concern for using the 908 account. The Company's use of Account 908 is based on the Code of Federal Regulations' (CFR) definition which states that "this account shall include the cost of labor,

materials used and expenses incurred in providing instructions or assistance to customers, the object of which is to encourage safe, efficient and economical use of the utility's service."

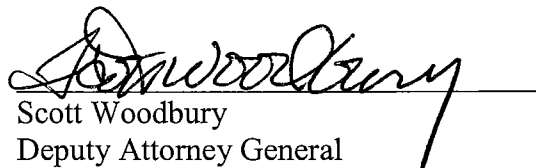
Additionally, the Company provided Staff with a detailed list of sub-account numbers and titles to be used for DSM accounting purposes:

908000 - OPR CUST SRV - CUST ASSIS EXP  
908131 - OPR CUST SRV - ID DSM RIDER  
456131 - OPR REV OTHR EL REV - ID DSM RDR  
254201 - OTHR REG LIAB - ID DSM RDR 29026

#### **STAFF RECOMMENDATION**

The proposed DSM expenditure bookkeeping and accounting changes requested by the Company provide Idaho Power with the ability to be consistent with GAAP accounting requirements. It also allows all parties to accurately track DSM rider revenues, expenditures and related regulatory liabilities. The proposed changes in accounting treatment will have no impact on the Company's net income and will make it easier to track the DSM detail in the income statement. Staff recommends approval of the Application and proposed accounting changes.

Respectfully submitted this *15<sup>th</sup>* day of November 2006.

  
Scott Woodbury  
Deputy Attorney General

Technical Staff: Tom McKeown  
Terri Carlock

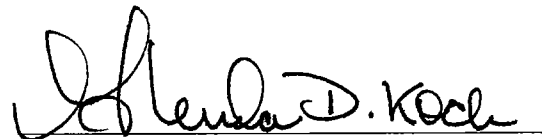
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## CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 1ST DAY OF NOVEMBER 2006, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. IPC-E-06-20, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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