

## BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

<b>IN THE MATTER OF THE APPLICATION</b>	)	
<b>OF IDAHO POWER COMPANY TO</b>	)	<b>CASE NO. IPC-E-06-32</b>
<b>IMPLEMENT A DEMAND SIDE</b>	)	
<b>MANAGEMENT INCENTIVE PILOT</b>	)	<b>NOTICE OF APPLICATION</b>
<b>PROGRAM</b>	)	
	)	<b>NOTICE OF</b>
	)	<b>MODIFIED PROCEDURE</b>
	)	
	)	<b>NOTICE OF</b>
	)	<b>COMMENT/PROTEST DEADLINE</b>

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YOU ARE HEREBY NOTIFIED that on December 18, 2006, Idaho Power Company (Idaho Power; Company) filed an Application with the Idaho Public Utilities Commission (Commission) requesting authority to implement a pilot program that provides for positive incentives (increased revenue or payments) or negative incentives (reduced revenue or penalties) for achieving, or failing to achieve, agreed-upon levels of performance in implementing demand-side management (DSM) programs.

Idaho Power proposes that the DSM incentive program first be operated as a pilot program and only applied to a single DSM program for a three-year period. The Company's Application is separate from but related to the Joint Motion for Approval of Stipulation filed December 18, 2006 in Case No. IPC-E-04-15 (Application to Implement a Decoupling Mechanism).

### **Proposed Pilot Program**

Idaho Power in this Application requests authority to implement a DSM incentive mechanism which would allow the Company to retain a portion of the cost-reducing benefits accruing from a DSM program operated by the Company. The incentive would be earned only if the Company has done an exceptional job in implementing the DSM program. The incentive mechanism would also allow for a "penalty" payment by the Company if Idaho Power's performance of the selected DSM program falls below previously agreed-upon goals.

Based on discussions between the parties in the IPC-E-04-15 case workshops, Idaho Power has selected the ENERGY STAR® Homes Northwest program as the DSM program to be used as the pilot to test the efficacy of a DSM incentive program. The ENERGY STAR Homes

NOTICE OF APPLICATION  
NOTICE OF MODIFIED PROCEDURE  
NOTICE OF COMMENT/PROTEST DEADLINE 1

Northwest program is currently operated by the Company to acquire the resources identified in the Residential New Construction Option in the Company's 2004 IRP. The essential feature of this program is a prescriptive building standard, also called a building option package or BOP that establishes building standards that will result in approximately 30% greater energy efficiency than existing Idaho residential building codes. Under the program, the Company provides an incentive payment of \$750 to the builder for each home built to the higher standard and also provides marketing to encourage participation in the program. The Idaho Energy Division (IED) certifies that homes are built to the standard and conducts a quality assurance process. The Northwest Energy Efficiency Alliance (NEEA) provides the builder outreach and training components of the program. On average, a home constructed to the ENERGY STAR standard in Idaho will save 2,078 kilowatt hours (kWh) annually as measured at the meter or 2,305 kWh including line losses. This estimate is based on an engineering simulation study, conducted for the Company in early 2004 by Ecotope Consulting to determine the program savings potential in Idaho.

The ENERGY STAR Homes Northwest program, the mechanics of the incentive program proposed by the Company and the rationale supporting the DSM incentive program are more particularly described in the testimony of Company witness Timothy E. Tatum filed with the Application.

Idaho Power is proposing a three-year pilot beginning in 2007 and ending at the end of 2009. Under the pilot the Company would receive an incentive payment if the market share of homes constructed under the ENERGY STAR Homes Northwest program exceeds: (1) 7% of the total number of homes constructed in Idaho Power's service area in 2007, (2) exceeds 9.8% of total service area homes in 2008 and (3) exceeds 11.7% of total service area homes in 2009. These percentage levels would be the target goals and if Idaho Power exceeds these targets, it would receive an incentive payment equal to the percentage benefit that exceeds the target. For example, if Idaho Power is able to achieve 105% of the 7% target percentage in 2007, Idaho Power would receive a payment equal to 5% of the total program net benefits. The incentive program would be capped at 10% of program net benefits. Penalties would be levied for 2007, 2008 or 2009 if in any of those years Idaho Power's ENERGY STAR Homes Northwest program fails to reach the market share of 4.9% achieved in 2006.

Idaho Power recommends that the Commission process its Application under Modified Procedure, i.e., by written submission rather than by hearing. Reference Commission Rules of Procedure, IDAPA 31.01.01.201-204. The Company stands ready, however, to present its testimony and support the program in a technical hearing if the Commission determines that such a hearing is required.

YOU ARE FURTHER NOTIFIED that the Commission has reviewed the filings of record in Case No. IPC-E-06-32. The Commission has preliminarily found that the public interest in this matter may not require a hearing to consider the issues presented and that issues raised by the Company's filing may be processed under **Modified Procedure**, i.e., by written submission rather than by hearing. Reference Commission Rules of Procedure, IDAPA 31.01.01.201-204.

YOU ARE FURTHER NOTIFIED that the **deadline for filing written comments or protests** with respect to Idaho Power's Application and the use of Modified Procedure in Case No. IPC-E-06-32 is **Wednesday, January 31, 2007**.

YOU ARE FURTHER NOTIFIED that if no written comments or protests are received within the deadline, the Commission may consider the matter on its merits and may enter its Order without a formal hearing. If comments or protests are filed within the deadline, the Commission will consider them and in its discretion may set the matter for hearing or may decide the matter and issue its Order based on the written positions before it. Reference IDAPA 31.01.01.204.

YOU ARE FURTHER NOTIFIED that written comments concerning Case No. IPC-E-06-32 should be mailed to the Commission and the Company at the addresses reflected below.

Commission Secretary  
Idaho Public Utilities Commission  
PO Box 83720  
Boise, ID 83720-0074

Street Address for Express Mail:

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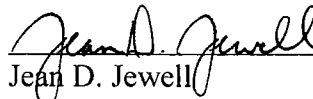
All comments should contain the case caption and case number shown on the first page of this document. Persons desiring to submit comments via e-mail may do so by accessing the Commission's home page located at [www.puc.idaho.gov](http://www.puc.idaho.gov). Click the "Comments and Questions" icon, and complete the comment form, using the case number as it appears on the front of this document. These comments must also be sent to Idaho Power at the e-mail addresses listed above.

YOU ARE FURTHER NOTIFIED that the Application in Case No. IPC-E-06-32 may be viewed at [www.puc.idaho.gov](http://www.puc.idaho.gov) by clicking on "File Room" and "Electric Cases," or can be viewed during regular business hours at the Idaho Public Utilities Commission, 472 W. Washington Street, Boise, Idaho and at the general business office of Idaho Power Company, 1221 West Idaho Street, Boise, Idaho.

DATED at Boise, Idaho this

4<sup>th</sup>

day of January 2007.

  
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Jean D. Jewell  
Commission Secretary

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NOTICE OF APPLICATION  
NOTICE OF MODIFIED PROCEDURE  
NOTICE OF COMMENT/PROTEST DEADLINE 4