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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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| IN THE MATTER OF THE JOINT |) | |
| APPLICATION OF COMMUNITY ACTION |) | CASE NO. IPC-E-07-9 |
| PARTNERSHIP ASSOCIATION OF IDAHO, |) | |
| INC. AND IDAHO POWER COMPANY FOR |) | |
| AUTHORITY TO CONTINUE THE PRESENT |) | COMMENTS OF THE |
| FUNDING LEVEL FOR WEATHERIZATION |) | COMMISSION STAFF |
| ASSISTANCE AS AUTHORIZED BY ORDER |) | |
| NO. 29505 |) | |
| |) | |

The Staff of the Idaho Public Utilities Commission, by and through its Attorney of Record, Donald L. Howell, II, Deputy Attorney General, submits the following comments in response to Order No. 30310 issued on April 26, 2007.

BACKGROUND

On April 9, 2007, Idaho Power and the Community Action Partnership Association of Idaho (CAPAI) filed a Joint Application seeking Commission authorization for Idaho Power to continue its Weatherization Assistance Program previously authorized in the Company's 2004 rate case. Order No. 29505. CAPAI represents the Community Action agencies that administer weatherization programs for electric utilities in Idaho. In the rate case Order, the Commission set Idaho Power's weatherization funding level at \$1.2 million and required CAPAI to file an

application with the Commission if it desired to extend the funding beyond June 1, 2007. Order No. 29505 at 33.

1. The 2004 Rate Case Order.

The Commission directed Idaho Power to book the weatherization funds “in a separate balancing sub-account” and “[a]ny unpaid funds shall carry over and be available next year.” Order No. 29505 at 32. The payment to the Community Action Partnership (CAP) agencies for administrative costs was to increase, with a suggestion of \$125 per home as appropriate. The Commission also directed the Company to seek the advice of its Energy Efficiency Advisory Group (EEAG) and negotiate with the CAP agencies about several unresolved issues. The Company was required to file a report with the Commission providing the details of the negotiation process and explanations of the low income weatherization assistance (LIWA) program changes. The Order directed Idaho Power to file an annual report of progress and activities in the LIWA program for each year and a three-year review of the program in early 2007.

2. Structural Changes to the Program.

The Company successfully completed negotiations with the CAP agencies on changes to the LIWA program and submitted a report describing the changes on October 1, 2004. The structural changes to the program included:

- (1) the funding of all DOE allowed conservation measures, provided the Saving to Investment Ratio (SIR) for each measure and the entire project (excluding administrative fees) is 1.0 or greater;
- (2) the cap on the cost of health and safety measures installed to protect the effectiveness of the weatherization measures was raised from 10% to 15% of the annual cost of the total project;
- (3) each project to include a minimum DOE contribution of 15% of the cost, and the annual average LIWA contribution limited to no more than \$2000 per project. Previously, the Company only paid 50% of job costs requiring that the remaining costs be covered by other funding sources;
- (4) the cost cap per project was to be updated annually, and
- (5) CAP agencies to be paid administrative fees equal to 10% of the cost of each project, rather than the previous flat rate of \$75 per job.

In addition to these changes above, the contracts with each agency were to include provisions for carry-over of unused allocations of funds from year to year, up until June 1, 2007.

Finally, a portion of the funding made available to each agency was to be made available to the weatherization of buildings occupied by non-profit agencies.

3. Program Results.

Contracts with the CAP agencies with the additional funding and revised program details were effective on August 1, 2004. A total of 290 homes were weatherized in 2004, increasing to 565 in 2005. There were 4 non-profit agency buildings weatherized in 2004 and 5 in 2005. Total expenditures in 2004 were \$495,665, with slightly more than \$300,000 carried over to 2005. Expenditures in 2005 increased to nearly \$1.3 million, reducing the amount carried over to just over \$215,000. The projects completed in 2004-2005 were estimated to save over 3 million kWh.

The total number of homes weatherized in 2006 was 538, with 2 non-profit buildings. Total cost for conservation measures was \$1,221,865, and \$122,186 paid for CAP administration. Total savings from the buildings weatherized in 2006 was estimated to be nearly 3 million kWh.

Further modifications to the program were again mutually agreed upon in 2005, and the average total project cost was changed to align with the limits included in the State of Idaho Weatherization Program. For the first nine months of 2006, the cap per residential project was \$2,304, but the cap was raised to \$2,826. For the first nine months, the actual average project cost was \$2,193. For projects completed after the cap was raised, the average project cost was \$2,278, for a total year average of \$2,205. The average CAP agency administrative payment was \$220/project.

In 2006, Idaho Power also implemented a new database for storing program information that allowed evaluation of savings and costs by measure, as well as per job and for the total program. Total estimated savings from the program is more than 6 million kWh. The average Saving to Investment Ratio per home, including the cost of health and safety measures, is approximately 2.5, with a median value also over 2.0. When the Company's internal administrative costs are included, the Company reports a levelized cost value of less than \$0.037/kWh on a utility cost basis.

STAFF ANALYSIS

Staff believes that Idaho Power has successfully implemented the program changes identified in Commission Order No. 29505. Both the Company and the CAP agencies were diligent in their negotiation of the disputed items referred for negotiation. Staff believes the resolution of these issues to be consistent with the directions expressed by the Commission in Order No. 29505

and commends the Company and the CAP agencies for their efforts in resolving these issues. Staff finds the continued modification of the average per project cap to be evidence of the willingness of both parties to continue to work together to resolve issues and improve program operation.

Not unexpectedly, the Company and the CAP agencies experienced some difficulty in ramping up to the increased program activity levels, and the carry over of unused funds was designed to address that issue. Staff finds the reduction in the amount of funds carried over from year-to-year to be a reasonable and in compliance with the program levels envisioned in Order No. 29505. Although the parties asked to continue the program at a fixed level, Staff believes the same procedures for booking program expenditures and carryover of funds is still appropriate. Because the \$1.2 million for program costs is specifically built into current rates and is not funded through the Company's conservation tariff rider, it is important to be able to track these expenditures separately. Some variation in annual program activity is to be expected, and allowing for carryover helps ensure that the amount the Company receives from ratepayers specifically for this program actually gets spent on the program.

Staff finds the Company's analysis of savings and levelized costs to be reasonable. We note that the levelized cost identified by the Company is well within the range considered by Staff to be appropriate for demand side programs. Staff also notes that the Company has continued to consult with the EEAG on the operation and direction of the program, seeking guidance on issues as appropriate.

The Company's latest Integrated Resource Plan (IRP) includes a significant contribution from conservation resources, and will require aggressive efforts by the Company to meet the targeted levels. While Staff supports continuation of the program at the existing funding levels, Staff would consider supporting increased funding levels if the Company seeks to increase activity in the WAQC program in order to meet overall demand side resource targets.

Similarly, Staff expects the Company and CAPAI to continue to work together to modify the program to meet changing needs or conditions. Staff also notes that this program has proven to be an effective vehicle for reaching limited income customers, and that it may be appropriate to consider using this program as a vehicle for delivering other demand side management efforts, such as the promotion of efficient appliances. The Company now includes compact fluorescent lights (CFL) and refrigerator replacement in its program.

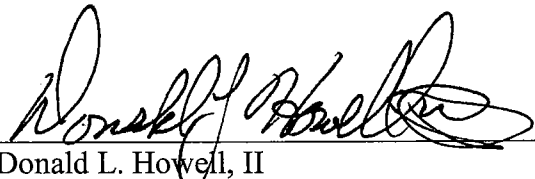
Unlike Rocky Mountain Power and Avista, Idaho Power does not include the details of this program in its tariff. Staff has found that including the details of such programs in the tariff is an

appropriate and effective means for the Company, CAPs, and customers to obtain information about the program elements. Moreover, the Commission's tariff advice procedures provides an efficient method for making minor modifications to program design. Staff recommends that Idaho Power include the program elements in a separate tariff.

STAFF RECOMMENDATION

Staff recommends the Commission approve the parties request to continue operation of the WAQC program at the existing annual funding level of \$1.2 million and as currently structured. Staff believes this level of resource commitment is appropriate for the foreseeable future and therefore recommends that the program be continued until directed otherwise. Staff also recommends the Company continue to book and track payments to CAP agencies in a separate balancing sub-account, and that CAP agencies continue to carryover unused amounts from year-to-year. Staff finds the requirement for a separate annual report for the WAQC program to be appropriate and recommends the continuation of this requirement. Finally, Staff recommends that the Company be directed to file tariffs detailing its low-income weatherization program.

Respectfully submitted this 17th day of May 2007.



Donald L. Howell, II
Deputy Attorney General

Technical Staff: Bev Barker
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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 17TH DAY OF MAY 2007, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. IPC-E-07-09, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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