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**BARTON L. KLINE**  
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March 19, 2010

**VIA HAND DELIVERY**

Jean D. Jewell, Secretary  
Idaho Public Utilities Commission  
472 West Washington Street  
P.O. Box 83720  
Boise, Idaho 83720-0074

Re: Case No. IPC-E-09-09  
*DSM PRUDENCY DETERMINATION*

Dear Ms. Jewell:

Enclosed for filing please find an original and seven (7) copies of Idaho Power Company's Reply Comments in the above-referenced matter.

Very truly yours,



Barton L. Kline

BLK:csb  
Enclosures

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Boise, Idaho 83702

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION )  
OF IDAHO POWER COMPANY OF A ) CASE NO. IPC-E-09-09  
PRUDENCY DETERMINATION FOR )  
ENERGY EFFICIENCY RIDER FUNDS ) REPLY COMMENTS OF IDAHO  
SPENT IN 2002-2007. ) POWER COMPANY  
\_\_\_\_\_ )

COMES NOW, Idaho Power Company ("Idaho Power" or the "Company") and hereby responds to the Comments of the Industrial Customers of Idaho Power ("ICIP"), the Idaho Conservation League, and Snake River Alliance.

On April 1, 2009, Idaho Power Company filed an Application requesting an Order designating Idaho Power's expenditure of \$14,657,971 in Energy Efficiency Rider funds in 2002-2007 as prudently incurred Demand-Side Management ("DSM") expenses. This amount reflected the portion of 2002-2007 Energy Efficiency Rider ("Rider") funds that was separated out from the Stipulation entered in Case No. IPC-E-

08-10, and for which Staff required more detailed expense information for certain programs and expense categories before they could determine that the funds were prudently spent. To address Staff's need for additional information, Idaho Power supplemented the comprehensive analysis provided in the DSM 2008 Annual Report – a 100-page report filed with the IPUC on March 13, 2009 – with an additional 175 pages of analyses and supporting documentation submitted with the Application in this docket per the terms of the IPC-E-08-10 Stipulation.

#### **I. THE PURPOSE OF THE DSM MEMORANDUM OF UNDERSTANDING (“MOU”)**

Despite a tremendous increase in DSM funding in the last decade, it has not been clear how the Staff and the Commission would evaluate and review those expenditures for prudency purposes. Idaho Power invests millions of dollars annually in DSM programs and education on behalf of its customers, spending more than \$31 million on DSM programs in 2009 alone. Idaho Power does not make any profit on DSM expenditures and thus has no related earnings to absorb the impact of any disallowances. Consequently, this uncertainty resulted in considerable uneasiness on the part of Idaho Power (and likely Idaho investor-owned utilities as well).

To address this issue collectively with the three utilities, the Staff initiated the October 5, 2009, DSM Evaluation Workshop facilitated by former Bonneville Power Administration Market Transformation Coordinator and Lead Evaluator, Ken Keating. Although Staff and the three utilities did not agree on all DSM matters, they ultimately agreed to the principles of evaluation and review set forth in the DSM MOU. The DSM MOU sets forth the expectations of Staff regarding the format, data, and evaluation it requires to conduct its review of DSM expenses. If the utility meets the planning,

evaluation, and reporting guidelines listed in the DSM MOU, the utility can reasonably expect that Staff will support full cost recovery of its prudent DSM program expenses absent any evidence of imprudent actions or expenses.

In short, the DSM MOU is an understanding between the Staff and each utility concerning the DSM-related information Staff requires to recommend that the utility's DSM expenditures are prudently incurred. Staff will get the data it needs to conduct its review and the utilities will avoid a protracted review process with uncertain parameters. Thus, the DSM MOU lays the foundation for a more functional Staff review of DSM expenses going forward. This understanding is separate and apart from any review that an interested party may choose to conduct.

The DSM MOU explicitly and purposefully does not bind the Commission or other parties to its principles in any regard. Although Idaho Power would be pleased if the Commission would accept the DSM MOU's guidelines, the Company understands that this may be more than the Commission can offer at present. However, it seems appropriate to formally present the DSM MOU guidelines to the Commission in the event the Commission envisions a different process or standard to evaluate the prudence of DSM program expenditures. Given the magnitude of DSM expenditures and the Company's legal right to dollar-for-dollar recovery of prudently incurred expenses, Idaho Power would greatly appreciate any guidance the Commission can offer about what actions Idaho Power can take to meet the Commission's expectations.

## **II. DSM PROGRAM ADMINISTRATION**

Despite the fact that the Company currently does not earn a return on DSM-related activities, Idaho Power wants to administer energy efficiency because (1) it is

an integral and increasingly important part of the Company's resource planning and (2) the Company believes it can provide energy efficiency in a more cost-effective and efficient manner because of the inherent discipline in place in the regulated environment.

Idaho Power is proud of the positive results its increased energy efficiency efforts have achieved for its customers. In October 2008, the state of Idaho received national recognition by the American Council for an Energy-Efficient Economy ("ACEEE") when it named Idaho as the most improved state for employing energy efficiency to grow its economy while meeting electricity demand, combating global warming, and contributing to U.S. energy security. The commitment of more resources to energy efficiency programs was a significant reason the state of Idaho jumped 12 spots in ACEEE's rankings to 13<sup>th</sup> out of 50 states. Idaho Power is pleased to have played a role in this achievement.

In its January 24, 2010, edition, the *New York Times* spotlighted the success of Idaho Power's DSM programs in reducing peak power usage. Idaho Power was also honored to be named one of the "100 Most Trustworthy Companies" by Forbes Magazine in its April 2, 2009, edition. To create the list, Audit Integrity evaluated more than 8,000 companies traded on U.S. exchanges and assigned each an accounting and governance risk score based on factors that have been historically linked to fraud and increased shareholder risk.

Idaho Power values feedback from the perspective of its customers to deliver successful energy efficiency and demand response programs. Since the implementation of the Rider, Idaho Power has relied on input from the Company's

Energy Efficiency Advisory Group (“EEAG”) to develop, shape, and support its programs. The EEAG consists of 14 members who represent a cross-section of customers and stakeholder groups in Idaho Power’s service area. The industrial customers have been represented on the EEAG since its beginning.

Given the thoroughness of Commission Staff’s independent review, the Company’s proven record of results, and the existence of the EEAG, Idaho Power does not agree with the ICIP that a third-party administrator is necessary to administer DSM programs in its service territory. Besides offering the inherent discipline that regulatory oversight brings, having the Company directly administer DSM programs better integrates resource deployment with resource planning and provides excellent opportunities for positive, solution-oriented interactions with customers. Additionally, in response to ICIP’s belief that DSM programs “should be operated by a third party without an incentive for the DSM programs to be unsuccessful in reducing electricity sales,” Idaho Power has been and is actively pursuing regulatory models for energy efficiency that would improve alignment of its interests and the interests of its customers to optimally pursue DSM.

### **III. INDEPENDENT THIRD PARTY EVALUATIONS**

Third-party evaluations can offer considerable benefits by identifying potential program refinements and testing savings estimates, but their expense also diverts funds from acquiring more energy efficiency resources. To get the most benefit from Energy Efficiency Rider funds, Idaho Power has sought independent third-party evaluations only for programs where such evaluations provided benefit to program administration. The Company does not target a percentage of total program expenditures as suggested

by several parties; rather, it seeks to implement a comprehensive, effective evaluation plan at the lowest cost. Idaho Power is willing to increase the percentage of budget spent on evaluations if the Commission prefers that funds be spent on evaluation rather than the underlying programs.

#### **IV. CONCLUSION**

Idaho Power is confident that its expenditure of the remaining \$14,657,971 of 2002-2007 Energy Efficiency Rider funds was prudent and asks the Commission to recognize them as such. The Staff thoroughly vetted the hundreds of pages of Company discovery responses, documentation, and analysis before reaching that same conclusion. To the extent the Commission can offer guidance on the evaluation and review of Idaho Power's DSM programs going forward, the Company will be receptive to feedback that clarifies the Commission's expectations.

Respectfully submitted this 19<sup>th</sup> day of March 2010.

*Lisa Nordstrom* *By Bob Kline*  
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LISA D. NORDSTROM  
Attorney for Idaho Power Company

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that on this 19<sup>th</sup> day of March 2010 I served a true and correct copy of REPLY COMMENTS OF IDAHO POWER COMPANY upon the following named parties by the method indicated below, and addressed to the following:

**Commission Staff**

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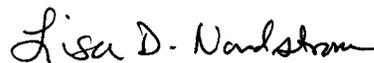
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