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March 15, 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-10-09  
*IN THE MATTER OF THE APPLICATION OF IDAHO POWER  
COMPANY FOR A PRUDENCY DETERMINATION OF ENERGY  
EFFICIENCY RIDER FUNDS SPENT IN 2008-2009*

Dear Ms. Jewell:

Enclosed for filing please find an original and seven (7) copies of Idaho Power Company's Application in the above matter. Please note that Idaho Power Company has filed its *Demand-Side Management 2009 Annual Report* as Attachment No. 3 to this Application. The Company intends this filing to satisfy the reporting requirement set forth in Order No. 29419 (Case No. IPC-E-03-19).

Very truly yours,



Lisa D. Nordstrom

LDN:csb  
Enclosures

cc: Pete Pengilly (w/o encls.)  
Theresa Drake (w/o encls.)  
Darlene Nemnich (w/o encls.)  
P&RS Files (w/encls.)  
Legal Files (w/encls.)

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Attorneys for Idaho Power Company

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Boise, Idaho 83702

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION )  
OF IDAHO POWER COMPANY FOR A ) CASE NO. IPC-E-10-09  
PRUDENCY DETERMINATION OF )  
ENERGY EFFICIENCY RIDER FUNDS ) APPLICATION  
SPENT IN 2008-2009. )  
\_\_\_\_\_ )

Idaho Power Company ("Idaho Power" or "the Company"), in accordance with RP 052 and RP 201, *et seq.*, hereby respectfully makes Application to the Idaho Public Utilities Commission (the "Commission") for an Order designating Idaho Power's expenditure of \$50,701,740 in Energy Efficiency Rider ("Rider") funds in 2008 and 2009 as prudently incurred expenses.

In support of this Application, Idaho Power represents as follows:

**I. INTRODUCTION**

1. Idaho Power considers energy efficiency and demand response to be an important and necessary part of a balanced approach to meeting the electricity needs of

its customers. Because energy efficiency provides both economic and operational benefits, the pursuit of all cost-effective demand-side resources is a primary objective for Idaho Power even as new supply-side resources are added to the Company's resource portfolio. Idaho Power accomplishes this objective with input and consultation with its Energy Efficiency Advisory Group ("EEAG"). Formed in May 2002 with twelve members representing customers, state agencies, and other stakeholders, Idaho Power relies on the EEAG for a broad range of recommendations, including input on new program proposals, modifications to existing programs, and overall expenditures of Rider funds.

2. Since the Rider was instituted in 2002, Idaho Power has implemented and/or managed a broad array of cost-effective demand-side management ("DSM") programs and energy efficiency initiatives. These programs benefit customers two-fold with opportunities to lower individual energy consumption and by reducing upward pressure on the Company's collective rates by minimizing the need to generate additional power or buy power from the wholesale market. Idaho Power's quarterly customer relationship survey in 2009 indicated that the percentage of customers who have a positive perception of Idaho Power's energy efficiency efforts has steadily grown, with a 44 percent increase in positive customer perception from 2003 to 2009.

3. Idaho Power is also recognized nationally for its positive performance in DSM program performance. The American Council for an Energy-Efficient Economy ("ACEEE") annually publishes a scorecard that ranks individual states in terms of commitment to energy efficiency. In 2008, the ACEEE identified Idaho as the "most improved" state in the nation, having moved up twelve spots, compared to the 2007

scorecard. Also, on Sunday, January 24, 2010, the *New York Times* ran a substantial story about Idaho Power's innovative electric service concepts, programs, and results. The article titled "Why Is Idaho Power Paying Its Customers?" focused primarily on the demand response programs and recognized Idaho Power's accomplishments in regulatory strategy, resource planning, energy efficiency, and sustainability. The *Times* story saluted Idaho Power as "vanguard" and acknowledged the Company's efforts as "especially striking given the push for energy efficiency is generally associated with coastal states like California and Massachusetts, not with a state whose electric rates are among the lowest in the country." The story was also publicized by the *San Francisco Chronicle* and the *Idaho Statesman*.

## **II. 2008 AND 2009 DSM RESULTS**

4. In the last two years, Idaho Power's energy efficiency and demand response programs continued to increase in number and customer participation. Idaho Power currently offers their Idaho customers sixteen energy efficiency programs, three demand response programs, several educational initiatives, and offers savings to customers through market transformation efforts.

5. Program performance in energy savings and demand reduction made significant advances in the last two years. Overall, annual energy savings from Idaho Power's energy efficiency activities increased by 62 percent from 2007 to 2009, posting 140 Gigawatt hour ("GWh") savings in 2008 and an additional 148 GWh savings in 2009. Demand reduction for Idaho Power's demand response programs more than quadrupled from 2007 to 2009. Idaho Power's DSM programs reduced load by 48

megawatts (“MW”) in 2007, 61 MW in 2008, and 218 MW in 2009. This reduction is larger than the capacity of any of Idaho Power’s peaker plants near Mountain Home.

6. To achieve these results, total expenditures on DSM-related activities almost doubled from the 2007 total expenditure level of \$15.7 million. Approximately \$21 million was invested in DSM resources in 2008, \$18.8 million of which was from the Idaho Rider. In 2009, \$35 million was spent on DSM-related activities, \$31.8 million of which was funded by the Idaho Rider. A summary of program expenditures funded by the Rider in 2008 and 2009 is provided in Attachment No. 1.

7. Results show these programs are providing a cost-effective resource to customers and the Company. In 2009, all energy efficiency programs but one produced savings at a benefit/cost ratio greater than 1.0 when evaluated at a total resource cost perspective, a utility cost perspective and a participant cost perspective. The one exception is the small Holiday Lighting program, which although cost-effective from a participant cost and utility cost perspective, was not cost-effective from the total resource perspective. The incremental costs of LED bulbs lowered the benefit/cost ratio from the total resource cost perspective to be under 1.0.

### **III. THE DSM 2008 AND 2009 ANNUAL REPORTS**

8. In support of its Application requesting the Commission accept the Company’s 2008 and 2009 DSM expenditures funded by the Rider as prudently incurred, Idaho Power presents its DSM 2008 and 2009 Annual Reports. Idaho Power originally filed its *Demand-Side Management 2008 Annual Report* with the Commission on March 13, 2009, to comply with Order No. 29419 issued in Case No. IPC-E-03-19.

For the Commission's convenience, Idaho Power has included the *Demand-Side Management 2008 Annual Report* as Attachment No. 2 to this Application.

9. Idaho Power and the Commission Staff subsequently agreed upon the contents of a more comprehensive utility annual DSM report to facilitate an objective and transparent Staff evaluation of Idaho Power's DSM efforts. Those agreed-upon principles ("guidelines") were set forth in the Memorandum of Understanding for Prudency Determination of DSM Expenditures ("DSM MOU"). The DSM MOU was filed with the Commission on January 25, 2010, as part of the Stipulation filed in Case No. IPC-E-09-09. The DSM MOU can be found in Supplement 2 to the *Demand-Side Management 2009 Annual Report* included as Attachment No. 3.

10. The Demand-side Management 2009 Annual Report, included as Attachment No. 3 to this Application, is intended to satisfy the DSM reporting obligation set forth in Order No. 29419. As agreed to in the DSM MOU, Idaho Power's DSM 2009 Annual Report now contains the following:

a. Template. Idaho Power built upon the format used in its previous DSM Annual Reports to enhance its DSM Annual Report in 2009. In addition to the main document, there are two new Supplements, Supplement 1, Cost-Effectiveness, and Supplement 2, Evaluation.

b. Table of Contents. The *Demand-Side Management 2009 Annual Report*, Supplement 1 and Supplement 2 each have a detailed Table of Contents showing where specific program information can be found as well as the location of the cost-effectiveness analyses and the evaluation table.

c. Introduction Section. This highlights section can be found on pages 3 through 16 of the *Demand-Side Management 2009 Annual Report*. It provides an overview of program process evaluations, impact evaluations, and updated assumptions used to calculate program cost-effectiveness.

d. Cost-Effective Section. Supplement 1, Cost-Effectiveness, provides information on Idaho Power's overall approach to calculating cost-effectiveness, a discussion on the relationship between Idaho Power's DSM plan and the Northwest Power and Conservation Council's 6<sup>th</sup> Power Plan, and provides a list of data inputs, assumptions, and sources for each individual programs/measures used for the basis of cost-effective estimates.

e. Evaluation Section. Supplement 2, Evaluation, includes an overview of Idaho Power's approach to their evaluation efforts, the DSM MOU, a three-year Evaluation Plan, minutes of Energy Efficiency Advisory Group meetings held in 2009, a list of Market Effects evaluations conducted in 2008 and 2009 by the Northwest Energy Efficiency Alliance ("NEEA"), and a list of research studies and evaluations conducted by Idaho Power in 2008 and 2009. The remainder of Supplement 2 contains a complete copy of each of the Idaho Power research studies and evaluations. Supplement 2 also contains a CD which holds more than 2,000 pages of the 2008 and 2009 Market Effects Evaluations conducted by NEEA.

f. Program Specific Section. The *Demand-Side Management 2009 Annual Report* contains the following information for each program or initiative: (1) a table listing the summary of the program participation, (2) performance and costs for 2009 and 2008, (3) a description of the program, (4) 2009 activities, (5) a cost-

effectiveness discussion, which includes whether a new analysis was conducted and new assumptions used, and (6) a section on customer satisfaction and evaluations providing an overview of process, impact, and market effect evaluations that were conducted. This section also refers to studies included in Supplement 2.

g. Expenses Without Direct Energy Savings. In the section titled "Other Programs and Activities," the *Demand-Side Management 2009 Annual Report* describes education initiatives and other non-energy saving DSM efforts. These efforts support the Company's overall DSM agenda. Other programs and activity expenses are shown in Appendices 2-4 of the *Demand-Side Management 2009 Annual Report* and Attachment No. 1.

#### **IV. EVOLUTION OF THE 2009 REPORT**

11. Idaho Power believes that the *Demand-Side Management 2008 Annual Report* and the enhanced *Demand-Side Management 2009 Annual Report* provide a sufficient basis for the Commission to determine the prudence of these expenses. Idaho Power has also attempted to address Staff's expectations for cost-effectiveness tests, methods, and evaluations as indicated in Attachment No. 1 to the MOU. However, because the MOU was finalized in December of 2009, it was not possible to meet all of Staff's expectations for this first report of 2008 and 2009 activities. However, Idaho Power worked to address the following areas:

a. Cost-Effectiveness Measurements. In the *Demand-Side Management 2008 Annual Report*, Idaho Power calculated cost-effectiveness from the utility and total resource perspectives at the program level across the life of the programs. In its 2009 Report, Idaho Power calculates cost-effectiveness from the

participant, utility, and total resource perspectives at the program level, except for those programs with no customer costs. This includes demand response programs which are evaluated at the utility and total resource cost perspectives. Idaho Power also evaluates cost-effectiveness from the utility and the total resource cost perspectives for each measure within a program, where the measures are not interactive. In future DSM annual reports, Idaho Power will also include the Rate Payer Impact cost-effective test as specified in the MOU.

b. Net-to-Gross Adjustments. For this 2009 Report, Idaho Power used these ratios as an input to cost-effectiveness calculations where available and appropriate. For a detailed discussion, see pages 1-4 of *Supplement 1: Cost-Effectiveness*.

c. Program Evaluations. Idaho Power uses third-party evaluators when appropriate for the specific study or evaluation being planned. For example, the list of studies and evaluations completed by Idaho Power in 2008 and 2009 found in Supplement 2 shows sixteen impact evaluations or studies. Of these sixteen, twelve were conducted by third parties. In terms of reporting overall evaluation costs, for the 2008 and 2009 time periods, Idaho Power did not track internal evaluation costs separately from other indirect overhead expenses. Going forward, Idaho Power will report the total cost of evaluating its programs and will provide the names of primary outside evaluators and the titles of internal evaluators for each evaluation listed.

## **V. MODIFIED PROCEDURE**

12. Idaho Power believes that a technical hearing is not necessary to consider the issues presented herein and respectfully requests that this Application be processed

under Modified Procedure, i.e., by written submissions rather than by hearing. RP 201 *et seq.* If, however, the Commission determines that a technical hearing is required, the Company stands ready to present its testimony and support the Application in such hearing.

#### **VI. COMMUNICATIONS AND SERVICE OF PLEADINGS**

13. Communications and service of pleadings with reference to this Application should be sent to the following:

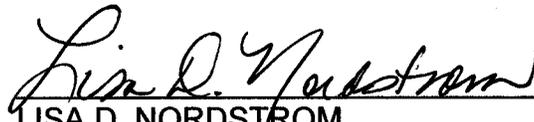
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#### **VII. REQUEST FOR RELIEF**

14. As described in greater detail above, Idaho Power Company respectfully requests that the Commission issue an order designating Idaho Power's expenditure of \$50,701,740 in Energy Efficiency Rider funds in 2008-2009 as prudently incurred expenses.

Respectfully submitted this 15<sup>th</sup> day of March 2010.

  
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LISA D. NORDSTROM  
Attorney for Idaho Power Company

**BEFORE THE  
IDAHO PUBLIC UTILITIES COMMISSION**

**CASE NO. IPC-E-10-09**

**IDAHO POWER COMPANY**

**ATTACHMENT NO. 1**

**SUMMARY OF PROGRAM EXPENDITURES**

# Idaho Power Company

## Idaho Energy Efficiency Rider Expenditures (Dollars)

Sector/Program	2008	2009	Total Program
<b>Energy Efficiency/Demand Response</b>			
<b>Residential</b>			
A/C Cool Credit .....	\$ 2,922,985	\$ 3,305,814	\$ 6,228,799
Ductless Heat Pump Pilot <sup>(a)</sup> .....	0	192,264	\$ 192,264
Energy Efficient Lighting .....	1,011,850	1,190,065	\$ 2,201,915
Energy House Calls .....	448,992	479,174	\$ 928,166
ENERGY STAR <sup>®</sup> Homes .....	294,579	348,829	\$ 643,408
Heating & Cooling Efficiency Program .....	466,094	458,216	\$ 924,310
Home Improvement Program <sup>(b)</sup> .....	123,454	321,140	\$ 444,594
Home Products Program .....	245,219	498,980	\$ 744,199
Rebate Advantage .....	79,547	43,954	\$ 123,501
See Ya Later Refrigerator <sup>(a)</sup> .....	0	297,587	\$ 297,587
Weatherization Solutions for Eligible Customers <sup>(c)</sup> .....	51,670	160,459	\$ 212,129
<b>Commercial/Industrial</b>			
Building Efficiency .....	1,006,025	1,300,466	\$ 2,306,491
Easy Upgrades .....	2,922,340	3,213,388	\$ 6,135,728
FlexPeak Management <sup>(a)</sup> .....	0	528,681	\$ 528,681
Holiday Lighting .....	28,782	33,673	\$ 62,455
Custom Efficiency .....	3,948,617	5,816,305	\$ 9,764,922
<b>Irrigation</b>			
Irrigation Efficiency Rewards .....	1,878,960	2,112,391	\$ 3,991,351
Irrigation Peak Rewards .....	1,373,855	9,131,929	\$ 10,505,784
<b>Energy Efficiency/Demand Response Total</b>	<b>16,802,969</b>	<b>29,433,315</b>	<b>\$ 46,236,284</b>
<b>Market Transformation</b>			
Northwest Energy Efficiency Alliance (NEEA) .....	894,913	919,850	\$ 1,814,763
Consumer Electronics Initiative <sup>(a)</sup> .....	0	160,762	\$ 160,762
<b>Market Transformation Total</b>	<b>894,913</b>	<b>1,080,612</b>	<b>1,975,525</b>
<b>Other Programs and Activities</b>			
<b>Residential</b>			
Residential Energy Efficiency Education Initiative .....	142,969	183,143	\$ 326,112
<b>Commercial</b>			
Commercial Education Initiative .....	69,059	114,516	\$ 183,575
<b>Other</b>			
Energy Efficiency Direct Program Overhead .....	135,788	146,007	\$ 281,795
Local Energy Efficiency Funds .....	22,714	5,622	\$ 28,336
<b>Other Programs and Activities Total</b>	<b>370,530</b>	<b>449,288</b>	<b>\$ 819,818</b>
<b>Indirect Program Expenses</b>			
Residential Overhead <sup>(d)</sup> .....	0	112,984	\$ 112,984
Commercial/Industrial/Irrigation Overhead <sup>(e)</sup> .....	0	139,101	\$ 139,101
Energy Efficiency Accounting and Analysis .....	792,480	600,870	\$ 1,393,350
Energy Efficiency Advisory Group .....	2,148	3,434	\$ 5,582
Special Accounting Entries .....	17,236	1,860	\$ 19,096
<b>Indirect Program Expenses Total</b>	<b>811,864</b>	<b>858,249</b>	<b>\$ 1,670,113</b>
<b>Grand Total</b>	<b>\$ 18,880,276</b>	<b>\$ 31,821,464</b>	<b>\$ 50,701,740</b>

<sup>(a)</sup> New program in 2009

<sup>(b)</sup> Attic Insulation Pilot in 2008

<sup>(c)</sup> Home Weatherization Pilot in 2008

<sup>(d)</sup> Reorganization/Previously recorded under Energy Efficiency Accounting and Analysis in 2008

<sup>(e)</sup> Reorganization/Commercial Leader added in 2009