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**LISA D. NORDSTROM**  
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September 23, 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 IDAHO POWER COMPANY'S APPLICATION FOR  
AN ORDER DESIGNATING THE ENERGY EFFICIENCY RIDER FUNDS  
SPENT BY THE COMPANY DURING 2008-2009 AS PRUDENTLY  
INCURRED EXPENSES***

Dear Ms. Jewell:

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

Very truly yours,

Lisa D. Nordstrom

LDN:csb  
Enclosures

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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER )  
COMPANY'S APPLICATION FOR AN ) CASE NO. IPC-E-10-09  
ORDER DESIGNATING THE ENERGY )  
EFFICIENCY RIDER FUNDS SPENT BY ) IDAHO POWER COMPANY'S  
THE COMPANY DURING 2008-2009 AS ) REPLY COMMENTS  
PRUDENTLY INCURRED EXPENSES. )  
\_\_\_\_\_ )

COMES NOW, Idaho Power Company ("Idaho Power" or "Company"), and in response to Comments filed in this docket, submits the following Reply Comments.

**I. BACKGROUND**

On March 15, 2010, the Company submitted an Application 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. On June 25, 2010, the Idaho Public Utilities Commission issued a Notice of Application and Intervention deadline in Order No. 32019. The Idaho Conservation League, Idaho Irrigation Pumpers Association, Inc., and Industrial Customers of Idaho Power ("ICIP") were

granted Intervenor status in Order Nos. 32038 and 32045. On July 28, 2010, the Commission issued a Notice of Modified Procedure in Order No. 32038 and established a 45-day period for interested parties to comment on the Company's Application. The Commission Staff, Idaho Conservation League, Idaho Irrigation Pumpers Association, Inc., Industrial Customers of Idaho Power, and members of the public commented on the Company's Application on or before September 13, 2010.

Because these comments do not recommend a disallowance of the Energy Efficiency Rider funds spent by Idaho Power in 2008 and 2009, Idaho Power will not address all of the issues raised in comments – even though the Company believes some characterizations to be in error. Idaho Power has limited its response to certain issues directly related to the requested prudence determination of Rider funds spent in 2008-2009.

## **II. CLASS CROSS-SUBSIDIZATION**

The Commission Staff and Idaho Conservation League expressed concern that some customer classes receive a greater percentage of Rider-funded benefits than they contribute. Since the Commission directed the Company to implement a comprehensive energy efficiency program in 2002, Idaho Power has focused on maximizing energy efficiency benefits from a system resource perspective while still offering a program portfolio with opportunity for all customer classes to participate. Idaho Power has strived to achieve the Commission's direction that it:

. . . implement a balanced portfolio of DSM programs for all customer classes over the long-term. In the short term, however, Idaho Power and the Advisory Group shall have the flexibility to focus on different classes during different years if necessary to achieve the most cost-effective energy conservation in the shortest amount of time. We expect this

result-oriented approach to be the primary guide for initial program selection, regardless of which customer class(es) will directly benefit. The energy savings generated by such an approach will indirectly benefit all ratepayers as more class-specific DSM programs are implemented over time.

Order No. 29065, page 8.

The Commission went on to explain that it “anticipates that DSM expenditures will balance out among the customer classes over time and will review DSM expenditures annually to see that a fair result is achieved.” *Id.* In the intervening years, Idaho Power has built a balanced portfolio that attempts to maximize the value of customers’ Rider funds to the overall system. Because the Commission “prefer[red] that the programs projected to generate the greatest return on customers’ DSM dollars to be implemented first,” the Company continues to primarily focus on reducing the need for supply-side resources rather than ensuring equality of individual class benefits. *Id.*

The results speak for themselves. Idaho Power’s demand response programs reduced demand by 218 MW in 2009 – larger than the capacity of any of Idaho Power’s gas peaker plants near Mountain Home. *Demand-Side Management 2009 Annual Report*, page 1. In 2009, Idaho Power’s energy efficiency activities resulted in 148,256 megawatt-hours in overall annual energy savings. *Id.*

### **III. ONE-CARD PURCHASES**

Idaho Power takes its credit card transactions seriously and employs reasonable business practices to ensure Rider funds are utilized for proper purposes. Although Staff describes *de minimis* expenditures it believes to be suspect, Idaho Power believes that those transactions were identified based on a name or description, not the business

purpose for which they were directed. The transactions in question occurred as part of reasonable program advancement and outreach opportunities, not personal employee use. These transactions also included reasonable costs to meet with customers, train trade allies, and feed volunteers on the Energy Efficiency Advisory Group ("EEAG"), all of which provide benefits to Idaho Power's Rider-funded programs.

#### **IV. COST-EFFECTIVENESS**

Idaho Power wishes to respond to several issues regarding the cost-effectiveness of its programs.

First, Idaho Power's cost-effectiveness methodology is described in detail on pages 1-3 of the *Demand-Side Management 2009 Annual Report, Supplement 1: Cost-Effectiveness* ("Supplement 1"). Idaho Power's goal is that all of its mature programs have a benefit/cost ratio greater than one from the Total Recourse Cost ("TRC"), Utility Cost, and Participant Cost perspectives. Idaho Power utilizes all of the manuals and standards as recommended by Staff in the Memorandum of Understanding filed in Case No. IPC-E-09-09. For demand response programs, as stated on page 2 of Supplement 1, "To be consistent with the IRP, and since demand response programs are inherently different from energy efficiency programs, the B/C ratios for A/C Cool Credit and Irrigation Peak Rewards are calculated over a 20-year program life . . . ." The cost-effectiveness of these two programs is calculated in the same manner and both are shown to be cost-effective over the Integrated Resource Plan ("IRP") planning period.

Second, the Commission Staff and the Idaho Conservation League addressed Idaho Power's use of Net-to-Gross ("NTG") adjustments for program evaluation purposes. However, neither party correctly characterizes Idaho Power's use of this

metric. *Idaho Power's Demand-Side Management 2009 Annual Report* describes the Company's use of NTG adjustments in its cost-effectiveness analysis on pages 1-3 of Supplement 1. More specifically, Idaho Power uses NTG adjustments from third parties when available. Because no known NTG adjustment is available for the Custom Efficiency program, as stated in Supplement 1, page 43, Idaho Power conducted a sensitivity analysis. Even when the Company assumed a 30 percent NTG adjustment (70 percent free-riders), the program was shown to still be cost-effective.

Third, the ICIP requests the Commission adopt a standard requiring mature programs meet a 1.25 TRC ratio. This approach is not standard within the industry and would not place energy efficiency programs on the same footing as supply-side resources. On the contrary, it would penalize energy efficiency in the resource portfolio – a result that prior energy efficiency orders and Commission-acknowledged IRPs sought to avoid. If the Commission wishes to consider the ICIP's proposal in greater detail, Idaho Power believes the analysis should occur in the context of a separate docket that would allow Idaho Power the opportunity to more fully respond.

Finally, some parties have been critical of certain programs that have not performed as well as expected, such as the Holiday Lighting and Easy Upgrades programs. Idaho Power has addressed these issues as part of its administration of these programs. The Holiday Lighting program included two measures, or customer options, to receive incentives in 2008 and 2009. To participate, customers could replace either C7/C9 or mini incandescent holiday lights. In 2008, this program was shown to be cost-effective. However, as a result of an annual program review of cost and savings data conducted in 2010, the mini lights were shown to not be cost-effective

from a TRC perspective in 2009. The fact that one measure was not cost-effective caused the program not to be cost-effective from a TRC perspective for 2009. As a result of this updated analysis, the Company has discontinued paying incentives for the mini lights during the 2010-2011 holiday season.

The Easy Upgrades program offers customers 143 different measures, or options, for which they can receive incentives. Collectively, the program costs and savings for these measures enabled the program to be considered cost-effective in 2008 and 2009. As a result of an annual program review conducted in 2010, ten measures of the 143 measures offered under this program appeared not to be cost-effective from a TRC perspective. As described in the *Demand-Side Management 2009 Annual Report*, pages 79-80:

Based on current analysis for 2009, there are 10 measures offered under the Easy Upgrades program that appear to be not cost-effective from the TRC perspective. Four of these measures were new in 2009 and six were identified in the Potential Study conducted by Nexant, Inc., as warranting further analysis. These measures are window shading, flat panel LCD displays, occupancy sensor controls, high-efficiency coin-operated washers without electric water, air-cooled multiplex systems, and evaporative-cooled multiplex systems. Although only eight of these measures were used by customers in 2009 and comprised less than 1 percent of the incented measures, their cost-effectiveness requires further analysis.

Idaho Power is currently engaged in third-party process evaluations on its entire portfolio of commercial, industrial, and irrigation programs as well as four of its residential programs. As part of this review, Idaho Power is evaluating the Easy Upgrades program offerings and will identify any modifications to be incorporated in the

program in 2011. If, after this assessment, any measures are found not to be cost-effective, they will be removed from the program offerings.

#### **V. RECORD KEEPING AND PROJECT VERIFICATIONS**

The Commission Staff's Comments make reference to "inconsistent record-keeping" in its Custom Efficiency program but do not elaborate any further. Idaho Power does not understand nor agree with this assessment, but welcomes Staff's input and is committed to exploring specific issues with Staff. Idaho Power is presently developing a data repository which will be more robust and will track and store all program data in one platform. This new system will allow for more thorough and detailed reporting and is scheduled for full implementation in 2011.

Staff also expressed concern that too few project installations were being verified, particularly within the Easy Upgrades program. Idaho Power did not intentionally reduce the percentage of Easy Upgrades installation verifications from 2008 to 2009. Easy Upgrades launched in February 2007 and has grown dramatically in the past few years. In 2007, 2008, and 2009 there were 104, 666, and 1,224 projects system-wide, respectively. Due to the program's growth, a significant number of large projects, and only a single full-time employee dedicated to the program, a proportional increase in installation verifications did not occur.

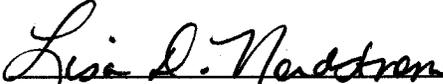
As stated in the *Demand-Side Management 2009 Annual Report* on page 80, "The Company plans to complete a program evaluation and assessment in 2010." A process evaluation of the program by a third-party consultant is underway and changes to the program are currently being reviewed by the Company's staff. As a standard practice, these changes will be presented to the Energy Efficiency Advisory Group. In

2010, the Company has reassigned staff responsibilities for this program, which has facilitated an increase in installation verifications. The Company is also developing a comprehensive data storage system which will more effectively track the verification data. In addition, a systematic quality assurance protocol is being developed for deployment in 2011 for the Easy Upgrades program that will ensure a standardized approach for measure verification.

## **VI. CONCLUSION**

Idaho Power appreciates this opportunity to respond to the comments filed in this docket and 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.

DATED at Boise, Idaho, this 23<sup>rd</sup> day of September 2010.

  
LISA D. NORDSTROM  
Attorney for Idaho Power Company

## CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 23<sup>rd</sup> day of September 2010 I served a true and correct copy of the foregoing IDAHO POWER COMPANY'S REPLY COMMENTS upon the following named parties by the method indicated below, and addressed to the following:

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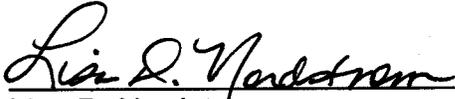
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