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IDAHO PUBLIC
UTILITIES COMMISSION

Attorney for Idaho Conservation League

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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

COMES NOW the Idaho Conservation League ("ICL"), through its attorney of record Benjamin Otto, pursuant to the Notice of Modified Procedure filed July 28, 2010, with the following comments regarding Idaho Power's request to determine as prudent the \$50.7 million spent on energy efficiency programs during 2008 and 2009.

ICL, the PUC Staff, and this Commission have oft repeated the mantra that energy efficiency continues to be the least cost resource available for Idaho Power. In this case we step back and review actual spending and energy savings in an attempt to uncover any truth behind this mantra. Thankfully, after reviewing Idaho Power's DSM reports for 2008 and 2009, we find our belief to be well founded – albeit with some nagging details.

Appendix 4 of the Company's 2009 DSM report reveals that every program in the portfolio reduced energy consumption at a levelized cost below the marginal cost of electricity. Simply put, spending money to help customers reduce their energy demand

proves less expensive than generating or purchasing the power to meet that demand. In fact, some programs appear to be so cost effective that ICL encourages the Company to redouble their efforts to increase customer participation. The nagging details arise upon closer inspection of individual programs, measures within programs, the allocation of spending to DSM revenue intake, and the continued imbalance between energy efficiency rider revenue and program spending.

Industrial and Commercial Programs

Both the Custom Efficiency and Easy Upgrades, according to the utility cost test, return approximately six times the benefits as the costs.¹ While these results are encouraging, ICL agrees with the Comments of the Staff filed in this case that using a Net to Gross ratio of 100% for the Custom Efficiency is unlikely to be accurate.² While this unrealistic factor in the UTC formula is not sufficient to deem and of the Company's spending as imprudent, the Commission should expect a more refined calculation in future cases. Likewise, while Staff's Attachment B reveals that the Industrial class accounts for \$6.1 million in expenses while returning only \$3.7 in DSM revenue, the high cost to benefit ration may justify this cross subsidization.³ However, because class cross subsidization is occurring ICL encourages the Commission to consider whether this result is in fact just.

Irrigation Programs

¹ *DSM 2009 Annual Report Supplement 1*, at 43 (Custom Efficiency UCT ratio of 6.37%) and 45 (easy upgrades UCT ration of 6.24%).

² *Comments of Staff*, at 6, IPC-E-10-09 (September 13, 2010).

³ *Id.* at Attachment B.

Like the Industrial class, the Irrigation class accounts for more in DSM expenditures than they contribute in revenue. While the spread in the Industrial class is 4%, in the Irrigation class it is 22%, more than a 2:1 ratio between expenses and revenue.⁴ Admittedly, much of the Irrigation class expense is attributable to the peak shaving capacity of this class. ICL acknowledges that limiting summer time peak is a critical part of mitigating future electrical rate increases and infrastructure development. However, this one program accounts for almost one third of the entire DSM budget. The size, characteristics, and value of this resource most closely resemble a supply side resource. Because of this, ICL submits that it might be more prudent for the Commission to consider shifting the cost of this program into the PCA mechanism.

Residential Programs

ICL acknowledges that the residential class presents the most complicated and administratively difficult class to make energy efficiency gains. Each home contributes a small portion of demand reduction. However, cumulatively this class presents a large body of potential savings. Moreover, by increasing efforts to make individual homes more efficient, thereby reducing individual utility bills, ICL submits that public acceptance for DSM spending will improve. ICL encourages Idaho Power to increase their marketing and education efforts in order to increase their gains in this customer class.

Upon reviewing the 2008 and 2009 DSM reports, it is clear that Idaho Power should be working with Intermountain Gas to implement energy conservation incentives.

⁴ *Id.*

Many of the residential class programs focus on building envelope and heating both home and water. Currently Idaho Power is the only utility in their service area providing incentives these. This spending would be more effective, and therefore more prudently incurred, if Intermountain Gas also contributed. ICL acknowledges this issue is outside of the realm of the present case, but the matter is important enough to raise for the Commission, and the Company's consideration.

Enhanced Commitment

As part of the Fixed Cost Adjustment Mechanism process, Idaho Power promised to show an enhanced commitment to pursuing all cost effective DSM opportunities.⁵ One area the Company's own analysis shows to be cost effective is pursuing legislative Appliance standards.⁶ According to Idaho Power's own analysis, pursuing appliance standards would be a prudent and cost effective Demand Side Management Measure. While the present case asks whether Idaho Power's previous DSM spending was prudent, ICL submits the Commission could take this opportunity to comment upon the Company's missed cost effective and prudent opportunity.

Conclusion


5 IPC-E-04-15, Stipulation at 5. (Order approving original FCA pilot wherein Idaho Power stated: "The Company will promote the adoption of energy codes to achieve improved levels of efficiency in new commercial and residential construction and appliance standards in Idaho consistent with the Model Conservation Standards released by the Northwest Power and Conservation Council or that exceed the 2003 IECC and ASHRAE 90. codes")

⁶ See 2009 DSM Annual Report at 116-117; 2009 IRP at 43 – 44 (December 2009).

After reviewing Idaho Power's Application, Annual DSM Reports, the Production Requests and Responses in this case ICL believes the Company has made a good faith effort to meet the guidelines and expectations outlined in the MOU For Prudency Determination of DSM Expenditures. In considering this Application, ICL respectfully requests the Commission consider our above comments.

DATED this 13th day of September 2010.

Respectfully submitted,



Benjamin J. Otto
Idaho Conservation League

CERTIFICATE OF SERVICE

I hereby certify that on this 13th day of September, 2010, true and correct copies of the foregoing PETITION TO INTERVENE were delivered to the following persons via the method of service noted:

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seven copies provided)
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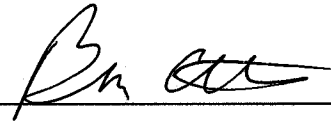
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