

DECISION MEMORANDUM

TO: COMMISSIONER KEMPTON
COMMISSIONER SMITH
COMMISSIONER REDFORD
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL

FROM: NEIL PRICE

DATE: JUNE 18, 2010

SUBJECT: IDAHO POWER COMPANY'S APPLICATION FOR A PRUDENCY DETERMINATION OF ENERGY EFFICIENCY RIDER FUNDS SPENT DURING 2008-2009; IPC-E-10-09.

On March 16, 2010, Idaho Power Company ("Idaho Power" or "Company") filed an Application with the Commission seeking an "Order designating Idaho Power's expenditures of \$50,701,740 in Energy Efficiency Rider ("Rider") funds in 2008 and 2009 as prudently incurred expenses." *Application* at 1. Idaho Power does not believe that a technical hearing is necessary in this case and requests that its Application be processed under Modified Procedure. *Id.* at 8-9.

THE APPLICATION

Idaho Power states that it "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." *Id.* at 3. "[A]nnual 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." *Id.* The Company claims that its "[Demand-Side Management] DSM programs reduced load by 48 megawatts ("MW") in 2007, 61 MW in 2008, and 218 MW in 2009." *Id.*

Approximately \$21 million was invested in DSM resources in 2008, Idaho Power included, as Attachment No. 1, a summary of program expenditures funded by the Rider in 2008 and 2009. *Id.* at 4. The Company invested \$21 million in DSM programs in 2008, \$18.8 million of which was from the Idaho Rider. *Id.* In 2009, Idaho Power spent \$35 million on DSM-related activities, with \$31.8 million being funded by the Idaho Rider. *Id.*

Idaho Power believes that the results of these programs demonstrate that they are a cost-effective resource for customers. *Id.* The Company states that nearly all of its energy efficiency programs 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. *Id.* The lone exception was the Holiday Lighting program which, due mostly to its relatively small size and the incremental costs of LED bulbs, was not cost-effective from the total resource perspective. *Id.*

Idaho Power has provided its 2008, Attachment No. 2, and 2009, Attachment No. 3, DSM Annual Reports as support for its Application. Idaho Power filed its DSM 2008 Annual Report with the Commission on March 13, 2009, pursuant to Order No. 29419 issued in Case No. IPC-E-03-19 and in accordance with certain agreed-upon guidelines set forth in the Memorandum of Understanding for Prudency Determination of DSM Expenditures (“DSM MOU”), Supplement 2 to Attachment No. 3, filed with the Commission on January 25, 2010, as part of the Stipulation filed in Case No. IPC-E-09-09. *Id.* at 5. Idaho Power states further that the DSM 2009 Annual Report, Attachment No. 3, “is intended to satisfy the DSM reporting obligation set forth in Order No. 29419.” *Id.* Pursuant to the DSM MOU, Idaho Power’s DSM 2009 Annual Report includes the following:

- a. A template building upon past DSM Annual Reports and expanding the main document to include two new supplements pertaining to Cost-Effectiveness and Evaluation;
- b. A detailed table of contents;
- c. An Introduction Section;
- d. A section on cost-effectiveness which describes the relationship between the Company’s DSM Annual Report and the Northwest Power and Conservation Council’s 6th Power Plan, data inputs, assumptions and sources;
- e. An evaluation section;
- f. A program specific section with detailed information of all of the Company’s programs and initiatives; and
- g. A section titled “Other Programs and Activities” that do not produce actual savings but nevertheless “support the Company’s overall DSM agenda.”

Id. at 5-7.

Idaho Power argues that its Application, including Supplements, “provide a sufficient basis for the Commission to determine the prudence of these expenses” and “attempted to address Staff’s expectations for cost-effectiveness tests, methods, and evaluations . . .” *Id.* at 7.

The Company calculated cost-effectiveness from the utility and total resource perspectives at the program level across the life of the programs (2008 DSM Annual Report) and from the participant, utility and total resource perspectives at the program level (2009 DSM Annual Report), except for those programs with no customer costs. *Id.* at 7-8. Idaho Power states that in future DSM annual reports it will include the Rate Payer Impact cost-effective test. *Id.* at 8.

Idaho Power uses Net-to-Gross Adjustments for the 2009 Report and third-party evaluators when appropriate for the specific study or evaluation being planned. *Id.* In the future, “the Company plans to report the total cost of evaluating its programs and provide the names of primary outside evaluators and the titles of internal evaluators for each evaluation listed.” *Id.*

STAFF RECOMMENDATION

In the instant case, Idaho Power did not file direct testimony in support of its Application. Staff notes that in a previous case requesting a prudence determination of the Company’s use of Energy Efficiency Rider funds spent during 2002-2007, IPC-E-09-09, Idaho Power attached pre-filed direct testimony in support of its filing. Accordingly, Staff recommends that the Commission issue a Notice of Application with an Intervention Deadline of 14 days to allow parties with a direct and substantial interest in the proceedings to participate fully in the processing of this case.

COMMISSION DECISION

1. Does the Commission wish to issue a Notice of Application and Intervention deadline of 14 days on Idaho Power’s Application for a Commission Order designating Idaho Power’s expenditures of \$50,701,740 in Energy Efficiency Rider funds in 2008 and 2009 as prudently incurred expenses?



Neil Price

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