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IDAHO PUBLIC
UTILITIES COMMISSION

LISA D. NORDSTROM
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April 22, 2011

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-10-27
**IN THE MATTER OF AN INVESTIGATION OF APPROPRIATE COST
RECOVERY MECHANISMS FOR IDAHO POWER'S ENERGY EFFICIENCY
PROGRAMS**

Dear Ms. Jewell:

Enclosed for filing please find an original and seven (7) copies of Idaho Power Company's Petition for Clarification of Order No. 32217 in the above matter.

Very truly yours,

Lisa D. Nordstrom

LDN:csb
Enclosures

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IDAHO PUBLIC
UTILITIES COMMISSION

Attorneys for Idaho Power Company

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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF AN INVESTIGATION)
OF APPROPRIATE COST RECOVERY) CASE NO. IPC-E-10-27
MECHANISMS FOR IDAHO POWER'S)
ENERGY EFFICIENCY PROGRAMS.) IDAHO POWER COMPANY'S
) PETITION FOR CLARIFICATION
) OF ORDER NO. 32217
)

Idaho Power Company ("Idaho Power" or "Company"), pursuant to RP 33, 325, 331, *et seq.*, and Idaho Code § 61-626, respectfully petitions the Idaho Public Utilities Commission ("Commission") for clarification of Order No. 32217, dated April 1, 2011, issued in Case No. IPC-E-10-27 ("the Order"). RP 325 provides that the Commission may clarify any order on its own motion, and that any person may petition to clarify any order. This Petition for Clarification is based on the following grounds:

I.

THE COMPANY SEEKS CLARIFICATION OF THE COMMISSION'S INTENT REGARDING IDAHO POWER'S PURSUIT OF ALL COST-EFFECTIVE DSM – EVEN IN EXCESS OF ENERGY EFFICIENCY RIDER REVENUES.

The Commission "Discussion" section of Order No. 32217 states that "Idaho Power has properly responded to the Commission's directive to pursue all cost-effective

DSM programs, and the results have been significant and measureable.” Order No. 32217 at 5. The Company appreciates the Commission’s recognition of its efforts to build a balanced portfolio in which demand-side management (“DSM”) plays a significant role.

The Commission indicated that it “shares the parties’ concern over the amount of the Energy Efficiency Rider deferral balance.” *Id.* The Order further states:

The gain in energy conservation programs has not come without cost. The Commission increased Idaho Power’s Energy Efficiency Rider to 2.5% of customer base rates in 2008 and to 4.75% in 2009. Order Nos. 30560 and 30814. Accordingly, Rider funds have increased to an expected \$38 million in 2011. As different programs are implemented and evaluated, and become familiar to customers, DSM program expenditures have also increased. In recent years expenditures have outpaced Rider funds. Idaho Power anticipates total DSM expenditures for 2011 to be approximately \$43.4 million, adding approximately \$5.4 million to the Rider deferral balance. Lobb Direct, p. 6.

Id.

The Company is concerned that this portion of the Order, in conjunction with the fact that no additional source of funding was adopted, suggests that Idaho Power should limit its cost-effective DSM expenditures to the level of revenue collected by the Rider until these funding issues are resolved in a general rate case proceeding. Such an interpretation is consistent with the advocacy of the Industrial Customers of Idaho Power (“ICIP”), which argued that the Company could “address the problems it appears to have with running up a negative balance in the EE rider account” by “scal[ing] back programs” that are purportedly “not cost-effective and/or do not provide a direct benefit to Idaho customers.” Testimony of Dr. Reading at 10, ll. 5-8.

Pending issuance of an order addressing DSM funding that resolves the negative Rider balance, the Company respectfully requests the Commission clarify that Idaho

Power continue to pursue all cost-effective DSM – even in excess of Energy Efficiency Rider (“Rider”) revenues.

II.

THE COMPANY SEEKS CLARIFICATION OF THE COMMISSION’S POSITION WITH REGARD TO INCLUSION OF IDAHO POWER’S DEMAND RESPONSE INCENTIVES IN POWER SUPPLY EXPENSES GENERALLY.

The Commission’s Order rejecting the Stipulation submitted in this case indicated that “the funding adjustments proposed by Idaho Power in this case ultimately may be appropriate to ensure DSM programs are adequately funded and that the Company recovers approved expenditures in a timely manner.” Order No. 32217 at 5. The Commission went on to state:

The specific proposals, however, raise issues and concerns that are more properly vetted in a rate case. Expenditures that are expected to be included in rate base, or that are included in the PCA after determining a normalized cost for customer base rates, present issues of concern for all customers. As recognized by the parties that signed the Stipulation, including costs for recovery in the PCA affects cost allocations among customer classes. These and other issues are best considered in a general rate proceeding. Accordingly, the Commission will not approve the Stipulation in this case, and anticipates reviewing proposals to adjust DSM cost recovery in Idaho Power’s next rate case.

Id.

Idaho Power agrees that the allocation of costs between classes is a complicated matter best suited for a general rate case, and agreed to this approach when it signed the Stipulation. However, the Company also values collaborative dockets outside of general rate cases to address difficult policy issues that can get lost in the context of general ratemaking.

Like a general rate case, all interested parties had an opportunity to intervene and participate in this docket. In Order No. 32121, the Commission established an

intervention deadline; numerous customer and stakeholder groups subsequently participated in the scheduling conference and settlement negotiations. All settlement participants supported recovery of Idaho Power's demand response incentive payments with its power supply expenses with the exception of the ICIP, who opposed any increased funding for energy efficiency because "4.75 percent should be adequate at this time." Oral Argument Tr. at 36, ll. 13-14.

As evidenced by the Notice of Intent filed with the Commission on March 31, 2011, Idaho Power is presently evaluating whether to file a general rate case this year. Before Idaho Power makes this proposal again in a general rate case, the Company respectfully requests the Commission clarify its Order to reflect that the Commission is not philosophically opposed to the inclusion of Idaho Power's demand response incentives in power supply expenses. Although few other alternatives exist to fund DSM short of increasing the Rider percentage, Idaho Power does not wish to delay resolution of the large negative Rider deferral balance any further by proposing this specific funding adjustment again in a general rate case if the Commission would rather not pursue it.

III.

THE COMPANY SEEKS CLARIFICATION OF THE COMMISSION'S INTENT WITH REGARD TO TREATING THE CUSTOM EFFICIENCY PROGRAM AS A REGULATORY ASSET.

Commission Order No. 32217 is silent with regard to the Stipulation's proposed treatment of the Custom Efficiency program incentives as a regulatory asset with a seven-year amortization period.

The participants in this case supported the concept of capitalizing energy efficiency investments to earn the Company's authorized rate of return, a concept which

has been approved by the Commission in the past and would treat demand-side resource investments similar to supply-side resources. The sole point of disagreement between the parties was with regard to the length of the amortization period. Idaho Power initially proposed four years. Application at 8. Commission Staff, the Idaho Conservation League, NW Energy Coalition, Snake River Alliance, Community Action Partnership Association of Idaho, and Idaho Power ultimately agreed to a seven-year amortization period as part of settlement negotiations. Stipulation at 4, ¶ 8. The ICIP recommended a twelve-year amortization. Oral Argument Tr. at 30, ll. 3-13. As with any regulatory asset, the length of the amortization period must be ultimately determined by the Commission as a matter of policy.

Commission approval of Custom Efficiency incentive payments as a regulatory asset would have no impact on current cost allocation. This type of accounting would begin treating demand-side investments similar to supply-side resources – a goal supported by all participants in this case – and strengthen the energy efficiency business model. Consequently, Idaho Power requests the Commission clarify Order No. 32217 to allow Idaho Power to account for incentives paid through the Custom Efficiency program as a regulatory asset beginning January 1, 2011, with an amortization period to be determined by the Commission, based upon the information submitted by the parties in this case.

IV.

CONCLUSION

With its Order, the Commission has reiterated that Idaho Power pursue all cost-effective DSM yet has declined to address how such investments will be funded, recovered, and incentivized going forward. The ICIP has stated that Idaho Power has

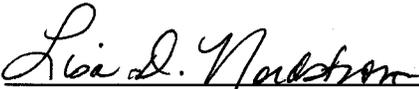
overspent on DSM. Testimony of Dr. Reading at 7, ll. 4-9. The Commission has neither affirmed nor denied the ICIP's claim. The parties, other than the ICIP, have presented a DSM regulatory model that the Commission has rejected suggesting that it instead be revisited in a general rate case proceeding. Idaho Power is confused by these mixed messages.

To guide Idaho Power's actions until its next general rate case, the Company respectfully requests clarification of the Commission's intent, support, or lack of support regarding:

- (1) Idaho Power's pursuit of all cost-effective DSM – even in excess of Rider revenues;
- (2) The concept of inclusion of Idaho Power's demand response incentives in power supply expenses generally; and
- (3) The concept of treating Idaho Power's Custom Efficiency program as a regulatory asset.

If the Commission believes an evidentiary hearing would be helpful in providing the clarification requested herein, Idaho Power has no objection to the Commission scheduling one based on the testimony already filed in this docket.

Respectfully submitted this 22nd day of April 2011.



LISA D. NORDSTROM
Attorney for Idaho Power Company

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 22nd day of April 2011 I served a true and correct copy of IDAHO POWER COMPANY'S PETITION FOR CLARIFICATION OF ORDER NO. 32217 upon the following named parties by the method indicated below, and addressed to the following:

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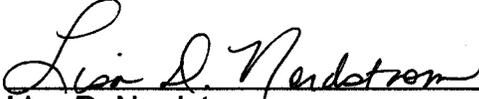
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