



**IDAHO
PUBLIC UTILITIES
COMMISSION**

C.L. "Butch" Otter, Governor

P.O. Box 83720, Boise, Idaho 83720-0074

**Jim D. Kempton, President
Marsha H. Smith, Commissioner
Mack A. Redford, Commissioner**

March 15, 2011

Parties of Record
Case No. IPC-E-10-27

Dear Parties of Record:

Staff discovered an error in the Direct Testimony of Randy Lobb in Support of the Stipulation dated March 4, 2011 filed in Case No. IPC-E-10-27. Starting at line 24, page 11, Mr. Lobb references a stipulation approved in Case No. IPC-E-09-30, and provides a quote from that stipulation. Unfortunately, the language in quotation marks is actually from a stipulation approved in a 1995 case.

Enclosed are corrected pages 11-13 for Mr. Lobb's testimony. The correction occurs in the answer starting at line 24, page 11 through line 5, page 12. As corrected, the testimony contains the proper quote from the stipulation approved in Case No. IPC-E-09-30, and does not change the substance of Mr. Lobb's testimony.

Please replace pages 11-13 with the corrected pages in the Direct Testimony of Randy Lobb in Support of the Stipulation dated March 4, 2011, filed in Case No. IPC-E-10-27. I apologize for any inconvenience caused by the error.

Sincerely,

Weldon B. Stutzman
Deputy Attorney General

cc: Jean Jewell, Commission Secretary

L:IPC-E-10-27_ws_Testimony Errata

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 15TH DAY OF MARCH 2011, SERVED THE FOREGOING **ERRATA TO DIRECT TESTIMONY OF RANDY LOBB IN SUPPORT OF THE STIPULATION**, IN CASE NO. IPC-E-10-27, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

LISA D NORDSTROM
DONOVAN E WALKER
IDAHO POWER COMPANY
PO BOX 70
BOISE ID 83707-0070
E-MAIL: lnordstrom@idahopower.com
dwalker@idahopower.com

JOHN R GALE
DARLENE NEMNICH
IDAHO POWER COMPANY
PO BOX 70
BOISE ID 83707-0070
E-MAIL: rgale@idahopower.com
dnemnich@idahopower.com

PETER J RICHARDSON
GREGORY M ADAMS
RICHARDSON & O'LEARY
PO BOX 7218
BOISE ID 83702
E-MAIL: peter@richardsonandoleary.com
greg@richardsonandoleary.com

DR DON READING
6070 HILL RD
BOISE ID 83703
E-MAIL: dreading@mindspring.com

ERIC L OLSEN
RACINE OLSON NYE ET AL
PO BOX 1391
POCATELLO ID 83204
E-MAIL: elo@racinelaw.net

ANTHONY YANKEL
29814 LAKE ROAD
BAY VILLAGE OH 44140
E-MAIL: tony@yankel.net

BENJAMIN J OTTO
ID CONSERVATION LEAGUE
PO BOX 844
BOISE ID 83702
E-MAIL: botto@idahoconservation.org

NANCY HIRSCH
NW ENERGY COALITION
E-MAIL ONLY:
nancy@nwenergy.org

KEN MILLER
SNAKE RIVER ALLIANCE
E-MAIL ONLY:
kmiller@snakeriveralliance.org

BRAD M PURDY
ATTORNEY AT LAW
2019 N 17TH STREET
BOISE ID 83702
E-MAIL: bmpurdy@hotmail.com



SECRETARY

1 improvements for Idaho Power's largest energy users. It
2 was implemented in 2003 and grew to a \$6 million program
3 with 132 participants in 2009. In that year alone, Idaho
4 Power reported that the program resulted in 154,123
5 megawatt-hours of annual energy savings. It also claims
6 that the benefit/cost ratios for that program in 2009 are
7 6.37 from the utility cost test perspective, 3.56 from the
8 total resource cost test perspective, and 2.03 from the
9 participants' perspective.

10 Q. Please explain why Staff agrees that incentive
11 costs in the Custom Efficiency program are the most
12 appropriate DSM costs to capitalize.

13 A. The Custom Efficiency program is reported by
14 Idaho Power to be one of its most cost-effective programs
15 and, aside from the Irrigation Peak Rewards, is the largest
16 program in the Company's DSM portfolio. Staff believes
17 capitalization of costs in this program will provide both
18 the most relief to the DSM tariff rider and the best
19 opportunity to test the long-term viability of
20 capitalization of DSM costs.

21 Q. Is treatment of DSM costs as proposed by the
22 Stipulation in this case allowed under the rate Stipulation
23 approved by the Commission in Case No. IPC-E-09-30?

24 A. Yes, the Stipulation approved by the Commission
25 in that case specifically allowed for the Company to "make

1 filings with the Commission to adjust its revenue
2 requirement and change rates to become effective prior to
3 January 1, 2012 for the following: (a) Annual Power Cost
4 Adjustment ("PCA"). . . , (e) Energy Efficiency Rider
5 Adjustment". Stipulation, Case No. IPC-E-09-30, Section
6 5.2, p. 3. Staff believes that modifying the PCA to
7 reasonably recover costs that could otherwise be recovered
8 by increasing the tariff rider percentage is allowed under
9 the previously approved Stipulation.

10 Q. In your view, is shifting of DSM cost
11 responsibility between customer classes allowed under the
12 rate Stipulation approved in Case No. IPC-E-09-30?

13 A. While cost shifting between classes is not
14 specifically precluded; I do not believe it was intended by
15 parties signing that agreement. Absent the special PCA
16 treatment in this case allocating DSM costs to customer
17 classes based on expected tariff rider revenue, significant
18 cost shifts would occur. Large industrial customers would
19 see an estimated \$1.9 million per year increase in DSM cost
20 recovery responsibility while residential customers would
21 see a decrease. While it may be reasonable to change class
22 cost recovery responsibility in the future, it should not
23 occur during the rate moratorium period ending January 1,
24 2012.

25 Q. Does changing cost recovery from the DSM tariff

1 rider to the PCA, base rates or rate base capitalization
2 change how the Commission Staff will review the prudence of
3 DSM programs?

4 A. No. Whether DSM cost recovery is through the
5 Tariff Rider, the PCA or base rates, Staff will review
6 prudence on a routine basis, in response to specific
7 requests of the Company or in conjunction with specific PCA
8 or general rate cases. If Staff believes any DSM
9 expenditures were imprudent, it will recommend that the
10 Commission disallow recovery of such expenditures from
11 Idaho Power's customers. The Company will continue to
12 maintain an accounting for review by Staff and other
13 interested parties of all DSM program expenditures,
14 regardless of program funding methodology.

15 Q. Does this conclude your direct testimony in this
16 proceeding?

17 A. Yes, it does.

18
19
20
21
22
23
24
25