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UTILITIES COMMISSION

JASON B. WILLIAMS
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March 15, 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-11-05
**IN THE MATTER OF THE APPLICATION OF IDAHO POWER
COMPANY FOR A PRUDENCY DETERMINATION OF ENERGY
EFFICIENCY RIDER FUNDS SPENT IN 2010**

Dear Ms. Jewell:

Enclosed for filing please find an original and seven (7) copies of Idaho Power Company's Application in the above matter. Please note that Idaho Power Company has filed its *Demand-Side Management 2010 Annual Report* as Attachment No. 1 to this Application. The Company intends this filing to satisfy the reporting requirement set forth in Order No. 29419 (Case No. IPC-E-03-19).

In addition, enclosed are nine (9) copies of the testimony of Darlene Nemnich filed in support of the Application. One copy of Ms. Nemnich's testimony has been designated as the "Reporter's Copy." In addition, a disk containing a Word version of Mr. Nemnich's testimony is enclosed for the Reporter.

Very truly yours,



Jason B. Williams

JBW:csb
Enclosures

cc: Pete Pengilly (w/o encls.)
Theresa Drake (w/o encls.)
Darlene Nemnich (w/o encls.)
P&RS Files (w/encls.)
Legal Files (w/encls.)

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Boise, Idaho 83702

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)
OF IDAHO POWER COMPANY FOR A) CASE NO. IPC-E-11-05
PRUDENCY DETERMINATION OF)
ENERGY EFFICIENCY RIDER FUNDS) APPLICATION
SPENT IN 2010.)
_____)

Idaho Power Company ("Idaho Power" or "Company"), in accordance with RP 052 and RP 201, *et seq.*, hereby respectfully submits its *Demand-Side Management 2010 Annual Report* ("DSM 2010 Annual Report") in compliance with Order No. 29419 and makes Application to the Idaho Public Utilities Commission ("Commission") for an Order designating Idaho Power's expenditure of \$42,479,692 in Energy Efficiency Rider ("Rider") funds in 2010 as prudently incurred expenses.

In support of this Application, Idaho Power represents as follows:

I. INTRODUCTION

1. The Commission has "consistently stated that cost-effective DSM programs are in the public interest and has admonished electric utilities operating in the

State of Idaho to develop and implement DSM programs in order to promote energy efficiency.” Case No. IPC-E-10-09, Order No. 32113 at 8, *citing* Order Nos. 29784 and 29952. Consistent with this Commission objective, Idaho Power has implemented and/or manages a wide range of opportunities for all of its customer classes to participate in demand-side management (“DSM”) and energy efficiency programs, to be informed about energy use, and to use electricity wisely. Idaho Power’s two main objectives for its DSM programs are (1) to achieve all prudent cost-effective energy efficiency and demand response resources to meet its electrical system’s energy and demand needs and (2) to provide customers with programs and information to help them manage their energy usage. To assist with the development and implementation of DSM and energy efficiency programs, Idaho Power receives input and consultation from its Energy Efficiency Advisory Group (“EEAG”). Formed in May 2002 and currently with 14 members representing customers, state agencies, and other stakeholders, the EEAG provides a broad range of recommendations, including input on new program proposals, modifications to existing programs, and overall expenditures of Rider funds. In addition to the EEAG, Idaho Power has enhanced its relationships with trade allies, trade organizations, and regional groups involved in DSM and energy efficiency activities.

2. Since the Rider was implemented in 2002, the Company has progressively increased the breadth of its DSM and energy efficiency activity as well as the level of funding for cost-effective DSM and energy efficiency programs. Between 2002 and 2007, the Commission found that the Company had prudently incurred cost-effective DSM-related Rider expenses of \$29 million. Order Nos. 30740 and 31039. In

2008 and 2009, the Commission found that the Company had prudently incurred cost-effective DSM-related Rider expenses of \$50.7 million. Order No. 32113.

3. As a result of Idaho Power's increased DSM and energy efficiency activity over the last eight years, Idaho Power's quarterly customer relationship survey in 2010 indicated that the percentage of customers who have a positive perception of Idaho Power's energy efficiency efforts has steadily grown from 39 percent in 2003 to 57 percent in 2010, a positive increase of 46 percent. In addition, in May 2010, Idaho Power received the Demand Response Program Achievement Award from the Peak Load Management Alliance ("PLMA") for its FlexPeak Management DSM program. DSM 2010 Annual Report at 68. PLMA is a non-profit group of organizations with a business interest in electrical load that is dedicated to creating a community of expertise on DSM and its role in creating energy efficiency markets. *Id.*

II. 2010 DSM RESULTS

4. In 2010, Idaho Power continued to expand its DSM programs in order to increase participation and energy savings. Idaho Power currently offers its Idaho customers sixteen energy efficiency programs, three demand response programs, several educational initiatives, and offers savings to customers through market transformation programs. Overall, annual energy savings from Idaho Power's energy efficiency activities totaled 187,626 megawatt-hours, an increase of 31 percent over the energy savings achieved in 2009. DSM 2010 Annual Report at 1. As a result of Idaho Power's demand response programs, demand reduction increased by 54 percent over 2009 levels, with a total load reduction of 336 megawatts ("MW") in 2010, compared to a reduction of 218 MW in 2009 and 61 MW in 2008. *Id.*

5. To achieve these results, total expenditures on DSM-related activities increased to \$45.8 million, compared to expenses of approximately \$35 million in 2009 and \$21 million in 2008. *Id.* Of the \$45.8 million of 2010 DSM-related expenses, approximately \$42.5 million were Rider expenses, compared to Rider expenses of approximately \$31.8 million in 2009 and \$18.8 million in 2008. *Id.* A summary of program expenditures funded by the Rider in 2010 is provided in Exhibit No. 1 to the Direct Testimony of Darlene Nemnich (“Nemnich Testimony”) that accompanies this Application.

6. Results show that all of Idaho Power’s energy efficiency and DSM programs are providing cost-effective resources to customers and the Company. In 2010, all 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.

III. THE DSM 2010 ANNUAL REPORT

7. In support of its Application requesting the Commission to accept the Company’s 2010 DSM expenditures funded by the Rider as prudently incurred, Idaho Power presents its DSM 2010 Annual Report as Attachment No. 1 to this Application.

8. The DSM 2010 Annual Report is being submitted pursuant to the DSM reporting obligation set forth in Order No. 29419 and in accordance with certain agreed-upon guidelines set forth in the Memorandum of Understanding for Prudency Determination of DSM Expenditures (“DSM MOU”) submitted as part of the Stipulation in Order No. 31039. In sum, Idaho Power’s DSM 2010 Annual Report contains the following:

a. Template. Idaho Power built upon the format used in its previous DSM annual reports to enhance its DSM 2010 Annual Report. In addition to the main document, there are two supplements which Idaho Power began submitting when it submitted its DSM 2009 annual report: *Supplement 1: Cost-Effectiveness* and *Supplement 2: Evaluation*.

b. Table of Contents. The DSM 2010 Annual Report, *Supplement 1: Cost-Effectiveness* (“Supplement 1”) and *Supplement 2: Evaluation* (“Supplement 2”) each have a detailed table of contents showing where specific program information can be found as well as the location of the cost-effectiveness analyses and the evaluation table.

c. Introduction Section. This section can be found on pages 3 through 16 of the DSM 2010 Annual Report. It provides an initial overview of program process evaluations, impact evaluations, and updated assumptions used to calculate program cost-effectiveness.

d. Cost-Effective Section. Supplement 1 provides detailed cost-effectiveness information by program and energy savings measure as well as detailed financial information separated by expense category and jurisdiction. In addition to the three benefit/cost analyses used in previous DSM annual reports (i.e., the total resource cost perspective, the utility cost perspective, and the participant cost perspective), Supplement 1 contains a new cost-effectiveness test, the ratepayer impact measure (“RIM”). The RIM test measures the impact to customer bills or rates due to changes in utility revenues and operating costs caused by an energy efficiency program.

e. Evaluation Section. Supplement 2 contains Idaho Power’s evaluation plans, copies of completed program evaluation reports, research reports, and

reports done by Idaho Power or third parties. Supplement 2 also has a compact disc containing market progress evaluation reports provided by the Northwest Energy Efficiency Alliance.

f. Program Specific Section. The DSM 2010 Annual Report contains the following information for each program or initiative: (1) a table listing the summary of the program participation; (2) performance and costs; (3) a description of the program; (4) 2010 activities; (5) a cost-effectiveness discussion, which includes whether a new analysis was conducted and new assumptions used; (6) a section on customer satisfaction and evaluations providing an overview of process, impact, and market effect evaluations that were conducted; and (7) a section describing strategies for implementation of each initiative for 2011. This section also refers to studies included in Supplement 2.

g. Expenses Without Direct Energy Savings. In the section titled "Other Programs and Activities," the DSM 2010 Annual Report describes education initiatives and other non-energy saving DSM efforts. These efforts support the Company's overall DSM and energy efficiency agenda. Other programs and activity expenses are shown in Appendices 2-4 and Exhibit No. 1 to the Nemnich Testimony.

IV. EVOLUTION OF THE 2010 REPORT

9. The DSM 2010 Annual Report and accompanying Nemnich Testimony provide a sufficient basis for the Commission to determine the prudence of Idaho Power's DSM and energy efficiency expenses. Idaho Power has also attempted to address the Commission Staff's expectations for cost-effectiveness tests, methods, and evaluations as indicated in Attachment No. 1 to the DSM MOU, including:

a. Cost-Effectiveness Measurements. In the DSM 2010 Annual Report, Idaho Power calculates cost-effectiveness from the participant, utility, and the total resource perspectives at the program level, except for those programs with no customer costs. This includes demand response programs which are evaluated at the utility and total resource cost perspectives. Idaho Power also evaluates cost-effectiveness from the utility and the total resource cost perspectives for each measure within a program, where the measures are not interactive. The DSM 2010 Annual Report also includes a new RIM test, which addresses DSM from a ratepayer impact perspective. Supplement 1 includes detailed results of the cost-effectiveness measurements.

b. Net-to-Gross Adjustments. For the DSM 2010 Annual Report, Idaho Power used these ratios as an input to cost-effectiveness calculations where available and appropriate. For a detailed discussion, see pages 2-3 of Supplement 1.

c. Program Evaluations. Independent, third-party consultants are used to provide impact and process evaluations to verify that program specifications are met, provide viable recommendations for program improvement, and validate energy savings achieved through Idaho Power's programs. In 2010, process evaluations were completed by third-party consultants on nine programs, including the Heating & Cooling Efficiency, Energy House Calls, Home Improvement Program, Residential Energy Efficiency Education Initiative, Easy Upgrades, Building Efficiency, Custom Efficiency, Commercial Energy Efficiency Education Initiative, and Irrigation Efficiency. Copies of these reports can be found in Supplement 2.

V. MODIFIED PROCEDURE

10. Idaho Power avers that a technical hearing is not necessary to consider the issues presented herein and respectfully requests that this Application be processed under Modified Procedure; i.e., by written submissions rather than by hearing. RP 201 *et seq.* Idaho Power has, however, contemporaneously filed the Nemnich Testimony in support of this Application. The Company stands ready to present the testimony in support of this Application in a technical hearing if the Commission determines such a hearing is required.

VI. COMMUNICATIONS AND SERVICE OF PLEADINGS

11. Communications and service of pleadings with reference to this Application should be sent to the following:

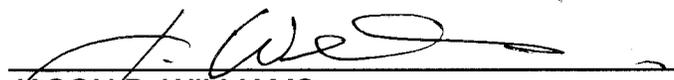
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VII. REQUEST FOR RELIEF

12. As described in greater detail above, Idaho Power Company respectfully requests that the Commission issue an order designating Idaho Power's expenditure of \$42,479,692 in Energy Efficiency Rider funds in 2010 as prudently incurred expenses.

DATED at Boise, Idaho, this 15th day of March 2011.



JASON B. WILLIAMS
Attorney for Idaho Power Company

**BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION**

CASE NO. IPC-E-11-05

IDAHO POWER COMPANY

ATTACHMENT NO. 1

***DEMAND-SIDE MANAGEMENT
2010 ANNUAL REPORT***