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IDAHO PUBLIC  
UTILITIES COMMISSION

Attorney for the Idaho Conservation League

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

IN THE MATTER OF THE )  
APPLICATION OF IDAHO POWER )  
COMPANY FOR A PRUDENCY )  
DETERMINATION OF ENERGY )  
EFFICIENCY RIDER FUNDS SPENT )  
IN 2010 )

CASE NO. IPC-E-11-05

**COMMENTS OF THE IDAHO CONSERVATION LEAGUE**

The Idaho Conservation League (ICL) believes that Idaho Power's 2010 DSM expenditures are prudent. Idaho Power's *DSM 2010 Annual Report Supplement 1: Cost Effectiveness* demonstrates that each program achieved a cost/benefit ratio greater than one. The DSM Annual Report appears to satisfy the criteria contained in the *Memorandum of Understanding for Prudency Determination of DSM Expenditures* entered into by the PUC Staff and Idaho's three investor owned utilities. While ICL believes that, going forward, Idaho Power should adopt additional measures and improve its customer engagement methods, the purpose of this DSM prudency review case is to look backwards at past spending. The Idaho Power *DSM 2010 Annual Report*, as a whole, reveals the Company has prudently acquired 187,626 MWh of energy savings and 336 MW of demand reduction capacity.

While ICL believes Idaho Power's 2010 DSM spending was prudent we have two specific comments:

1. Idaho Power uses four tests to demonstrate cost effectiveness and all the programs pass the three most relevant tests. The PUC Staff, in Attachment 1 of the DSM MOU, expects “that all programs and individual measures should have the goal of cost effectiveness from the total resource, utility, and participant perspective.”<sup>1</sup> The DSM 2010 Report, Supplement 1, demonstrates that Idaho Power has achieved this goal. The total resource cost test (TRC) “reflects the total benefits and costs to all customers (participants and non-participants) in the [utility] service territory.”<sup>2</sup> The utility cost test (UTC) “calculates the costs and benefits of the program from the perspective of . . . the utility implementing the program.”<sup>3</sup> The participant cost test (PCT) “assesses the costs and benefits from the perspective of the customer installing the measure.”<sup>4</sup> A cost/benefit ratio greater than 1.0 under each of these tests means the program is prudent for the utility and ratepayers, both those who participate and those who do not.

Idaho Power also includes the ratepayer impact measure test (RIM), which examines “the potential impact the energy efficiency program has on rates overall.”<sup>5</sup> While some programs do have an RIM ratio of less than one, this is no reason to find any of these programs imprudent. A RIM ratio below 1.0 reveals that, all else being equal, DSM spending may cause utility rates to rise. But this test does not reveal whether individual customer bills will increase. As explained by the National Action Plan for Energy Efficiency: “The RIM may be negative, even at the same time as average bills decrease (as

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<sup>1</sup> *Memorandum of Understanding for Prudency Determination of DSM Expenditures* at 9, Order No. 31039.

<sup>2</sup> National Action Plan for Energy Efficiency, *Understanding Cost-Effectiveness of Energy Efficiency Programs: Best Practices, Technical Methods, and Emerging Issues for Policy-Makers* at 3-7 (November 2008).

<sup>3</sup> *Id.*, at 3-6 (NAPEE calls this test the program administrator cost test in recognition that some dsm programs are run by third parties, not just utilities.)

<sup>4</sup> *Id.*, at 3-5.

<sup>5</sup> *Id.*

evaluated using the [UCT]). Therefore, policy-makers have to decide whether to emphasize customer bills by using the [UCT] or customer rates by using the RIM.”<sup>6</sup> ICL submits that the proper policy is to focus on reducing ratepayer bills, not utility rates, since the bill is where ratepayers feel the pain.

2. Idaho Power has made great strides in acquiring energy savings, but substantial potential remains unmet. This Commission recently stated: “Idaho Power should continue to pursue all cost effective DSM – even in excess of the Energy Efficiency Rider.” *Order 32245* at 5. The DSM 2010 report demonstrates, yet again, that energy efficiency and demand response are the least cost resources available to provide ratepayers with the benefits of our electricity driven society. The Company’s own potential study, performed by Nextant in 2009, shows a substantial gap between the economic potential and the achievable potential.<sup>7</sup> Despite being directed to pursue all cost effective DSM, and studies revealing substantial unmet economic potential, the discussion of future program plans in the DSM 2010 report does not explain whether these changes will close the gap.

ICL raised the issue of the unresolved gap between economic and achievable potential in our comments on Idaho Power’s 2009 IRP. In response, this Commission stated, “not all efficiency and DSM measures can be acquired cost effectively” due to “economic and non-economic barriers.” *Order No. 32042* at 19. Further “[a]n identification of barriers would be helpful in explaining and understanding the Company’s efforts and strategy to close the gap between economic and achievable potential.” *Id* at 19 – 20. The DSM 2010 report does demonstrate current programs are cost effective, but it

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<sup>6</sup> *Id.* at 6-4.

<sup>7</sup> Nexant, *Idaho Power Demand Side Management Potential Study* at 3-1 (residential), 4-2 (commercial), 5-1 – 5-2 (industrial), (August 14, 2009).

does not discuss potential barriers or the Company's plan to close the gap between achievable and economic potential. The Commission should instruct Idaho Power to address these barriers and the strategy to overcome them in each DSM annual report.

The 2011 IRP does mention possible barriers including "One challenge the Company will continue to face going forward is to increase its understanding of behaviors and decisions that residential customers make in regards to energy efficiency investments[.]"<sup>8</sup> ICL acknowledges the present case is about the prudence of DSM spending in 2010, not necessarily about future programs. However, as stated above, the DSM 2010 report demonstrates that all the current programs are cost effective from a variety of stakeholder perspectives. In fact, several programs have benefits far exceeding the costs, such as the Home Improvement Program with a PCT of 2.55, TRC of 4.85, and UCT of 9.64.<sup>9</sup> With results like these, it is imprudent of Idaho Power to not continue this program. The DSM MOU does require Idaho Power to identify future process changes. MOU at 4. Accordingly, this Commission should order Idaho Power to improve its processes in order to expand customer participation in programs where the benefits greatly exceed the costs.

WHEREFORE, ICL respectfully requests the Commission consider these comments.

DATED this 15th day of July 2011.

Respectfully submitted,

  
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Benjamin J. Otto  
Idaho Conservation League

<sup>8</sup> *Idaho Power 2011 IRP* at 40 (June, 2011)

<sup>9</sup> *Idaho Power DSM 2010 Report, Supplement 1*, at 33.

**CERTIFICATE OF SERVICE**

I hereby certify that on this 15th day of July, 2011, true and correct copies of the foregoing COMMENTS were delivered to the following persons via the method of service noted:

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