

DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER
COMMISSIONER REDFORD
COMMISSIONER SMITH
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL**

**FROM: WELDON STUTZMAN
DEPUTY ATTORNEY GENERAL**

DATE: APRIL 20, 2011

**SUBJECT: IDAHO POWER'S APPLICATION FOR A PRUDENCY
DETERMINATION OF 2010 ENERGY EFFICIENCY RIDER
EXPENDITURES, CASE NO. IPC-E-11-05**

On March 15, 2011, Idaho Power Company filed an Application requesting a Commission Order establishing that its expenditures of \$42,479,692 in Energy Efficiency Rider funds in 2010 were prudently incurred expenses. Consistent with the Commission's instructions that Idaho Power should pursue demand-side management programs, Idaho Power has implemented or manages a wide range of opportunities for all customer classes to participate in demand-side management (DSM) and energy efficiency programs. The Company's Application states its objectives are to (1) achieve all prudent cost-effective energy efficiency and demand response resources to meet its electrical system's energy and demand needs and (2) provide customers with programs and information to help them manage their energy usage. Application, p. 2. Idaho Power consults with an Energy Efficiency Advisory Group, formed in May 2002, that provides a broad range of recommendations, including input on new program proposals, modifications to existing programs, and overall expenditures of Rider funds.

The Company states its expenditures on DSM-related activities in 2010 increased to \$45.8 million, compared to expenses of approximately \$35 million in 2009 and \$21 million in 2008. Of the total amount, approximately \$42.5 million were Rider funded expenses. Application, p. 4.

Since the Energy Efficiency Rider was implemented in 2002, Idaho Power has steadily increased the breadth of its DSM and energy efficiency programs as well as the level of

funding for the programs. Between 2002 and 2007, the Commission found that the Company had prudently incurred cost-effective DSM-related Rider expenses of \$29 million. Application, p. 2 citing Order Nos. 30740 and 31039. In 2008 and 2009, the Commission approved DSM-related Rider expenses of \$50.7 million. Order No. 32113.

The Application states that the Company in 2010 continued to expand its DSM programs to increase participation and energy savings. The Company currently offers 16 energy efficiency programs, 3 demand response programs, several educational initiatives, and offers savings to customers through market transformation programs. Application, p. 3. Overall, energy savings from the total efficiency activities in 2010 totaled 187,626 MWh, an increase of 31% over the energy savings achieved in 2009. The demand response programs resulted in a total load reduction of 336 MW in 2010, compared with a reduction of 218 MW in 2009 and 61 MW in 2008. Application, p. 3.

The Company attached its 2010 DSM Annual Report to the Application. The Report provides detailed cost-effectiveness information by program and energy savings measures as well as detailed financial information separated by expense category and jurisdiction. The Company uses four analyses to determine cost-effectiveness of the programs: the total resource cost perspective, the utility cost perspective, the participant cost perspective, and the ratepayer impact measure. The Report also contains an evaluation section that includes the Company's evaluation plans, copies of completed program evaluation reports, research reports, and reports completed by the Company or third parties. The Report contains specific information for each program, including its 2010 activities, a section on customer satisfaction and evaluations providing an overview of process, impact, and market effect evaluations.

The Application states that 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 the programs. During 2010, third party consultants provided evaluations on nine programs, including the heating and cooling efficiency, energy house calls, home improvement program, building efficiency, custom efficiency, and irrigation efficiency programs. Based on the information provided with its Application, Idaho Power requests that the Commission issue an Order designating the Company's expenditure of \$42,479,692 in Energy Efficiency Rider funds in 2010 to be prudently incurred expenses.

The Company requested that its Application be processed by Modified Procedure. Staff recommends that Idaho Power's Application be processed by Modified Procedure with a 60-day comment period, followed by a 14-day reply comment period.

COMMISSION DECISION

Should the Commission issue a Notice of Application and Notice of Modified Procedure providing for a 60-day comment period, followed by a 14-day reply comment period, to process Idaho Power's Application for a prudency determination on its 2010 Energy Efficiency Rider expenditures?



Weldon Stutzman
Deputy Attorney General

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