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IDAHO PUBLIC
UTILITIES COMMISSION

VIA OVERNIGHT MAIL

October 6, 2011

Jean D. Jewell, Secretary
Idaho Public Utilities Commission
P.O. Box 83720
472 W. Washington Street
Boise, Idaho 83720-0074

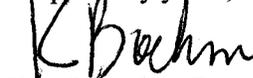
In re: Case No. IPC-E-11-08

Dear Ms. Jewell:

Enclosed please find the original and (7) copies of the DIRECT TESTIMONY AND EXHIBITS OF KEVIN C. HIGGINS on behalf of THE KROGER CO. d/b/a FRED MEYER AND SMITH'S FOOD AND DRUG to be filed in the above referenced matter. I also enclose a CD containing same in .Word and Excel format.

Please place this document of file.

Respectfully yours, ✓



Kurt J. Boehm, Esq.

BOEHM, KURTZ & LOWRY

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Encl.

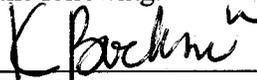
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CERTIFICATE OF SERVICE

I hereby certify that true copy of the foregoing was served by electronic mail (when available) and regular U.s. mail, unless otherwise noted, this 6th day of October, 2011 to the following:


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IDAHO PUBLIC
UTILITIES COMMISSION

**BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF THE APPLICATION)
OF IDAHO POWER COMPANY FOR)
AUTHORITY TO INCREASE ITS RATES)
AND CHARGES FOR ELECTRIC SERVICE)
IN IDAHO)**

Case No. IPC-E-11-08

Direct Testimony of Kevin C. Higgins

on behalf of

The Kroger Co.

October 7, 2011

1 Prior to joining Energy Strategies, I held policy positions in state and local
2 government. From 1983 to 1990, I was economist, then assistant director, for the
3 Utah Energy Office, where I helped develop and implement state energy policy.
4 From 1991 to 1994, I was chief of staff to the chairman of the Salt Lake County
5 Commission, where I was responsible for development and implementation of a
6 broad spectrum of public policy at the local government level.

7 **Q. Have you testified previously before this Commission?**

8 A. Yes. I testified in Idaho Power's 2008 general rate case, Case No. IPC-E-
9 08-102007; its 2007 general rate case, Case No. IPC-E-07-8; and in its 2003
10 general rate case, Case No. IPC-E-03-13.

11 **Q. Have you testified previously before any other state utility regulatory**
12 **commissions?**

13 A. Yes. I have testified in approximately 140 proceedings on the subjects of
14 utility rates and regulatory policy before state utility regulators in Alaska,
15 Arizona, Arkansas, Colorado, Georgia, Illinois, Indiana, Kansas, Kentucky,
16 Michigan, Minnesota, Missouri, Montana, Nevada, New Mexico, New York,
17 Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, Texas, Utah, Virginia,
18 Washington, West Virginia, and Wyoming. I have also filed affidavits in
19 proceedings at the Federal Energy Regulatory Commission.
20

1 **Overview and Conclusions**

2 **Q. What is the purpose of your testimony in this proceeding?**

3 A. My testimony addresses the limited issue of the appropriate level of the
4 Energy Efficiency Rider, Schedule 91.

5 **Q. By way of background, is Kroger a party to the Stipulation that has been**
6 **filed in this case?**

7 A. Yes. Kroger fully supports the Stipulation package. The matter of the
8 appropriate level of the Energy Efficiency Rider has been reserved in Section
9 11(a) of the Stipulation as a contested issue.

10 **Q. What is your recommendation to the Commission?**

11 A. I recommend that the Commission approve the Stipulation as filed. In
12 addition, I recommend that the Energy Efficiency Rider be reduced from 4.75% to
13 3.40% to recognize that \$11.2 million in demand response program costs are
14 being shifted from energy efficiency funding into base rates pursuant to the
15 Stipulation. Even after my proposed reduction in the Energy Efficiency Rider, the
16 funding for non-demand-response programs will increase by \$1.2 million relative
17 to pro forma levels due to the underlying 4.1% rate increase proposed in the
18 Stipulation.

19
20 **Energy Efficiency Rider Adjustment**

21 **Q. What is the current level of Idaho Power's Energy Efficiency Rider?**

22 A. The current level of Idaho Power's Energy Efficiency Rider, Schedule 91,
23 is 4.75%.

24 **Q. What is level of funding is recovered from this rider?**

1 A. As shown in line 18, column (c) of Kroger Exhibit No. 501, approximately
2 \$39.7 million would be recovered through this rider in 2012 at current rates.¹

3 **Q. Please explain the basis of your proposed adjustment to the Energy**
4 **Efficiency Rider.**

5 A. Demand response program costs are currently recovered through the
6 Energy Efficiency Rider. In its rate case filing, Idaho Power proposed to shift
7 recovery of these costs, which amount to \$11.2 million, into base rates. Idaho
8 Power did not offer a corresponding reduction in the Energy Efficiency Rider to
9 recognize this change.

10 The Stipulation accepts the shifting of cost recovery from the Energy
11 Efficiency Rider into base rates, but reserves the question of the appropriate level
12 of the Energy Efficiency Rider. In my opinion, it would be reasonable to reduce
13 the Energy Efficiency Rider charge to account for fact that \$11.2 million in
14 current program costs will be recovered in base rates going forward.

15 As shown in Kroger Exhibit No. 501 (line 18, column f), non-demand-
16 response program cost recovery through the Energy Efficiency Rider at current
17 rates amounts to \$28.5 million (for 2012). This amount can be recovered – at
18 current rates – with a 3.4% rider charge. If this level of rider charge is applied to
19 the revenue requirement recommended in the Stipulation, revenues to fund non-
20 demand-response program will increase by nearly \$1.2 million to \$29.6 million.²

¹ This calculation is consistent with Idaho Power Energy Efficiency Rider revenues presented in Idaho Power Exhibits No. 47 (Sparks) and No. 43 (Youngblood) and includes expected Energy Efficiency Rider recovery from Hoku First Block sales effective January 1, 2012.

² Additionally, going forward, \$5.2 million in Custom Efficiency costs will be booked as a regulatory asset, providing additional headroom for non-demand-response programs relative to historical funding levels.

1 In light of these facts, I recommend that the Commission reduce the Energy
2 Efficiency Rider to 3.4%.

3 This approach allows for net growth in funding for non-demand-response
4 programs while being mindful of the overall rate impacts being borne by Idaho
5 Power customers. In contrast, shifting \$11.2 million into base rates while raising
6 those base rates by 4.1% – and failing to adjust the Energy Efficiency Rider
7 charge downward – would pose an unreasonable cost burden on customers.

8 **Q. If the Energy Efficiency Rider is reduced to 3.4%, how would this surcharge**
9 **compare to those of other utilities in the region that levy a percentage**
10 **surcharge?**

11 A. In Table KCH-1, below, I have compiled a list of the utilities in the West,
12 of which I am aware, that levy a percentage surcharge for energy efficiency
13 program cost recovery.

14 **Table KCH-1**

15 **Percentage Energy Efficiency Riders in Western States**

16 <u>Utility</u>	17 <u>DSM Rider</u>
18 El Paso Electric (New Mexico)	1.8052%
19 Public Service Co. of New Mexico	2.262%
20 Rocky Mountain Power (Idaho)	3.40%
21 Rocky Mountain Power (Utah)	3.70% (Industrial) / 3.91% (Residential)
22 Rocky Mountain Power (Wyoming)	0.43% (Industrial) / 1.87% (Residential)

23 As shown in the table, a 3.4% surcharge is equal to the surcharge
24 approved for Rocky Mountain Power in Idaho, but is still in the upper part of the

1 range. Adopting my recommendation would result in a surcharge for Idaho
2 Power customers that is not out of line with what is charged elsewhere in the
3 region for energy efficiency cost recovery.

4 **Q. Please summarize your recommendation to the Commission.**

5 A. Kroger fully supports the Stipulation as filed. In my opinion, it produces
6 just and reasonable rates and I recommend its adoption by the Commission.

7 The appropriate level of the Energy Efficiency Rider remains a contested
8 issue in this case. I recommend that the Energy Efficiency Rider be reduced from
9 4.75% to 3.40% to recognize that \$11.2 million in demand response program
10 costs are being shifted from energy efficiency funding into base rates pursuant to
11 the Stipulation. Even after my proposed reduction in the Energy Efficiency Rider,
12 the funding for non-demand-response programs will increase by \$1.2 million due
13 to the underlying 4.1% rate increase proposed in the Stipulation. The resulting
14 3.4% rider is equal to the surcharge approved for Rocky Mountain Power in
15 Idaho, and is consistent with the level of percentage surcharges levied elsewhere
16 in the region for energy efficiency cost recovery.

17 **Q. Does this conclude your direct testimony?**

18 A. Yes, it does.

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)
OF IDAHO POWER COMPANY FOR)
AUTHORITY TO INCREASE ITS RATES)
AND CHARGES FOR ELECTRIC SERVICE)
IN IDAHO)

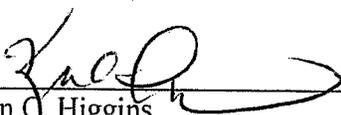
Case No. IPC-E-11-08

AFFIDAVIT OF KEVIN C. HIGGINS

STATE OF UTAH)
)
COUNTY OF SALT LAKE)

Kevin C. Higgins, being first duly sworn, deposes and states that:

1. He is a Principal with Energy Strategies, L.L.C., in Salt Lake City, Utah;
2. He is the witness who sponsors the accompanying testimony entitled "Direct Testimony of Kevin C. Higgins;"
3. Said testimony and exhibits were prepared by him and under his direction and supervision;
4. If inquiries were made as to the facts and exhibits in said testimony he would respond as therein set forth; and
5. The aforesaid testimony and exhibits are true and correct to the best of his knowledge, information and belief.



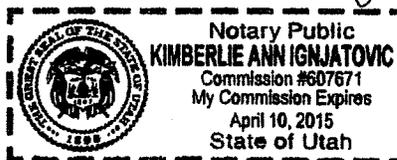
Kevin C. Higgins

Subscribed and sworn to or affirmed before me this 6th day of October, 2011, by Kevin C. Higgins.



Notary Public

My Commission Expires: 4/10/15



**Present vs Kroger Recommended Energy Efficiency Rider Revenue
at Stipulation Revenue Increase**

Line No.	(a) Tariff Description	(b) Rate Schedule No.	(c) Current Base Revenue ¹	(d) Current EE Revenues @ 4.75%	(e) Current EE - DR Portion (= 1.35%)	(f) Current EE - NonDR Portion (= 3.40%)	(g) Settlement Base Revenue ¹	(h) Recommended EE Revenues @ 3.40%	(i) Settlement EE - DR Portion	(j) Recommended EE - NonDR Portion (= 3.40%)	(k) Change in EE - NonDR Revenues
Uniform Tariff Schedules											
1	Residential Service	1,3,4,5	\$380,449,702	\$18,071,361	\$5,120,688	\$12,950,673	\$396,383,772	\$13,493,076		\$13,493,076	\$542,402
2	Small General Service	7	\$14,360,806	\$682,138	\$193,290	\$488,848	\$14,962,271	\$509,322		\$509,322	\$20,474
3	Large General Service	9P, 9T	\$18,492,949	\$878,415	\$248,907	\$629,508	\$19,267,485	\$655,874		\$655,874	\$26,366
4	Large General Service	9S	\$170,596,798	\$8,103,348	\$2,296,159	\$5,807,189	\$177,741,732	\$6,050,406		\$6,050,406	\$243,216
5	Dusk/Dawn Lighting	15	\$1,128,744	\$53,615	\$15,192	\$38,423	\$1,176,014	\$40,032	Included	\$40,032	\$1,609
6	Large Power Service	19S, 19P, 19T	\$82,872,108	\$3,936,426	\$1,115,423	\$2,821,003	\$86,342,972	\$2,939,152	in	\$2,939,152	\$118,149
7	Irrigation Service	24	\$103,066,529	\$4,895,660	\$1,387,231	\$3,508,429	\$107,383,256	\$3,655,373	Base Revenue	\$3,655,373	\$146,943
8	Unmetered Service	40	\$1,062,115	\$50,450	\$14,296	\$36,154	\$1,106,598	\$37,669		\$37,669	\$1,515
9	Municipal Street Lighting	41	\$2,786,752	\$132,371	\$37,508	\$94,863	\$2,903,439	\$98,834		\$98,834	\$3,972
10	Traffic Control Lighting	42	\$160,191	\$7,609	\$2,156	\$5,453	\$166,901	\$5,681		\$5,681	\$228
11	Total Idaho Rates		\$774,976,694	\$36,811,393	\$10,430,850	\$26,380,543	\$807,434,440	\$27,485,419		\$27,485,419	\$1,104,875
Special Contracts											
12	Micron	26	\$16,186,333	\$768,851	\$217,861	\$550,990	\$16,864,384	\$574,071		\$574,071	\$23,081
13	Simplot	29	\$5,892,299	\$279,884	\$79,308	\$200,576	\$6,139,015	\$208,975	Included	\$208,975	\$8,399
14	DOE/INL	30	\$7,661,384	\$363,916	\$103,119	\$260,797	\$7,982,189	\$271,717	in	\$271,717	\$10,920
15	Hoku - 1st Block Charges	32	\$24,204,343	\$1,149,706	\$325,780	\$823,926	\$24,204,343	\$823,926	Base Revenue	\$823,926	\$0
16	Hoku - 2nd Block Charges	32	\$7,084,007	\$336,490	\$95,348	\$241,142	\$7,380,681	\$251,242		\$251,242	\$10,099
17	Total Specials		\$61,028,366	\$2,898,847	\$821,415	\$2,077,432	\$62,370,612	\$2,129,931		\$2,129,931	\$52,499
18	Total Idaho Retail Sales		\$836,005,060	\$39,710,240	\$11,252,265	\$28,457,975	\$870,005,052	\$29,615,349		\$29,615,349	\$1,157,374
19	Stipulation Recommended Change in Base Revenue						\$33,999,992				
20	Stipulation Recommended Change in Base Revenue Percent										4.1%
Breakdown of Energy Efficiency Revenue											
			Current Amount	Pct of Current Base Revenues	Proposed Amount	Pct of Proposed Base Revenues					
21	Demand Response (DR) Portion ²		\$11,252,265	1.35%							
22	Non-Demand (NonDR) Response Portion		\$28,457,975	3.40%							
23	Total EE Revenues		\$39,710,240	4.75%							
					Demand Response (DR) Portion						
					Non-Demand (NonDR) Response Portion						
					Total EE Revenues						

Data Sources:

- Settlement Stipulation Exhibit No. 2.
- IPC witness Matthew T. Larkin Exhibit No. 31, p. 66 of 145.