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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF)	
IDAHO POWER COMPANY FOR APPROVAL)	CASE NO. IPC-E-11-16
OF ITS ENERGY EFFICIENCY INCENTIVE)	
AGREEMENT WITH THE IDAHO OFFICE OF)	COMMENTS OF THE
ENERGY RESOURCES.)	COMMISSION STAFF
)	
)	

The Staff of the Idaho Public Utilities Commission comments as follows on Idaho Power Company's Application for approval of its Energy Efficiency Incentive Agreement with the Idaho Office of Energy Resources ("OER").

BACKGROUND

On July 21, 2011, Idaho Power and OER entered into an Agreement to set forth some basic parameters that would provide for the accumulation and reinvestment of energy efficiency incentive payments from Idaho Power for qualified energy efficiency programs implemented by OER's K-12 Energy Efficiency Project for public schools. Application at 1. The Agreement states that the intent is to maximize the available dollars from both the OER federal stimulus funds and Idaho Power's energy efficiency incentives in order to help OER's energy efficiency initiatives continue to provide benefits past the availability of the stimulus funds. Agreement at 1.

According to the Agreement, OER has approximately \$9.6 million in federal funding for the K-12 program over the next 12 months. Idaho Power offers a number of energy efficiency programs which include incentive payments to customers who install qualifying energy efficiency measures. The Application states that OER will invest federally provided funds into energy efficiency projects for Idaho Power customers. Application at 2. Any incentive payments from Idaho Power for measures installed through OER's K-12 public school program will be paid into a dedicated fund held by Idaho Power. Application at 3. These funds will be earmarked for use in additional cost-effective energy efficiency measures for Idaho Power customers identified by the K-12 Energy Efficiency Project, and limited to OER's continued implementation of cost-effective energy efficiency projects for Idaho Power customers. Id. at 3.

The Agreement states that OER may use up to ten percent of the monies from this dedicated fund to reimburse reasonable and prudent administration costs associated with the reinvestment of incentive payments into cost-effective energy efficiency programs. Agreement at 2. The Company claims that this agreement will accomplish a higher level of energy efficiency than either party could achieve with their respective programs alone. Application at 1.

STAFF REVIEW

In reviewing the Agreement, Staff notes that it does not take a position on or determine how any Idaho Power customer chooses to handle the incentive payments it receives through participation in the Company's demand-side management (DSM) programs.

Staff's primary concern with the Agreement is that Idaho Power's qualification of projects funded through OER be held to the same standards as all of the Company's other DSM projects. The Agreement contains some ambiguity on this subject. Page one of the Agreement reads "... incentive payments from IPC for OER's qualified energy efficiency projects would be made in accordance with IPC's existing energy efficiency programs." On the following page, the previous statement is augmented with "The intent is to keep the qualification and payment of IPC incentives, as well as the directed re-investment of incentive money into additional energy efficiency measures, *as close to identical as possible* to IPC's other customer related incentive and energy efficiency programs." Agreement at 2 (italics added). However, Staff is reassured by Idaho Power's response to Staff's Production Request No. 1 in which the Company confirms that, "...[OER-funded projects] would either qualify or not qualify for such incentives according

to Idaho Power's existing rules for the operation of those incentives programs. OER would be treated no differently than any other customer or entity that would apply for energy efficiency incentives with Idaho Power." Staff maintains that projects be evaluated identically.

In Idaho Power's response to Staff's Production Request No. 7, the Company lists Custom Efficiency, Easy Upgrades, and Building Efficiency as the three programs for which school efficiency projects may qualify for incentive payments. In Order No. 32245, the Commission allowed Idaho Power to begin accounting for incentives paid through the Custom Efficiency program as a regulatory asset. Exclusive of projects funded through OER, these incentives were estimated to be \$5.6 million in 2012. As stated on page 74 of the Company's 2010 DSM Annual Report, the incentive levels for the Custom Efficiency program can be up to 70 percent of the project cost.

The DSM report also states that the Company plans to develop a "single lighting calculator" to be used by both the Custom Efficiency program and Easy Upgrades program in order to "standardize terms and conditions, and follow a similar project verification protocol between programs". Because many of the incentive payments made to schools since 2009 have been for lighting retrofits, the consolidation of lighting calculators will help all parties evaluate future incentive payments made to schools.

Staff anticipates that the additional \$9.6 million potentially invested by OER through the three eligible DSM programs will exceed previous program demand forecasts and therefore significantly increase the number of projects incented, the dollar amount of incentive payments issued, as well as the amount of regulatory assets capitalized. Consequently, Staff will increase its scrutiny of these programs and recommends that the Company maintain clear and comprehensive records.

As the Company is aware, this Agreement does not presume recovery of expenses incurred through the Agreement. Staff reiterates that all program decisions, incentives, and administrative payments issued through this Agreement, as with all of the Company's programs, are subject to a prudence determination by the Commission in advance of recovering funds. This includes, but is not limited to, verification of Net-to-Gross (NTG) values, including sources, as well as justification for program rules and incentive amounts.

Lastly, Staff assumes that the Agreement will apply to projects implemented after the date of the Commission Order approving creation of the dedicated fund held by Idaho Power.

STAFF RECOMMENDATION

Staff recommends that the Commission approve the Agreement between Idaho Power and OER with the understanding that projects within each DSM program receive identical evaluation, and that the Agreement be applied to projects implemented after the date of the Commission Order approving creation of the dedicated fund held by Idaho Power.

Respectfully submitted this 20th day of September 2011.



Karl T. Klein
Deputy Attorney General

Technical Staff: Stacey Donohue

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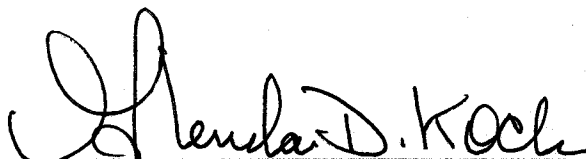
CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 20TH DAY OF SEPTEMBER 2011, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. IPC-E-11-16, BY E-MAILING AND MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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