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IDAHO PUBLIC
UTILITIES COMMISSION

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March 15, 2012

VIA HAND DELIVERY

Jean D. Jewell, Secretary
Idaho Public Utilities Commission
472 West Washington Street
Boise, Idaho 83702

Re: Case No. IPC-E-12-15
*IN THE MATTER OF THE APPLICATION OF IDAHO POWER COMPANY
FOR A DETERMINATION OF 2011 DEMAND-SIDE MANAGEMENT
("DSM") EXPENDITURES AS PRUDENTLY INCURRED*

Dear Ms. Jewell:

Enclosed for filing please find an original and seven (7) copies of Idaho Power Company's Application in the above matter.

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

Very truly yours,

Julia A. Hilton

JAH:csb
Enclosures

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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 A)	CASE NO. IPC-E-12-15
DETERMINATION OF 2011 DEMAND-)	
SIDE MANAGEMENT ("DSM"))	APPLICATION
EXPENDITURES AS PRUDENTLY)	
INCURRED.)	
)	

In accordance with RP 052 and RP 201, *et seq.*, Idaho Power Company ("Idaho Power" or "Company") hereby respectfully submits its *Demand-Side Management 2011 Annual Report* ("DSM 2011 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 2011 expenditures of \$35,623,321 in Idaho Energy Efficiency Rider ("Rider") funds and \$7,018,385 in a regulatory asset account (Custom Efficiency incentives) for a total of \$42,641,706 as prudently incurred demand-side management ("DSM") 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. To further the Commission’s objective, Idaho Power has implemented and/or manages a wide range of opportunities for all of its customer classes to participate in DSM activities, to be informed about energy use, and to use electricity wisely. Through DSM programs, Idaho Power seeks to provide customers with programs and information to help them manage their energy usage and to achieve prudent cost-effective energy efficiency and demand response resources to meet its electrical system’s energy and demand needs. To assist with the development and implementation of DSM activities, Idaho Power receives input and consultation from its Energy Efficiency Advisory Group (“EEAG”). The fourteen members of the EEAG represent customers, state agencies, and other stakeholders who provide a broad range of recommendations, including input on new program proposals, modifications to existing programs, and overall expenditures of DSM funds. In addition to the EEAG, Idaho Power has worked to build and maintain relationships with trade allies, trade organizations, and regional groups involved in DSM activities.

2. Since the Rider was implemented in 2002, the Company has progressively increased the breadth and funding level of its DSM activities. The Commission found that the Company had prudently incurred cost-effective DSM-related Rider expenses of \$29 million from 2002 to 2007. Order Nos. 30740 and 31039. In addition, the Commission found that the Company’s 2008 and 2009 cost-effective DSM-related Rider expenses of \$50.7 million were prudently incurred. Order No. 32113. Further, the Commission found that the Company prudently incurred cost-effective DSM-related Rider expenses of \$41.9 million in 2010. Order No. 32331.

3. As a result of Idaho Power's increased DSM activity over the last nine years, Idaho Power's quarterly customer relationship survey in 2011 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 58 percent in 2011, a positive increase of 49 percent. In 2012, Idaho Power and another utility tied for the highest customer satisfaction with business customers among western midsized utilities. Those customers that were aware of Idaho Power's DSM activities showed a significantly higher rate of customer satisfaction. Andrew Heath, *2012 Electric Utility Business Customer Satisfaction Study: Overall Results Idaho Power*, J.D. Power and Assoc., Feb 29, 2012, at 40. Idaho Power's DSM activities, along with four other programs, were assessed by Intelligent Utilities, which ranked IDACORP as the sixth most intelligent utility in the nation in 2011. Jill Feblowitz, *2011 UtiliQ Rankings: Top 25 Intelligent Utilities*, Intelligent Utilities, Jan./Feb. 2012, <http://www.intelligentutility.com/magazine/article/254121/2011-utiliq-rankings>.

II. 2011 DSM RESULTS

4. In 2011, Idaho Power continued its DSM programs in order to increase participation and facilitate energy savings. Idaho Power currently offers its Idaho customers seventeen energy efficiency programs, three demand response programs, several educational initiatives, and savings to customers through market transformation programs. Overall, annual energy savings from Idaho Power's energy efficiency activities in 2011 totaled 179,424 megawatt-hours. DSM 2011 Annual Report at 1.

5. To achieve these results, total system-wide expenditures on 2011 DSM-related activities increased to \$46,266,252. *Id.* app. 2 at 136. The \$46,266,252 of system-wide, DSM-related expenses in 2011 include expenditures for customers in Oregon and other operations and maintenance expenses that are not before the

Commission; Idaho Power is seeking a determination that \$35,623,321 in Idaho Rider expenses and \$7,018,385 in Custom Efficiency incentives were prudently incurred for a total of \$42,641,706. *Id.* A summary of program expenditures funded by the Rider in 2011 is provided in Exhibit No. 1 to the Direct Testimony of Darlene Nemnich (“Nemnich Testimony”) that accompanies this Application.

6. Results show that of all the seventeen energy efficiency programs offered by Idaho Power, only the Home Improvement Program is not cost-effective from the total resource cost (“TRC”) and the participant cost test (“PCT”) perspectives. All three of Idaho Power’s demand response programs are cost-effective when evaluated from a long-term perspective. From a one-year perspective, the A/C Cool Credit program was not cost-effective for 2011. An explanation of the cost-effectiveness analyses and steps Idaho Power has taken to increase future cost-effectiveness of these two programs is provided in the Nemnich Testimony.

III. THE DSM 2011 ANNUAL REPORT

7. In support of its Application requesting the Commission accept the Company’s 2011 DSM expenditures funded by the Rider and Custom Efficiency incentives accounted for as a regulatory asset as prudently incurred, Idaho Power presents its DSM 2011 Annual Report as Attachment No. 1 to this Application.

8. The DSM 2011 Annual Report is 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 2011 Annual Report contains the following:

a. Template. Idaho Power used previous DSM annual report formats as a guide for its DSM 2011 Annual Report. Two Supplements, *Supplement 1: Cost-*

Effectiveness (“Supplement 1”) and *Supplement 2: Evaluation* (“Supplement 2”), accompany the DSM 2011 Annual Report.

b. Table of Contents. The DSM 2011 Annual Report, Supplement 1, and 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 17 of the DSM 2011 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 test (“UCT”) perspective, and the participant cost perspective), Supplement 1 contains the ratepayer impact measure (“RIM”), a cost-effectiveness test added in 2010. 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 includes a compact disc containing market progress evaluation reports provided by the Northwest Energy Efficiency Alliance.

f. Program Specific Section. The DSM 2011 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) 2011 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 2012. 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 2011 Annual Report describes education initiatives and other non-energy-saving DSM efforts. These efforts support the Company's overall DSM agenda. Other programs and activity expenses are shown in Appendices 2-4 and Exhibit No. 1 to the Nemnich Testimony.

IV. EVOLUTION OF THE 2011 REPORT

9. The DSM 2011 Annual Report and accompanying Nemnich Testimony provide a sufficient basis for the Commission to determine whether Idaho Power's DSM and energy efficiency expenses were prudently incurred. In order to meet Commission Staff's expectations for assessing cost-effectiveness tests, methods, and evaluations as indicated in Attachment No. 1 to the DSM MOU, Idaho Power has included:

a. Cost-Effectiveness Measurements. In the DSM 2011 Annual Report, Idaho Power calculates cost-effectiveness from the ratepayer impact measure, participant cost, utility cost, and the total resource cost perspectives at the program level, except for those programs with no customer costs in which case the participant cost test is not applicable. 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. Supplement 1 includes detailed results of the cost-effectiveness tests by program and by measurement. Appendix 4 of the 2011 DSM Annual Report shows the UTC and TRC for each of Idaho Power's energy efficiency and demand response programs from a program-life perspective.

b. Net-to-Gross Adjustments. For the DSM 2011 Annual Report, Idaho Power used these ratios as an input to cost-effectiveness calculations where appropriate. For a detailed discussion of these adjustments, see pages 3-4 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 2011, impact evaluations were completed on eight programs and process evaluations were conducted on two programs. All but two of these evaluations were conducted by third-party contractors. Copies of these reports can be found in Supplement 2.

V. MODIFIED PROCEDURE

10. Idaho Power believes 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 respectfully requests that the Commission issue an order designating Idaho Power's expenditure of \$42,641,706 funds in 2011 as prudently incurred DSM expenses.

DATED at Boise, Idaho, this 15th day of March 2012.



JULIA A. HILTON
Attorney for Idaho Power Company