

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE APPLICATION)
OF PACIFICORP DBA ROCKY MOUNTAIN) CASE NO. PAC-E-08-01
POWER FOR AN INCREASE TO THE)
SCHEDULE 191 CUSTOMER EFFICIENCY)
SERVICES RATE ADJUSTMENT AND)
ENHANCEMENT TO ENERGY)
EFFICIENCY PROGRAMS FOR) ORDER NO. 30543
COMMERCIAL, INDUSTRIAL,)
AGRICULTURAL AND RESIDENTIAL)
CUSTOMERS)**

On February 14, 2008, PacifiCorp dba Rocky Mountain Power (PacifiCorp; Company) filed an Application with the Idaho Public Utilities Commission (Commission) requesting authority to (1) adjust the collection rate of the existing demand-side management (DSM) cost recovery mechanism (Schedule 191) from 1.5% to 3.72% of retail revenue for a net increase of 2.22% (a monthly increase of about \$1.56 for the average residential customer); (2) add a new energy efficiency program for commercial and industrial customers; and (3) make several enhancements and changes to existing programs for business and residential customers intending to improve program performance. The Company proposes a May 1, 2008 effective date. The Commission in this Order approves the Company-requested changes to its DSM program offerings and authorizes an increase in the Schedule 191 DSM tariff rider surcharge to 3.72% of retail revenue for all customer classes (except special contracts).

DESCRIPTION OF REVISIONS

Schedule No. 191 – Customer Efficiency Services

The Company proposes to adjust the collection rate for Schedule No. 191 from 1.5% to 3.72% of retail revenue for a net increase of 2.22%. This collection rate is designed to fund projected program activity for 2008 and 2009 and retire the current back balance of \$349,000 by the end of 2009, for an average of \$4.86 million per year.

Schedule No. 115 – FinAnswer Express

The FinAnswer Express program has been available to Idaho customers since January 2006 and provides prescriptive incentives for common energy efficiency measures. Enhancements proposed in this filing are based on proven program design and delivery

experience in other jurisdictions. These changes: (1) add new measures eligible for prescriptive incentives; (2) add a separate incentive table for lighting retrofits and new construction/major renovation; and (3) revise some delivery mechanisms, including moving premium efficiency motors from point of purchase to post-purchase, and modifying new construction/major renovation lighting from a pre-purchase incentive agreement to post-purchase incentive application. In addition, the application of percentage of project cost incentive caps moves from the measure level to the project level.

Similar to the services provided by the Company in its other jurisdictions, the Company is offering sales support functions to assist equipment distributors and contractors in their sales and installation of high-efficiency equipment.

Schedule No. 155 – Irrigation Energy Savers

Equipment exchange has been the most popular measure and has been available since spring 2006. The only change proposed to Schedule No. 155 is removal of the “funding availability” language. Current information indicates customers are now primarily interested in system upgrades, including the installation of variable frequency drives on pumps. Based on the program focus moving from an equipment exchange approach to an analysis-based approach, the Company is seeking proposals for program administration to help ensure that program delivery is done by a program administrator with the best combination of competitive pricing, irrigation, and electric energy efficiency experience.

Schedule No. 118 – Home Energy Savings

The Home Energy Savings program has been offered since May 31, 2006, and provides incentives for more efficient products and services for residential customers with new or existing homes. The program encompasses equipment categories including appliances, lighting, cooling equipment, insulation, and windows, and services such as duct sealing and air conditioning equipment tune-ups. A dedicated program web site may be found at www.homeenergysavings.net/idaho/home and provides full information, including incentive levels and eligible equipment specifications. Changes to increase participation and to better align incentive levels with Idaho markets are proposed for the following program offerings: Washing machines, dishwashers, water heaters, lighting, evaporative cooling, insulation, and heat pumps.

DESCRIPTION OF NEW PROGRAM

Schedule No. 125 – Energy FinAnswer

In this filing, PacifiCorp proposes to offer the incentive-based energy FinAnswer program which provides Company-funded energy engineering, incentives of \$0.12 for first-year energy savings (kWh) and \$50 per average monthly demand savings (kW), up to 50% of the approved project cost. The program is designed to target comprehensive projects requiring project-specific analysis and will operate as a complement to the FinAnswer Express program. The enhancements are designed to increase new construction participation and early program involvement to capture lost opportunities. Enhancements include design-team honorariums (finder fees for new projects) and design-team incentives (in addition to enhanced customer incentives) for new construction projects exceeding the current Idaho energy code by at least 10%.

PROGRAMS FUNDED BY SCHEDULE 191 NOT CHANGED IN THIS FILING

Schedule No. 117 – Refrigerator Recycling

Schedule No. 21 – Low-Income Weatherization Services

This program was recently modified pursuant to a January 10, 2007 Settlement Stipulation entered into between PacifiCorp, Community Action Partnership Association of Idaho (CAPAI) and Commission Staff and approved in Order No. 30239 in Case No. PAC-E-06-10.

Schedule Nos. 72 and 72A – Irrigation Load Control Credit Rider

This program was enhanced per the agreement reached in the Company's general rate case approved by the Commission in Case No. PAC-E-07-05. Additional modifications were proposed in Tariff Advice No. 08-01 and approved by the Commission on February 11, 2008. Changes included new incentive levels, reduction in maximum dispatch hours, increase in dispatch duration, and revision of the minimum pump size.

DESCRIPTIONS OF TARIFFS BEING CANCELLED

Schedule Nos. 120 and 122 – Commercial Energy Services

These schedules were closed to new service with the 2006 filing but remained as approved schedules to administer the loans originated under the schedules.

On February 28, 2008, the Commission issued a Notice of Application and Modified Procedure in Case No. PAC-E-08-01. An April 24, 2008 deadline was established for filing comments. Comments were filed by five customers (including Tim Shurtz and Agrium-NuWest), the NW Energy Coalition (NWECC; Coalition), and Commission Staff. All customers oppose the surcharge increase. Tim Shurtz recommends that the increase be deferred until the BPA credit is reinstated. NWECC urges approval with some recommendations. Staff recommends approval of the Schedule 191 rate increase as well as approval of all other proposed tariff additions and changes necessary to implement the new energy FinAnswer program and changes to other programs.

Customer Comments

Company customers say that PacifiCorp should work to improve the efficiency of its product without charging customers; efficiency program costs should be funded from Company profits and/or only by those who participate in the program; that rates have already increased enough to be a hardship and are high enough to encourage conservation; and that the commenters have already funded their own efficiency improvements, so why should they help pay for everyone else's.

NWECC Comments

The NW Energy Coalition supports PacifiCorp's filing. NWECC contends that PacifiCorp has been underfunding and underachieving energy savings and believes the time is ripe for a significant expansion of effort. The Coalition expresses concern that there is no programmatic increase in a number of programs. Capacity savings such as those captured in the Irrigation Load Control Program, the Coalition states, are important and should be pursued and acquired in addition to capturing all cost-effective efficiency savings.

As part of its approval of these new and expanded programs and increased funding, the Coalition suggests that the Commission should make it clear that it will judge utility performance not on the expenditure of funds but on the savings acquired. The Coalition is pleased to see program evaluation built into the program budget. The Coalition recommends that the evaluation and verification of program savings and effectiveness be done by third-party evaluators and reported to the Commission.

To tap into customer willingness to undertake cost-effective energy efficiency measures and actions, NWECC contends that PacifiCorp must market and promote its programs in

a simple and compelling manner. Coalition allies in Utah support PacifiCorp's FinAnswer program but urged more aggressive marketing of this program as it is rolled out in Idaho.

The Coalition contends that PacifiCorp's Schedule 118 Home Energy Savings program should be expanded to include more incentives and education around a growing element of residential and commercial usage – plug loads. The Coalition contends that PacifiCorp should educate its residential and commercial customers to make them aware of plug load draw, to purchase lower power devices and how to use power management features. The Coalition recommends that PacifiCorp participate in national marketing and incentive programs such as the 80+ power supply program, ENERGY STAR PCs, monitors, TVs, TV signal converter boxes, battery charges, and other ENERGY STAR electronic products. Electronic devices are evolving quickly, the Coalition notes, and consumers make changes and upgrades at a similar pace.

Staff Comments

PacifiCorp's existing resources are insufficient to meet the Company's projected system-wide energy demand from 2008 to 2017. The most expensive electricity resources are additional generation, transmission and distribution facilities, regardless of whether the generation facilities are thermal, hydro, wind, solar, or other alternatives. The least costly electricity resource alternative available to the Company, Staff contends, is customers increasing the efficiencies of, and efficient use of, their buildings, appliances, lights, irrigation systems, and industrial processes without utility intervention and administration. Staff believes the second least costly electricity is available when utilities or other entities prudently administer cost-effective programs that provide monetary incentives and educational opportunities for customers to increase their efficiencies.

Staff contends that demand-side management (DSM), including energy efficiency programs and load management programs, is a significant resource available to help ensure reasonable system reliability. A review of the Company's program data leads Staff to believe that no major customer classes are being disproportionately disadvantaged by the distribution of the programs' energy savings. The data provided is not sufficient to fully assess the cost effectiveness results and estimates of the Company programs. When reviews of program processes and results are required for prudence determination during future rate cases, Staff expects that all necessary information will be made available.

Staff appreciates the comments of customers and acknowledges that additional rate increases create hardships for some customers and are not welcomed by any. Nevertheless, Staff believes expansion of DSM programs will ultimately reduce the bills of all customers below what they otherwise would be absent such programs.

Commission Findings

The Commission has reviewed the filings of record in Case No. PAC-E-08-01 including the Company's Application and the comments and recommendations of customers, the NW Energy Coalition and Commission Staff. Based on our review of same, the Commission continues to find it reasonable to process this case pursuant to Modified Procedure, i.e., by written submission rather than by hearing. IDAPA 31.01.01.204.

PacifiCorp in this case proposes to change and revise its DSM program offerings, adding the previously deferred Energy FinAnswer incentive program. It also requests an increase in the Schedule 191 surcharge (tariff rider) percentage from 1.5% to 3.72% of retail revenue to pay for the added administrative and program expense. We find it reasonable, based on our review and consideration of the filings in this case, to approve the Company-requested changes to its DSM program offerings and to increase the surcharge.

As reflected in the Company's recent 2007 Integrated Resource Plan, PacifiCorp projects a deficiency in energy resources to serve summer peaks and future electric load requirements beginning in 2008. Based on preliminary cost effectiveness screens and third-party assumptions surrounding participation, the Company estimates available annual energy efficiency resources in Idaho of 13,140 MWh per year. This estimate is greater than the approximate 8,000 MWh the Company reports it acquired in 2007 with existing programs funded at the currently authorized collection amount. We find that demand-side management, conservation and energy efficiency measures continue to be the least-cost resource that utilities can acquire to serve new load. While DSM program participants will benefit most, all customers, including those with fixed and limited income, will benefit from deferring the cost of acquiring new supply-side resources and reducing the jurisdictional allocation of system power supply costs to Idaho.

The proposed program changes will provide enhanced program opportunities for all customer classes. We commend the Company for its continued commitment to provide its electric customers with increasing DSM and energy efficiency options. To provide the necessary

money for program implementation and administration, the Commission finds it reasonable to authorize a 3.72% DSM tariff rider for all customer classes (except special contracts) effective May 1, 2008 and directs the Company to collect same as a separate line item on customer bills. As previously directed (Order No. 29976), we expect the Company to file by May 1 of each year an annual report of its Idaho DSM activities, related revenues and expenditures, and program cost effectiveness. As part of its annual report and based on its experience, we expect that the Company may recommend program changes.

In approving the Company's Application, we have reviewed the Company's submitted preliminary cost effectiveness assessment of its 2007 program performance and the summary of its cost-effective analysis forecasts for 2008-2009. The Commission in this case makes no findings regarding the ultimate prudence of any particular program or expenditure. We note, as did Staff, that the Company has not provided sufficient data in this case to permit us to fully assess the cost effectiveness results and estimates of the Company's DSM and energy efficiency programs. We direct the Company to provide the information necessary for a prudence determination in its next general rate case. As we stated in Order No. 29976:

The Commission will examine the distribution of DSM program dollars both within and among customer classes, the cost effectiveness of the programs and the reasonableness and prudence of the Company's program management and administrative costs during general rate cases and in all proceedings proposing an adjustment to the DSM tariff rider. Costs imprudently incurred will not be paid by customers.

CONCLUSIONS OF LAW

The Idaho Public Utilities Commission has jurisdiction over PacifiCorp dba Rocky Mountain Power, an electric utility, and the issues presented in Case No. PAC-E-08-01 pursuant to the authority granted under Title 61 of the Idaho Code and the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

ORDER

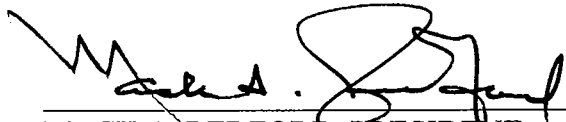
In consideration of the foregoing and as more particularly described and qualified above, IT IS HEREBY ORDERED and the Commission does hereby approve implementation of the Company-proposed revisions to its tariff Schedule No. 118 (Home Energy Savings), Schedule No. 155 (Irrigation Energy Savers), and Schedule No. 115 (FinAnswer Express) DSM

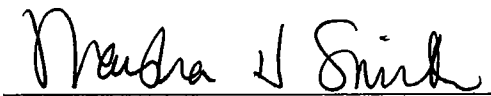
programs. We further authorize implementation of the proposed tariff Schedule No. 125 (Energy FinAnswer) program. We further authorize cancellation of the Company's tariff Schedule Nos. 120 and 122 (Commercial Energy Services) programs. We authorize the changes in the DSM programs for an effective date of May 1, 2008.

IT IS FURTHER ORDERED and the Commission does hereby authorize implementation of a 3.72% Schedule 191 DSM tariff rider surcharge for all Idaho tariff customers (except special contracts) as a separate line item on customer bills for an effective date of May 1, 2008.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

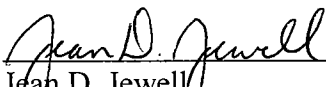
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 30th
day of April 2008.


MACK A. REDFORD, PRESIDENT


MARSHA H. SMITH, COMMISSIONER


JIM D. KEMPTON, COMMISSIONER

ATTEST:


Jean D. Jewell
Commission Secretary

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