BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF ROCKY MOUNTAIN POWER FOR AN INCREASE TO THE CUSTOMER EFFICIENCY SERVICES RATE.	**CASE NO. PAC-E-10-03** **ORDER NO. 32023**

On February 25, 2010, PacifiCorp dba Rocky Mountain Power filed an Application with the Commission seeking authority to increase its Customer Efficiency Services Rate (Schedule No. 191). More specifically, the Company proposes to increase the collection for Schedule No. 191 from 3.72% to 5.85% of retail revenue, excluding large contract customers. On May 7, 2010, the Commission issued a Notice of Application and Notice of Modified Procedure setting a 28-day comment deadline. Order No. 31076.

Comments were filed by the Commission Staff, Idaho Conservation League, Irrigation Pumpers Association and two customers. After reviewing the Application, comments and Company reply, we approve an increase to Rocky Mountain Power's Customer Efficiency Services Rate as set forth in greater detail below.

THE APPLICATION

In March 2006, the Commission approved an enhanced set of demand-side management (DSM) programs and cost recovery for such programs through Schedule No. 191. Application at 3. The collection rate was initially set at 1.5% of retail revenue. Order No. 29976. In 2008, the rate was increased from 1.5% to 3.72%. Order No. 30543. The Company now proposes to increase the collection for Schedule No. 191 from 3.72% to 5.85% of retail revenue. Application at 5. The Company's Application states that, at 5.85%, Schedule No. 191 will provide approximately $8.325 million per year for DSM programs, assuming 2008 energy usage levels. *Id.*

The Company asserts that the adjustment is needed to facilitate the funding of ongoing DSM program expenditures and reduce the accrued balance of expenses (yet to be recovered) in the DSM balancing account from $3.5 million (the April 2010 forecasted balance) to $2.25 million by April 30, 2011. *Id.* The Company maintains that it will continue to review funding needs on an annual basis to determine whether an increase to 5.85% is sufficient to fund ongoing program expenses and also recover the remaining balance in the DSM balancing account. *Id.* The Company states that administration of the balancing account, including carrying charges, prudency review, and separating these costs from the revenue requirement in general rate cases, would continue pursuant to Order No. 29976.

THE COMMENTS

1. Staff. Based upon the Company's 2009 DSM annual report, Staff concluded that all major customer classes are receiving benefits from the current portfolio of DSM programs. Staff calculated the expected annual DSM expenses associated with Schedule 191 per customer class for the May 1, 2010 through April 30, 2011, timeframe are as follows:

- Residential Programs - $980,000
- Commercial and Industrial - $800,000
- Agricultural - $4,900,000
- Northwest Energy Efficiency Alliance - $264,000

The cost of these programs is directly assigned to the Idaho jurisdiction and recovered from Idaho customers. Of the estimated $8.325 million generated annually by the proposed Customer Efficiency Services Rate, $4.3 million is expended by the Irrigation Load Control Program (Schedules 72 and 72A) for field equipment, administration and overhead costs. All Idaho customers with the exception of special contract customers pay for this program through the Customer Efficiency Services Rate. An additional $7.3 million is recovered from all Idaho customers through base rates to pay credits to irrigators under the Irrigation Load Control Program. Staff will continue to evaluate whether it is reasonable to directly assign such large load control program costs to the Idaho jurisdiction, on what basis these costs should be recovered from Idaho customer classes, and whether any customer group should be exempt from contributing to DSM program costs.

For the purposes of this case, Staff: (1) verified the estimated annual level of expenditures required to fund existing DSM programs; (2) reviewed the existing DSM deferral balance subject to recovery; and (3) confirmed the Customer Efficiency Services Rate necessary to allow recovery of program costs. Based on this review, Staff supported the Company's proposal to increase the Efficiency Services Rate to 5.85%. Staff recommended that the Company provide in its annual DSM report clear descriptions of each residential energy efficiency program, rebate or other incentive offered by the Company. Staff also requested that the Company provide periodic updates of any changes made to or discontinuance of any program, rebate, or incentive. This information will provide Staff with the most up-to-date information in order to better assist customers. Staff will further evaluate DSM program cost effectiveness, program prudency, and DSM cost allocation issues in the Company's general rate case.

2. ICL. The Idaho Conservation League (ICL) commended the Company for pursuing DSM programs and acknowledged that "the basis for the requested rate increase is to adequately fund program growth that continues to exceed forecasts." Comments at 4. ICL maintained that the Company's DSM tariff rider "is a critical component of aligning rate incentives to encourage utility investments in efficiency." *Id.* at 10.

ICL recommended removing the entire Irrigation Load Control Program from the DSM tariff rider in order to better capture all of its opportunities to be cost-effective. ICL asserted that the load control program "most closely resembles a supply side resource because it is a readily quantifiable amount of disbatchable [sic] load." *Id.* at 5. Moreover, ICL believes that removing irrigation load control expenses from the DSM program would allow the funds to be used for other cost-effective programs. ICL supports DSM collections and expenditures that achieve parity for each customer class and that focus on the most cost-effective programs available.

ICL believes that the Irrigation Energy Services program is not an appropriate use of DSM tariff funds. ICL maintained that DSM funds expended for this program and broader operational efficiencies should be deemed imprudent by the Commission. ICL asserted that more DSM resources should be focused on the residential programs. Finally, ICL argued that the Company's "apparent inability to control the accumulated [back] balance and the resulting carrying charges diverts money that otherwise would be available for DSM programs." *Id.* at 9.

ICL requested that the Commission review cost-effectiveness and prudency as part of this Application – and not wait until the next rate case.

3. Idaho Irrigation Pumpers Association (IIPA). IIPA supports review of the cost-effectiveness and prudency of the Company's DSM programs in the Company's pending rate case. Specifically, IIPA recommended reviewing the inclusion of the Irrigation Load Control Program within the DSM tariff.

IIPA proposed that all costs associated with the Irrigation Load Control Program be considered "system" costs rather than "jurisdictional" costs in the pending rate case proceeding.

IIPA believes that by removing the costs of the Irrigation Load Control Program from the DSM tariff it would be possible to fund the remaining energy efficiency and DSM programs at the current contribution level. Therefore, IIPA urged the Commission to leave DSM funding at its existing level.

4. Public Comments. Two customers submitted written comments to the Commission regarding the proposed increase to Schedule 191 rates. Both customers, who are retired and on fixed incomes, expressed opposition to the proposed increase. One customer feels unfairly penalized by a rate increase for having an all-electric house built in 1968 when utility incentives were in place. The other customer feels that the program brings little benefit and penalizes people who are on fixed incomes.

5. Company Reply. The Company filed reply comments on June 15, 2010. The Company opposed ICL's and IIPA's proposal to recover costs associated with the Irrigation Load Control Program through general rates. "Deferring demand-side management ('DSM') costs for recover through the DSM Tariff Rider, removes at least in part the utility disincentives posed by DSM programs (i.e. the potential under recovery of prudent expenses without an ability to earn a return)." Reply Comments at 1, 2. The Company also opposed ICL's request to review cost-effectiveness and prudency as part of this Application. RMP maintained that it has complied with previous Commission Orders in filing annual reports and in supporting this Application. The Company renewed its request that the Commission approve an increase to the Customer Efficiency Services Rate (Schedule 191).

ICL filed a Motion to Strike the Company's reply comments. ICL argued that the Company did not file comments by the general comment deadline (i.e., June 4) and that the Commission's schedule did not provide for a responsive comment period. In the alternative, ICL requested that the Commission accept and consider its response to the Company's reply comments.

FINDINGS AND CONCLUSIONS

The Commission has jurisdiction over PacifiCorp dba Rocky Mountain Power, an electric utility, its Application for authority to implement new rates and charges, and the issues involved in this case pursuant to Title 61 of the Idaho Code, and more specifically, *Idaho Code* §§ 61-119, 61-129, 61-307, 61-336, 61-501 and 61-502.

We first turn to ICL's Motion to Strike. ICL asked that the Commission strike the Company's reply comments. We find that the Motion is not well-founded. The Commission routinely allows applicants the opportunity to respond to comments filed by the public and interested parties even if a response period was not explicitly provided for in the Commission's initial notice. Indeed, last year the Commission amended its procedural rules to provide an applicant in a modified procedure case with an opportunity to reply to previously filed comments. *See* Rules 202 and 204, IDAPA 31.01.01.202 and 204. While the Commission's Notice and Order did not specifically set a date for reply comments, Rule 202.01.d of the Commission's Rules of Procedure clearly provides for such opportunity. Based on the foregoing, ICL's Motion to Strike is denied. We have considered ICL's comments about the Company's reply in our decision making.

This Commission strongly supports the use of demand-side management (DSM) programs. We commend the Company for its commitment to providing its customers with DSM and energy efficiency options. All customers benefit from deferring the cost of having to acquire new supply-side resources. However, we also find that there are issues that require further examination. In particular, we intend to examine whether the allocation of certain DSM costs should be a system cost (multi-state) or a jurisdictional cost (Idaho); whether the allocation of cost-recovery among customer group(s) should be adjusted; and whether the Company's DSM programs are prudent and cost-effective.

The Commission finds it reasonable to authorize an increase in the Company's DSM tariff rider from 3.72% to 4.72% for all customer classes (except special contracts) effective July 1, 2010. The unrecovered balance of the requested DSM expenses shall be booked to the DSM deferral account pending the Commission's examination of DSM issues in the rate case. As previously directed (Order Nos. 29976 and 30543), 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.

In approving, in part, the Company's Application, we have reviewed the Company's preliminary cost-effectiveness assessment of its actual and forecasted program performance. The Commission in this case makes no findings regarding the ultimate prudence of any particular program or expenditure. A thorough investigation of the prudency and cost-effectiveness of the

Company's DSM programs and expenditures shall be conducted in the Company's pending rate case (PAC-E-10-07).

ORDER

IT IS HEREBY ORDERED that an increase in PacifiCorp dba Rocky Mountain Power's Customer Efficiency Services Rate (Schedule 191) from 3.72% to 4.72% is approved, as more particularly described above. The unrecovered balance of DSM expenditures shall be booked to the DSM deferral account until the Commission has completed its review of prudency and cost-effectiveness in the rate case.

IT IS FURTHER ORDERED that the Company file tariffs conforming to this Order to be effective July 1, 2010.

IT IS FURTHER ORDERED that the Commission reserves questions of the prudency and cost-effectiveness of the Company's DSM programs and expenditures for the Company's pending rate case (PAC-E-10-07). Parties are encouraged to address these issues in the rate case.

IT IS FURTHER ORDERED that ICL's Motion to Strike is denied.

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 June 2010.

JIM D. KEMPTON, PRESIDENT

MARSHA H. SMITH, COMMISSIONER

MACK A. REDFORD, COMMISSIONER

ATTEST:

Jean D. Jewell
Commission Secretary

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