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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF PACIFICORP DBA ROCKY MOUNTAIN POWER FOR AN INCREASE TO THE CUSTOMER EFFICIENCY SERVICES RATE.	)))))))	**CASE NO. PAC-E-10-3** **COMMENTS OF THE COMMISSION STAFF**

COMES NOW the Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Kristine A. Sasser, Deputy Attorney General, submits the following comments in response to the Notice of Application and Notice of Modified Procedure issued on May 7, 2010. Order No. 31076.

BACKGROUND

On February 25, 2010, PacifiCorp dba Rocky Mountain Power (Company) 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. The Company requests that the Application be processed by Modified Procedure.[1]

[1] The Company initially requested a May 1, 2010, effective date, but has agreed to suspend the requested effective date and "will continue to work with staff to process this application as expeditiously as possible." Letter from Ted Weston dated April 28, 2010.

In March 2006, the Commission approved an enhanced set of demand-side management (DSM) programs and cost recovery 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 Commission approved an increase 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.

STAFF ANALYSIS

The Company asserts that this adjustment is needed to facilitate the funding of ongoing DSM program expenditures and to 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 also 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 Company's Application anticipates that at 5.85%, Schedule No. 191 will provide approximately $8.325 million per year, assuming 2008 energy usage levels. *Id.*

As can be seen in the Company's 2009 DSM annual report, all major customer classifications are receiving benefits from the current portfolio of DSM programs. 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 verified the estimated annual level of expenditures required to fund existing DSM programs and reviewed the existing DSM deferral balance subject to recovery and confirmed the Customer Efficiency Service Rate necessary to allow recovery of program costs. Based on this review, Staff supports the Company's proposal to increase the Efficiency Services Rate to 5.85%. Staff will further evaluate DSM program cost effectiveness, program prudency, and DSM cost allocation issues in the next Company general rate case.

The accumulated unfunded balance in the balancing account as of December 31, 2009 was $2,238,820 compared to an unfunded balance of $770,451 on December 31, 2008. Included in the 2009 balance are carrying charges of $46,170. During 2009 the Company collected $5,010,486 in revenue through the Schedule 191 tariff rider, while expending $6,432,685 in DSM expenditures. As previously stated, an additional $7,324,477 in irrigation load control credits were issued, however these credits are not funded by the Schedule 191 tariff rider. Attachment A reconciles the December 31, 2009 tariff rider balance and illustrates different program expenditures for 2009.

CUSTOMER RELATION ISSUES

The Company's Efficiency Services Rate Application, filed on February 25, 2010, contained both the customer notice and press release. Staff reviewed the notice and press release and determined that they complied with the notice requirements of Rule 125, IPUC Rules of Procedure, IDAPA 31.01.01.125. The customer notice was mailed with cyclical billings beginning March 1, 2010, and ending March 31, 2010. Customers had until June 4, 2010, to file comments.

As of June 3, 2010, two customers submitted written comments to the Commission regarding the proposed increase to Schedule191 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.

Staff recognizes that an increase in electricity rates will not be viewed favorably by many customers within the Company's service territory, particularly those on fixed incomes or those using electricity as their primary heating source, especially given the current economic climate. However, Staff also believes that all customers realize a net benefit from the cost effective use of DSM initiatives, including energy efficiency and load management programs because of the reduced need for higher cost supply-side resources. In total, customers' bills will be lower than they would be absent such programs.

Staff often works with customers who are identified as those most likely to benefit from energy efficiency programs, incentives and rebates. This interaction provides Staff with an opportunity to share information, increase participation in energy efficiency programs and assist customers in reducing their bills. Unfortunately, easily accessible, up to date DSM program information needed to fully assist customers can be difficult for Staff to obtain. Therefore, Staff recommends 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 requests that the Company provide periodic updates of any changes made to or discontinuance of any program, rebate, or incentive. This will assure that Staff has the most up to date information available to assist customers.

STAFF RECOMMENDATION

Staff supports the adjustment to the Customer Efficiency Services Rate (Schedule No. 191) from 3.72 percent to 5.85 percent in order to facilitate the funding of cost effective ongoing demand-side management (DSM) expenditures and the reduction of the DSM balancing account. Staff also recommends 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.

Respectfully submitted this 3rd day of June 2010.

Kristine A. Sasser

Kristine A. Sasser
Deputy Attorney General

Technical Staff: Gary Grayson
Bryan Lanspery
Donn English
Curtis Thaden

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TARIFF RIDER RECONCILIATION

Beginning Balance as of December 31, 2008		**$ (770,450.84)**
Schedule 191 Revenues Collected		**$ 5,010,485.78**
DSM Expenditures:		
Residential Services:		
Low Income Weatherization	$197,819.17	
Refrigerator Recycling	108,125.50	
Home Energy Savings	593,563.82	
Total Residential Services Expenditures		**$ (899,508.49)**
Commercial Services:		
Energy FinAnswer	$ 49,790.48	
FinAnswer Express	189,925.40	
Total Commercial Services Expenditures		**$ (239,715.88)**
Industrial Services:		
Energy FinAnswer	$308,636.28	
FinAnswer Express	73,978.69	
Agricultural Energy Services	807,238.30	
Total Industrial Services Expenditures		**$ (1,189,853.27)**
Irrigation Load Control Operations Expense		**$ (3,816,417.26)**
Market Transformation – NEEA		**$ (287,190.31)**
Carrying Charge on Unfunded Balance		**$ (46,170.00)**
Ending Balance as of December 31, 2009		**$ (2,238,820.27)**

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 3RD OF JUNE 2010, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF,** IN CASE NO. PAC-E-10-03, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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