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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)
OF ROCKY MOUNTAIN POWER FOR) **CASE NO. PAC-E-12-11**
AUTHORITY TO DECREASE THE)
CUSTOMER EFFICIENCY SERVICES)
RATE.) **COMMENTS OF THE**
) **COMMISSION STAFF**
)

COMES NOW the Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Weldon B. Stutzman, Deputy Attorney General, and in response to the Notice of Modified Procedure issued in Order No. 32587 on July 3, 2012, submits the following comments.

BACKGROUND

On May 30, 2012, PacifiCorp dba Rocky Mountain Power filed an Application requesting authority to reduce its customer efficiency services rate (Schedule 191). The Schedule 191 rate is currently 3.4% and produces annual revenues of approximately \$5.7 million. The Company requests authority to decrease the rate to 2.1%, to generate approximately \$3.5 million per year. The Company believes the rate reduction is appropriate to align the Company's recovery of costs associated with future demand-side management (DSM) related expenditures, and requests the new rate be effective July 1, 2012.

The Company asserts that although its DSM balancing account was in deficit by approximately \$1 million as of April 30, 2012, the Company expects to have a credit balance beginning August 2012 at current energy efficiency rider levels. The Company's Application provides a summary review of each of its DSM programs along with expected levels of funding in the near term. The Company does not propose to significantly modify or decrease its DSM activities as part of this Application. The Company states that it "will continue to review funding needs on a routine basis to determine whether this proposed adjustment is sufficient to fund ongoing program expenses and continue to recover the remaining balance owed the Company in the DSM balancing account." Application, p. 5.

STAFF REVIEW

Staff reviewed the Company's Application and additional information and supports the Company's proposal to reduce the Schedule 191 customer efficiency service rate (energy efficiency "Rider") to 2.1%. The proposed reduction to the tariff rider does not equate to a reduction in DSM expenditures with the Company maintaining approximately the same level of DSM expenditures through 2013. While a Rider of 2.1% will provide the Company with sufficient revenue to cover its budgeted DSM expenditures through 2013, Staff is nonetheless concerned that it may not be enough for the Company to acquire all cost-effective demand side resources in the future.

Based on the 2010 loads used in the Company's most recent general rate case, a 2.1% Rider will generate approximately \$3.5 million in annual revenue. The following table illustrates the Company's historical and projected DSM expenditures from 2009-2013, excluding the Company's Irrigation Load Control program:

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Energy Efficiency Expenditures (000's)	\$2,616	\$3,232	\$2,574	\$3,227	\$3,121

On February 28, 2011 the Commission ordered the Company to treat its Idaho irrigation load control program as a system resource. Order No. 32196. Concurrently, the Commission reduced the DSM tariff rider from 4.72% to 3.4% to account for the program no longer being funded through the Idaho tariff rider and to provide the Company with sufficient revenue to recover its deferral balance in approximately two years. However, the sagging economy and cooler than

normal weather during 2011 caused the Company's DSM expenses to be significantly lower than anticipated. Customers did not purchase energy efficient appliances or undertake retrofit projects at the rate the Company had expected. This caused the Company to over-collect on the DSM tariff rider for 2011 and pay down the deferral balance sooner than anticipated.

Without the proposed reduction, the Company states that it will begin to over collect the DSM Tariff Rider in August of 2012. The proposed reduction will fund ongoing DSM expenditures and more closely align the revenue and expenses associated with the DSM balancing account by December 31, 2013.

Staff believes that cost-effective DSM is an important resource that helps customers control their utility bills, reduces the need for costly supply-side resources and improves system reliability. The least costly electricity resource is customers who invest in and use energy efficiency to decrease energy consumption in their buildings, appliances, irrigation systems, lighting, and industrial processes. Staff further believes the DSM tariff rider can be reasonably reduced to match expenditures and increased when DSM program expenditures increase.


Staff reviewed the Company's forecasted Class 2 (energy efficiency programs and services) energy savings from its Integrated Resource Plan (IRP) Update filed with the Commission on April 2, 2012. Table B.3 of the update indicates that the Company's targets for incremental energy savings for 2012 are 4,682 MWh and 7,329 MWh for 2013. During 2011, the Company achieved approximately 9,000 MWh of new energy savings, far exceeding what it had targeted for the upcoming years in its IRP update. Although the Company is achieving its targets for energy savings, that by itself does not provide assurance that it is pursuing all cost-effective DSM resources.

In response to Staff's production requests, the Company submitted a PacifiCorp system-wide DSM Potential Study completed by Cadmus in 2011. The study provides PacifiCorp with a 20-year assessment of technical and achievable potential savings in each of its six jurisdictions, including Idaho. For its Idaho jurisdiction, the assessment estimates a significant potential increase in achievable energy savings for the Company's residential, commercial, industrial, and irrigation sectors. The Company's Idaho service territory is distinct in its predominately rural makeup and DSM implementation is more unique than its larger service areas. Staff intends to work with Rocky Mountain Power to assess how the Company intends to incorporate future potential energy savings based upon the most recent conservation potential study.

STAFF RECOMMENDATION

Staff recommends that the Commission accept the Company's proposal in this Application to reduce the customer energy efficiency services Schedule 191 from 3.4% to 2.1%, effective August 1, 2012.

Respectfully submitted this 29th day of July 2011.



Weldon B. Stutzman
Deputy Attorney General

Technical Staff: Donn English
Nikki Karpavich
Stacey Donohue

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 24TH DAY OF JULY 2012, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. PAC-E-12-11, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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