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UTILITIES COMMISSION

VIA OVERNIGHT MAIL

October 6, 2011

Jean D. Jewell, Secretary Idaho Public Utilities Commission P.O. Box 83720 472 W. Washington Street Boise, Idaho 83720-0074

In re: Case No. IPC-E-11-08

Dear Ms. Jewell:

Enclosed please find the original and (7) copies of the DIRECT TESTIMONY AND EXHIBITS OF KEVIN C. HIGGINS on behalf of THE KROGER CO. d/b/a FRED MEYER AND SMITH'S FOOD AND DRUG to be filed in the above referenced matter. I also enclose a CD containing same in .Word and Excel format.

Please place this document of file.

Respectfully yours,

Kurt J. Boehm, Esq.

BOEHM, KURTZ & LOWRY

MLKkew Encl.

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CERTIFICATE OF SERVICE

I hereby certify that true copy of the foregoing was served by electronic mail (when available) and regular U.s. mail, unless otherwise noted, this 6th day of October, 2011 to the following:

Kurt J. Boehm, Esa.

IDAHO POWER COMPANY

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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)	
AUTHORITY TO INCREASE ITS RATES)	Case No. IPC-E-11-08
AND CHARGES FOR ELECTRIC SERVICE)	
IN IDAHO)	

Direct Testimony of Kevin C. Higgins

on behalf of

The Kroger Co.

October 7, 2011

DIRECT TESTIMONY OF KEVIN C. HIGGINS

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- 4 Q. Please state your name and business address.
- Kevin C. Higgins, 215 South State Street, Suite 200, Salt Lake City, Utah,
 84111.
- 7 Q. By whom are you employed and in what capacity?
- A. I am a Principal in the firm of Energy Strategies, LLC. Energy Strategies
 is a private consulting firm specializing in economic and policy analysis
 applicable to energy production, transportation, and consumption.
- 11 Q. On whose behalf are you testifying in this proceeding?
- 12 A. My testimony is being sponsored by The Kroger Co. ("Kroger"). Kroger
 13 is one of the largest retail grocers in the United States, and has over 25 accounts
 14 served by Idaho Power, which together consume over 30 million kWh per year. A
 15 large portion of Kroger's load takes service under Schedule 9. Kroger's Schedule
 16 9 load takes service at both secondary and primary voltage.
- 17 Q. Please describe your professional experience and qualifications.
- 18 A. My academic background is in economics, and I have completed all
 19 coursework and field examinations toward a Ph.D. in Economics at the University
 20 of Utah. In addition, I have served on the adjunct faculties of both the University
 21 of Utah and Westminster College, where I taught undergraduate and graduate
 22 courses in economics. I joined Energy Strategies in 1995, where I assist private
 23 and public sector clients in the areas of energy-related economic and policy
 24 analysis, including evaluation of electric and gas utility rate matters.

1		Prior to joining Energy Strategies, I held policy positions in state and local
2		government. From 1983 to 1990, I was economist, then assistant director, for the
3		Utah Energy Office, where I helped develop and implement state energy policy.
4		From 1991 to 1994, I was chief of staff to the chairman of the Salt Lake County
5		Commission, where I was responsible for development and implementation of a
6		broad spectrum of public policy at the local government level.
7	Q.	Have you testified previously before this Commission?
8	Α.	Yes. I testified in Idaho Power's 2008 general rate case, Case No. IPC-E-
9		08-102007; its 2007 general rate case, Case No. IPC-E-07-8; and in its 2003
10		general rate case, Case No. IPC-E-03-13.
11	Q.	Have you testified previously before any other state utility regulatory
12		commissions?
13	Α.	Yes. I have testified in approximately 140 proceedings on the subjects of
14		utility rates and regulatory policy before state utility regulators in Alaska,
15		Arizona, Arkansas, Colorado, Georgia, Illinois, Indiana, Kansas, Kentucky,
16		Michigan, Minnesota, Missouri, Montana, Nevada, New Mexico, New York,
17		Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, Texas, Utah, Virginia,
18		Washington, West Virginia, and Wyoming. I have also filed affidavits in
19		proceedings at the Federal Energy Regulatory Commission.

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1	Overview	and Conc	lusions
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2. () .	What is the	nurnose of vou	r testimony ir	this proceeding?
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- 3 A. My testimony addresses the limited issue of the appropriate level of the
- 4 Energy Efficiency Rider, Schedule 91.
- 5 Q. By way of background, is Kroger a party to the Stipulation that has been
- 6 filed in this case?
- 7 A. Yes. Kroger fully supports the Stipulation package. The matter of the appropriate level of the Energy Efficiency Rider has been reserved in Section
- 9 11(a) of the Stipulation as a contested issue.

10 Q. What is your recommendation to the Commission?

11 A. I recommend that the Commission approve the Stipulation as filed. In 12 addition, I recommend that the Energy Efficiency Rider be reduced from 4.75% to 13 3.40% to recognize that \$11.2 million in demand response program costs are being shifted from energy efficiency funding into base rates pursuant to the 14 15 Stipulation. Even after my proposed reduction in the Energy Efficiency Rider, the 16 funding for non-demand-response programs will increase by \$1.2 million relative 17 to pro forma levels due to the underlying 4.1% rate increase proposed in the 18 Stipulation.

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Energy Efficiency Rider Adjustment

- 21 Q. What is the current level of Idaho Power's Energy Efficiency Rider?
- 22 A. The current level of Idaho Power's Energy Efficiency Rider, Schedule 91,
- 23 is 4.75%.
- 24 Q. What is level of funding is recovered from this rider?

1	A.	As shown in line 18, column (c) of Kroger Exhibit No. 501, approximately
2		\$39.7 million would be recovered through this rider in 2012 at current rates. ¹

Q. Please explain the basis of your proposed adjustment to the Energy Efficiency Rider.

A.

Demand response program costs are currently recovered through the Energy Efficiency Rider. In its rate case filing, Idaho Power proposed to shift recovery of these costs, which amount to \$11.2 million, into base rates. Idaho Power did not offer a corresponding reduction in the Energy Efficiency Rider to recognize this change.

The Stipulation accepts the shifting of cost recovery from the Energy Efficiency Rider into base rates, but reserves the question of the appropriate level of the Energy Efficiency Rider. In my opinion, it would be reasonable to reduce the Energy Efficiency Rider charge to account for fact that \$11.2 million in current program costs will be recovered in base rates going forward.

As shown in Kroger Exhibit No. 501 (line 18, column f), non-demand-response program cost recovery through the Energy Efficiency Rider at current rates amounts to \$28.5 million (for 2012). This amount can be recovered – at current rates – with a 3.4% rider charge. If this level of rider charge is applied to the revenue requirement recommended in the Stipulation, revenues to fund non-demand-response program will increase by nearly \$1.2 million to \$29.6 million.²

¹ This calculation is consistent with Idaho Power Energy Efficiency Rider revenues presented in Idaho Power Exhibits No. 47 (Sparks) and No. 43 (Youngblood) and includes expected Energy Efficiency Rider recovery from Hoku First Block sales effective January 1, 2012.

² Additionally, going forward, \$5.2 million in Custom Efficiency costs will be booked as a regulatory asset, providing additional headroom for non-demand-response programs relative to historical funding levels.

1	In light of these facts, I recommend that the Commission reduce the Energy
2	Efficiency Rider to 3.4%.

This approach allows for net growth in funding for non-demand-response programs while being mindful of the overall rate impacts being borne by Idaho

Power customers. In contrast, shifting \$11.2 million into base rates while raising those base rates by 4.1% – and failing to adjust the Energy Efficiency Rider charge downward – would pose an unreasonable cost burden on customers.

Q. If the Energy Efficiency Rider is reduced to 3.4%, how would this surcharge compare to those of other utilities in the region that levy a percentage surcharge?

A. In Table KCH-1, below, I have compiled a list of the utilities in the West, of which I am aware, that levy a percentage surcharge for energy efficiency program cost recovery.

14 Table KCH-1

5	Percentage Energy Efficiency Riders in Western States				
6	<u>Utility</u>	DSM Rider			
7 I	El Paso Electric (New Mexico)	1.8052%			
8 I	Public Service Co. of New Mexico	2.262%			
9 I	Rocky Mountain Power (Idaho)	3.40%			
	Rocky Mountain Power (Utah)	3.70% (Industrial) / 3.91% (Residential)			
1 I	Rocky Mountain Power (Wyoming)	0.43% (Industrial) / 1.87% (Residential)			

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As shown in the table, a 3.4% surcharge is equal to the surcharge approved for Rocky Mountain Power in Idaho, but is still in the upper part of the

range. Adopting my recommendation would result in a surcharge for Idaho

Power customers that is not out of line with what is charged elsewhere in the
region for energy efficiency cost recovery.

4 Q. Please summarize your recommendation to the Commission.

A. Kroger fully supports the Stipulation as filed. In my opinion, it produces just and reasonable rates and I recommend its adoption by the Commission.

The appropriate level of the Energy Efficiency Rider remains a contested issue in this case. I recommend that the Energy Efficiency Rider be reduced from 4.75% to 3.40% to recognize that \$11.2 million in demand response program costs are being shifted from energy efficiency funding into base rates pursuant to the Stipulation. Even after my proposed reduction in the Energy Efficiency Rider, the funding for non-demand-response programs will increase by \$1.2 million due to the underlying 4.1% rate increase proposed in the Stipulation. The resulting 3.4% rider is equal to the surcharge approved for Rocky Mountain Power in Idaho, and is consistent with the level of percentage surcharges levied elsewhere in the region for energy efficiency cost recovery.

17 Q. Does this conclude your direct testimony?

18 A. Yes, it does.

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

OF IDAHO I	TTER OF THE APPLICATION) POWER COMPANY FOR) Y TO INCREASE ITS RATES) Case No. IPC-E-11-08 GES FOR ELECTRIC SERVICE)
STATE OF U	AFFIDAVIT OF KEVIN C. HIGGINS JTAH) F SALT LAKE)
Kevin	C. Higgins, being first duly sworn, deposes and states that:
1.	He is a Principal with Energy Strategies, L.L.C., in Salt Lake City, Utah;
2.	He is the witness who sponsors the accompanying testimony entitled "Direct
Testimony of	Kevin C. Higgins;"
3.	Said testimony and exhibits were prepared by him and under his direction and
supervision;	
4.	If inquiries were made as to the facts and exhibits in said testimony he would
respond as the	erein set forth; and
5.	The aforesaid testimony and exhibits are true and correct to the best of his
knowledge, in	formation and belief.
Higgins.	Kevin Q. Higgins Tibed and sworn to or affirmed before me this 6 th day of October, 2011, by Kevin C. Notary Public
My Commissi	on Expires: 4/10/15 Notary Public KIMBERLIE ANN IGNJATOVIC Commission #607671 My Commission Expires April 10, 2015 State of Utah

Present vs Kroger Recommended Energy Efficiency Rider Revenue at Stipulation Revenue Increase

Line Schedule Sc	(a)	(9)	(0)	(p)	(e)	Œ)	(g)	(h)	Θ	6	(k)
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\$160,191 \$7,609 \$2,156 \$5,453 \$166,901 \$5,681 \$5,7485,419 \$5,7485,419 \$5,74071 \$5,7485,419 \$5,74071 <td>Street Lighting</td> <td>4</td> <td>\$2,786,752</td> <td>\$132,371</td> <td>\$37,508</td> <td>\$94,863</td> <td>\$2,903,439</td> <td>\$98,834</td> <td></td> <td>\$98,834</td> <td>\$3,972</td>	Street Lighting	4	\$2,786,752	\$132,371	\$37,508	\$94,863	\$2,903,439	\$98,834		\$98,834	\$3,972
\$174,976,694 \$36,811,393 \$10,430,880 \$26,380,543 \$807,434,440 \$27,485,419 \$27,485,419 \$15,864,384 \$27,485,419 \$15,864,384 \$27,485,419 \$15,864,384 \$27,4071 \$57,4071 \$57,4071 \$57,4071 \$57,4071 \$57,4071 \$57,4071 \$57,4071 \$57,4071 \$57,4071 \$57,082,975 \$57,082,177 \$17,77 \$208,975 \$17,177 \$17,1	trol Lighting	42	\$160,191	\$7,609	\$2,156	\$5,453	\$166,901	\$5,681		\$5,681	\$228
\$16,186,333 \$768,851 \$217,861 \$550,990 \$16,864,384 \$574,071 \$574,071 \$5,892,299 \$279,884 \$79,308 \$200,376 \$6,139,015 \$208,975 Included \$208,975 \$7,661,384 \$363,916 \$103,119 \$260,797 \$7,982,189 \$271,717 in \$271,717 \$24,204,343 \$1,149,706 \$823,926 \$824,204,343 \$823,926 \$823,926 \$7,084,007 \$336,490 \$95,348 \$2,41,142 \$7,380,681 \$2,11,242 \$231,242 \$61,028,366 \$2,898,847 \$821,415 \$2,077,432 \$62,570,612 \$2,129,931 \$2,129,931 \$8336,005,060 \$39,710,240 \$11,252,265 \$28,457,975 \$833,999,992 \$29,615,349 \$19,6 Percent \$820,615,349 \$10,600,005 \$10,600,005 \$10,600,005 \$20,615,349 \$10,600,005	Rates	ı	\$774,976,694	\$36,811,393	\$10,430,850	\$26,380,543	\$807,434,440	\$27,485,419		\$27,485,419	\$1,104,875
\$16,186,333 \$768,851 \$217,861 \$550,990 \$16,864,384 \$574,071 \$574,071 \$574,071 \$574,071 \$5.892.299 \$2.79,884 \$79,308 \$2.00,776 \$6,139,015 \$7.808,975 \$103,119 \$2.20,777 \$1 \$1.717 \$1 \$2.71,777 \$1.717 \$2.71,777 \$1.71	tracts										
\$5,892,299 \$279,884 \$79,308 \$200,576 \$6,139,015 \$208,975 Included \$208,975 \$7,661,384 \$363,916 \$103,119 \$260,797 \$7,982,189 \$271,717 in \$271,717 \$24,204,343 \$1,149,706 \$325,780 \$823,926 \$24,204,343 \$823,926 Base Revenue \$823,926 \$7,084,007 \$336,490 \$95,348 \$241,142 \$7,380,661 \$2,1124 \$2129,931 \$61,028,366 \$2,898,847 \$821,4142 \$6,770,612 \$2,129,931 \$2,129,931 \$2,129,931 \$836,005,060 \$39,710,240 \$11,252,265 \$28,457,975 \$870,005,052 \$29,615,349 \$1,99,91 Percent \$20,615,349 \$29,615,349 \$29,615,349 \$1,99,91		26	\$16,186,333	\$768,851	\$217,861	\$550,990	\$16,864,384	\$574,071		\$574,071	\$23,081
\$7,661,384 \$363,916 \$103,119 \$260,797 \$7,982,189 \$271,717 in \$271,717 \$24,204,343 \$1,149,706 \$325,780 \$823,926 \$24,204,343 \$823,926 \$823,926 \$7,084,007 \$336,490 \$95,348 \$241,142 \$7,380,681 \$251,242 \$251,242 \$61,028,366 \$2,898,847 \$821,4142 \$62,570,612 \$2,129,931 \$2,129,931 \$836,005,060 \$39,710,240 \$11,252,265 \$28,457,975 \$870,005,052 \$29,615,349 \$29,615,349 \$1 Percent 41.% 41.% 41.% 41.% 41.%		29	\$5,892,299	\$279,884	\$79,308	\$200,576	\$6,139,015	\$208,975	Included	\$208,975	\$8,399
\$24,204,343 \$1,149,706 \$325,780 \$823,926 \$24,204,343 \$823,926 Base Revenue \$823,926 \$7,084,007 \$336,490 \$95,348 \$241,142 \$7,380,681 \$551,242 \$551,242 \$61,028,366 \$2,898,847 \$821,415 \$2,077,432 \$62,570,612 \$2,129,931 \$2,129,931 \$836,005,060 \$39,710,240 \$11,252,265 \$28,457,975 \$870,005,052 \$29,615,349 \$1,230,615,349 \$1,230,615,349 Percent 41,9% 41,9% 41,9% 41,9% 41,9% 41,9%		30	\$7,661,384	\$363,916	\$103,119	\$260,797	\$7,982,189	\$271,717	. s	\$271,717	\$10,920
\$7,084,007 \$336,490 \$95,348 \$241,142 \$7.380,681 \$251,242 \$251,242 \$61,028,366 \$2,898,847 \$821,415 \$2,077,432 \$62,570,612 \$2,129,931 \$2,129,931 \$836,005,060 \$39,710,240 \$11,252,265 \$28,457,975 \$870,005,052 \$29,615,349 \$29,615,349 \$1,252,615,349 Percent 4.1%	Block Charges	32	\$24,204,343	\$1,149,706	\$325,780	\$823,926	\$24,204,343	\$823,926	Base Revenue	\$823,926	\$0
\$61,028,366 \$2,898,847 \$821,415 \$2,077,432 \$62,570,612 \$2,129,931 \$2,129,931 \$836,005,060 \$39,710,240 \$11,252,265 \$28,457,975 \$830,999,992 \$29,615,349 \$29,615,349 \$1 Percent 4.1%	Block Charges	32	\$7.084.007	\$336.490	\$95.348	\$241,142	\$7,380,681	\$251,242		\$251,242	\$10,099
\$836,005,060 \$39,710,240 \$11,252,265 \$28,457,975 \$870,005,052 \$29,615,349 \$29,615,349 \$29,615,349 \$Percent	als	.	\$61,028,366	\$2,898,847	\$821,415	\$2,077,432	\$62,570,612	\$2,129,931		\$2,129,931	\$52,499
Percent	Retail Sales		\$836,005,060	\$39,710,240	\$11,252,265	\$28,457,975	\$870,005,052	\$29,615,349		\$29,615,349	\$1,157,374
	Recommended Chan	nge in Base Revenue					\$33,999,992				
	Recommended Chan	nge in Base Revenue P	ercent				4.1%				

Breakdown of Energy Efficiency Revenue

Ч	-			
Proposed	Amount	In Base Rev.	\$29,615,349	\$29,615,349
		Demand Response (DR) Portion In Base Rev.	Non-Demand (NonDR) Response Portion \$29,615,349	Total EE Revenues
Pct of Current	Base Revenues	1.35%	3.40%	4.75%
	Current Amount Base Revenues	\$11,252,265	\$28,457,975	\$39,710,240
		Demand Response (DR) Portion ² \$11,252,265	Non-Demand (NonDR) Response Portion	Total EE Revenues \$39,710,240
		21	22	23

Pct of Proposed Base Revenues

3.40% 3.40%

- Data Sources:
 1. Settlement Stipulation Exhibit No. 2.
 2. IPC witness Matthew T. Larkin Exhibit No. 31, p. 66 of 145.