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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF)	
IDAHO POWER COMPANY FOR AUTHORITY)	CASE NO. IPC-E-08-4
TO IMPLEMENT FIXED-COST ADJUSTMENT)	
(FCA) RATES FOR ELECTRIC SERVICE)	
FROM JUNE 1, 2008 THROUGH MAY 31, 2009.)	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 Application and Notice of Modified Procedure issued in Order No. 30521 on April 2, 2008, submits the following comments.

BACKGROUND

On March 14, 2008, Idaho Power Company filed an Application requesting authority to implement fixed cost adjustment (FCA) rates for electric service from June 1, 2008 through May 31, 2009. In Case No. IPC-E-04-15, Order No. 30267 issued March 12, 2007, the Commission approved a stipulation to implement a three-year FCA pilot program for residential and small general service customers. The Company is nearing the end of the first year of the pilot program approved by the Commission.

The FCA is a mechanism to separate Idaho Power's fixed costs from its energy sales, and establish a rate to allow the Company to recover its fixed costs separate from energy sales. The rationale for an FCA is that traditional rate design discourages energy conservation programs; that is, utilities that recover fixed costs through energy sales have a disincentive to reduce their sales volume by encouraging energy efficiency and demand-side management programs.

The FCA implemented last year for the pilot program works the same for residential and small general service customers. For each class, the average number of customers in the last general rate case is multiplied by a fixed-cost-per-customer rate that was determined through the Company's revenue requirement in that rate case. This produces an authorized fixed-cost recovery amount, which is then compared to the amount of fixed costs actually recovered by the Company in the FCA year. The difference between the authorized fixed-cost recovery amount and the actual amount collected by the Company for each customer class is the fixed-cost adjustment (FCA) amount. Essentially, if average energy sales per customer increase, customers will get a refund of the excess fixed costs (FC) paid, or alternatively, if average energy sales per customer decrease, customers will be charged an additional amount to recover the FC losses.

THE APPLICATION

According to the Company's Application, the rate of growth in energy sales exceeded the rate of growth and number of customers for the residential class during 2007; that is, the average energy use per residential customer increased. The Company thus collected more for its fixed costs (approximately \$3.5 million more) than as established in the residential FCA formula. The FCA, as calculated by the Company, results in a credit balance for residential customers for the additional fixed costs recovered during the year. The residential credit results in a 1.17% rate decrease.

The small general service class, however, saw a decrease in per-customer energy use during 2007, which means the Company under-collected its fixed costs. For the small general service class, Idaho Power proposes an FCA to recover a portion of the \$1,187,033 the Company under-collected for its fixed costs. Recovery of the full amount would result in a 7.3% increase in the FCA for the small general service customers. Because the stipulation approved by the Commission to implement the pilot program calls for a 3% cap on any increase in the FCA, the Company proposes a 3% increase in the FCA for the small general service class.

STAFF REVIEW

2007 Fixed Cost Adjustment (FCA) Calculation

Staff has reviewed the Company's FCA filing and recommends that the Commission accept the Company's proposed total FCA net deferral balance of approximately \$2.4 million, and distribute the credit to residential and small commercial customers on an equal, per energy basis of 0.045676 ¢/kWh. For reasons expressed below, Staff's recommendation deviates from the Company's proposal to issue a credit of 0.070830 ¢/kWh for residential customers, and a surcharge of 0.255804 ¢/kWh for small commercial customers.

From a mechanical standpoint, the pilot program is working as intended. Usage per residential customer has increased since the 2005 test year, resulting in over collection of authorized fixed costs for this class, which equates to a credit for the 2008 FCA year for the residential class. Usage per commercial customer has declined since the 2005 test year, resulting in under collection of fixed costs for this class, which equates to a surcharge for the 2008 FCA year for the commercial class. Though Staff is satisfied that the mechanism generally functions as anticipated, the fixed cost assumptions and application of the methodology used by the Company prevent Staff from fully endorsing the positions supported in Company witness Youngblood's testimony. Because the Commission did not approve a cost of service study in the 2005 general rate case, no level of fixed costs were authorized on a class specific basis. While Staff believes the pilot should continue, its comments will focus on the mechanism's lack of transparency regarding authorized fixed costs per customer class, the need to address that issue by interested parties and the Commission prior to next year's filing, and the Company's DSM efforts in 2007.

Staff Attachment No. 1 details the Company's fixed cost recovery for the first year of the pilot program. The Attachment shows that the Company collected approximately 2.3% more in fixed costs than what it considers the appropriate level of fixed costs for the residential class. Conversely, the Company undercollected nearly 13% of its proposed fixed costs from small commercial customers. Accounting for interest and using forecasted energy sales for 2008, the Company proposes a refund of 0.070830 ¢/kWh for residential customers, and a surcharge of 0.255804 ¢/kWh for the small commercial class, implementing the 3% cap on the 7.3% increase the Company contends is warranted for fixed cost recovery.

The FCA was promoted as a “simple system of periodic adjustments” when presented to the Commission in Case No. IPC-E-04-15. (Cavanagh, p. 5) The Company’s filing of the first year pilot results demonstrate that a simple methodology on the surface can become complicated by the underlying details. In theory, there are five bits of information needed to calculate the FCA:

1. customer counts for the test year;
2. normalized energy for the test year;
3. the average customer count during the FCA year;
4. weather normalized energy during the FCA year; and
5. the allowed fixed costs for the test year

As Idaho Power’s Application makes clear, the key components of the formula would be established in a general rate case. The Application explains that for each customer class, “the actual number of customers is multiplied by the fixed cost per customer rate (FCC), *which is established as a part of determining the Company’s allowed revenue requirement in a general rate case.*” To determine what the Company actually recovered for fixed costs, “the Company takes weather-normalized sales for each class and multiplies that sales figure by the fixed cost per energy rate (FCE) *as established in the Company’s general rate case.*” Application p. 3 (italics added). The Stipulation establishing the FCA does not address determination of these key components if not completed in a rate case.

Section III, 7a-c of the Stipulation, approved by the Commission in Order No. 30267, outlines the methodology used to determine the allowed fixed costs to be recovered, stating:

- a. Any differences between Schedule 1 and 7 class [fixed cost components of the] revenue requirements and corresponding fixed cost per customer approved by the Commission in Case No. IPC-E-05-28 (2005 general rate case) must be reconciled with the fixed cost per customer and fixed cost per energy utilized in the approved FCA mechanism.
- b. To determine the actual number of customers determined by class on a monthly basis, the Company will utilize the same customer count methodology used in the Company’s 2005 rate case filing.
- c. The methodology used to weather-normalize actual monthly energy used in the FCA will be the same weather normalization methodology used in the Company’s filing in the 2005 rate case.

With respect to subparagraph (b), Staff received the residential and small commercial customer counts used to calculate the fixed costs recovered in the 2007 calendar year, along with the weather normalized and actual sales for each class (items 3 and 4). Comparisons between the Company's FERC Form No. 1 filing and Production Response 4 show discrepancies in these totals for the residential class (there is no separate line for small commercial, so a comparison could not be made). This may be due to the monthly tracking of the FCA, though the Company's monthly filings that accompany the monthly PCA filing do not provide adequate information for continual auditing of the mechanism. Staff recommends that the Company provide customer counts and weather normalized energy in the monthly FCA report to facilitate better tracking of program details throughout the year.

With respect to subparagraph (a), Staff has reviewed the test year customer counts and base revenues to verify the allowed fixed costs per customer class. Staff can confirm the customer counts and normalized energy (items 1 and 2) used in calculating the fixed cost per customer (FCC), but confirming the actual fixed costs assigned to each customer class is problematic. The 2005 rate case was settled by the parties, and no cost of service (COS) model was approved by the Commission, only a revenue requirement for each rate class was approved. Without an approved COS study or specified fixed cost assignment by customer class, there is no way to accurately set allowed fixed costs (item 5) on a class specific basis. The Company's filing makes it apparent that it over collected on what it regards as authorized fixed costs. These fixed costs included costs associated with other rate schedules that are collected through both residential and small commercial revenues. Unless an approved COS study is used, there is no confirmation of what the Commission deems to be 'authorized' fixed costs.

The Company provided in this Application its 2005 cost of service study, adjusted according to the Commission-approved class revenue requirement. Company Exhibit No. 2 details its calculation of fixed costs, reflecting the approved base revenues and its own notion of fixed costs by customer class. The Exhibit shows revenues of \$266,728,029 and \$16,039,937 for the residential and small commercial classes, respectively, that were approved by the Commission. For both Schedule 1 and 7, these revenues differ from the Company's proposed COS study, reflecting a level of costs shifted from other rate schedules. Based on the COS study utilized by the Company, roughly 53.4% of residential revenues cover fixed costs (less fixed

customer charges), and nearly 57% for the small commercial class.¹ Using the customer counts from 2005, this resulted in a FCC for CY2007 of \$395.82 for residential customers, and \$293.88 for small commercial.

It is important to reiterate that the Company's assignment of recoverable fixed costs for Schedules 1 and 7 is based on a COS study that was never approved by the Commission. While Staff does not fault the Company for its attempt to estimate fixed cost responsibility for the two customer classes (absent a commission approved amount), Staff does question the validity of the deferred fixed cost accrual and the spread of the deferral balances to the two customer classes. Staff is prepared to support the Company's overall calculation of \$2.4 million for the first year of the pilot program, but recommends that the balance be spread on an equal per kWh basis to both classes. Staff also recommends that prior to the end of pilot year two, interested parties work to establish an acceptable method of assigning fixed cost responsibility to Schedules 1 and 7 absent specific assignment approved by the Commission.

Given the unapproved COS study used to determine fixed cost per customer class, Staff recommends that the FCA deferral balance be distributed evenly on an energy basis between the residential and small commercial classes. Staff believes this is a reasonable approach considering the Company is not harmed by equally distributing the refund to both classes of customers. It may even be beneficial to do so, as the Company need not postpone collection of the \$699,506 of fixed costs that would be deferred due to the 3% discretionary cap. In the last column of Staff Attachment No. 1, Staff applied the Company's forecasted energy sales for 2008 to the deferral amount, and recommends that the Company issue a credit to all its residential and small commercial customers of 0.045676 ¢/kWh (\$2,400,557.73 divided by 5,255,673,173 kWh).

2008 FCC and FCE

Staff reviewed the Company's proposed FCC and fixed cost per energy (FCE). Based upon the approved revenues from the 2007 general rate case, the Company proposes to increase the residential FCC by 8.1% to \$428.85 and the small commercial FCC by 0.3% to \$294.79.

¹ Per Company witness Youngblood's Exhibit 2, \$7,775,396 of the residential recoverable fixed costs are attributed to Schedules 19 and 24, and \$503,041 of small commercial recoverable fixed costs are attributed to Schedules 19 and 24. The fact that a lower percentage of fixed costs are recovered through energy charges for these rate classes lowers the percent of effective rate covering fixed charges for residential and small commercial.

Company witness Youngblood states that the ratio of fixed costs to base revenues used in the unapproved 2005 COS study were utilized to ascertain the new FCC levels.² This is essentially the same methodology used by the Company to assign class specific fixed costs for the first year of the pilot program. Staff has already expressed its concern regarding this methodology, and has recommended a process to make improvements.

Staff does not propose an alternative FCC at this time, but will continue working with the Company to determine more appropriate levels for the 2008 FCA year. In the interim, Staff recommends that the Company defer at the levels presented in its filing. Should discussions between parties determine that the FCCs for 2008 need adjustment, the Company can incorporate the new calculation in its 2009 FCA filing.

Finally, the Company proposes an effective date for the new FCC rates retroactively to January 1, 2008. Staff opposes this effective date, and recommends the Commission approve an effective date of March 1, 2008, to coincide with the effective date for the rate increase approved in the 2007 general rate case. Staff believes the FCC rates should reflect the revenue requirement approved by the Commission at the time those rates are applied.

Idaho Power's Demand Side Management (DSM) Efforts

The annual results of the fixed cost adjustment (FCA) mechanism are not isolated to, or otherwise necessarily the direct result of, Idaho Power's demand side management (DSM) costs, efforts or achievement. Nevertheless, the impetus for the FCA pilot is to test not only whether the mechanism is conceptually sound, workable and reasonably understandable and transparent, but, more importantly, to test whether it results in increased and improved DSM by the Company.

The Application, page 3, paragraph 5, states "As part of its enhanced efforts to promote energy efficiency and demand side management, Idaho Power Company actively pursued numerous additional opportunities throughout 2007." These efforts are listed on page 7 of Mr. Youngblood's testimony and on pages 47-50 of the Company's 2007 DSM Annual Report, the

² Staff believes that a large portion of the 2007 rate increase is due to higher (variable) energy costs, which would alter the Fixed Cost percentage of base revenues. A further discrepancy between the 2007 and 2008 FCC rates arises due to the Company's inconsistency in including fixed costs from other classes recovered in base revenues of residential and small commercial customers. For 2007, the Company included additional fixed costs at a lower percentage than the 57.1% and 62.4% used in calculating the 2008 rates, reflecting a lower percentage of fixed costs recovered through energy charges for Schedules 19 and 24.

entirety of which was included as Exhibit No. 1 to Mr. Youngblood's testimony. Mr. Youngblood states that the Idaho Power's enhanced DSM efforts included:

- A broader availability of efficiency and load management programs
- Expansion of DSM programs beyond peak shaving/load shifting programs
- Building Code improvement activity
- Pursuit of appliance code standards
- Expanded third-party verification programs.

Pages 47-50 of Idaho Power's 2007 Demand Side Management Annual Report provide more description of these efforts, but there is no analysis provided to demonstrate or suggest that these additional efforts would not have occurred in the absence of the FCA mechanism. In fact, in response to Staff's Production Request No. 12, Idaho Power said that its "...new programs initiated in 2007 were planned prior to the implementation of the FCA..." i.e. through its 2006 integrated resource plan (IRP) process.

Furthermore, as shown in Staff Attachment No. 2, the Company's total DSM expenditures and kWh savings both increased at much higher rates from 2004 to 2005 and from 2005 to 2006 than they did from 2006 to 2007. Somewhat ironically, the one area that did increase more from 2006 to 2007 than it did in the prior year was the peak demand savings from the two load control programs. It is perhaps noteworthy that the Company's DSM overhead costs, while probably still within reasonable limits, are accelerating much faster than overall DSM costs and benefits. Increased overhead costs are indicative of the rapid expansion of the Company's DSM employee roster from 2006 to 2007.

Staff also reminds the Commission that in Case No. IPC-E-04-09 filed in December 2004, the Company requested that the then approximate 0.5% DSM tariff rider be increased to 1.5% in 2005 and to 2.4% in 2006. Clearly, based on the testimonies of Ms. Maggie Brilz and Mr. Tim Tatum in that case and on the Company's actual DSM performance since then, Idaho Power was planning to accelerate its DSM offerings and efforts even without having an FCA mechanism.

It is not Staff's intent to disparage Idaho Power's DSM efforts in these comments, but only to demonstrate that it is not at all clear that the first year of the three-year FCA pilot has resulted in the Company expanding or improving its DSM efforts beyond what it would have done without the FCA's removal of a DSM disincentive.

Following are brief analyses of the five bullet point efforts listed above and in Mr. Youngblood's testimony.

Broader Availability of Efficiency and Load Management Programs

Idaho Power continued to focus its residential DSM efforts on energy efficiency in mobile homes, new home construction, low income weatherization and Energy Star lighting programs. DSM efforts in the commercial sector focused on commercial building efficiency, customer specific efficiency and one new program called Easy Upgrades. Additional detail on each DSM program is provided in Staff Attachment No. 3 and Appendix 4 of Idaho Power's 2007 DSM annual report. Staff Attachment No. 2 shows how the Company expanded and broadened its total DSM effort in 2007. Not surprisingly the 2007 rates of increases in total program costs and energy savings were lower than they had been in prior years, while the actual program costs and energy savings increases were larger than in the past. As programs mature it is reasonable to expect previously high growth rates to soften.

Expansion of DSM programs beyond peak shaving/load shifting programs

Idaho Power clearly achieved this goal in 2007, even though the savings from its peak demand load control programs grew at a slightly higher rate than the energy savings from its other programs.

Building Code Activities

In 2007, the Idaho Legislature adopted the 2006 International Energy Conservation Code (IECC) effective January 1, 2008, which Idaho Power said it supported through the Idaho Building Code Coalition. It seems probable that the Legislature would have updated Idaho's building code to the 2006 IECC standard regardless of whatever level of support Idaho Power may have given to it.

The Stipulation in Case No. IPC-E-04-15 (Stipulation), paragraph 8.b, said that Idaho Power would "...promote and support appropriate energy code training programs and advocate the enforcement of energy codes." In this Application, the Company did not mention any activities in support of improvements to code training and enforcement.

Appliance Standards

The Stipulation, paragraph 8, said, "As a part of this commitment, the 2008 Integrated Resource Plan will include an evaluation of the costs and potential for energy savings that would occur if the appliance and equipment efficiency standards adopted by the State of Oregon were applicable in the State of Idaho." Idaho Power contracted to have this study completed, and its 2007 DSM Annual Report said that it will be incorporated into the 2009 IRP.

Third-Party Verification Activities

The third-party verifications listed by Idaho Power in its 2007 DSM Annual Report (p.49-50) are not the types of third-party program process evaluation and results verification that the Staff envisioned when it signed the Stipulation in Case No. IPC-E-04-15. For example, while the Staff agrees that the Regional Technical Forum (RTF) is a good source for deemed savings data bases and that the consulting contractors listed probably provide the services specified by their contracts, neither the RTF nor the listed job-specific contractors verify whether Idaho Power's overall application of RTF data bases is reasonable, given the many necessary assumptions and unavoidable unknowns in those data bases. Nor do they evaluate the overall reasonableness of the Company's procedures used to plan and administer DSM programs or the Company's overall DSM cost-effectiveness.

DSM Activities and Actual Average kWh Usage Changes

Schedule 7's small commercial customers' average, weather-normalized electricity usage per customer decreased by nearly 13% from 2005 to 2007.³ Although Idaho Power does not track all DSM programs by rate schedule, the information that is available suggests that DSM programs reduced average usage for small commercial customers over this two-year period by significantly less than one percent. Idaho Power said in response to Staff Production Request 14 that it "has not conducted any analysis of the reduction..." Informally, representatives of the Company told Staff that they do not know why the average usage declined, but they cautioned against interpreting this decline as establishing a new trend. Plausible but unverifiable

³ The number of customers also decreased during this period because some with higher usage were moved to Schedule 9, but Idaho Power adjusted Sch. 7's average usage in the FCA calculations so that the FCA was not affected by this shift. Also, because the FCA is based on per customer usage, any other change in the number of customers would not affect the FCA, unless the increasing or decreasing customers' average usage differed from that of the base customers.

explanations for the large decrease in average, weather-normalized kWh usage are a downturn in the economy, energy price changes, general awareness of the importance of energy issues, telecommuting, an increase in the relative number of very small businesses, a less-than-perfect weather normalization method, etc.

Residential customers' average, weather-normalized electricity usage per customer increased by 2.3% from 2005 to 2007.⁴ The Company's response to Staff Production Request No. 15, said "...Idaho Power has only conducted a preliminary analysis of the Ada and Canyon County Assessors' data bases to determine average house size and residential central air conditioner penetration..." Staff is aware that average residential usage per customer has been declining for years primarily as the result of high growth of mostly gas-heated homes, which has diluted the historically high percentage of all-electric homes. It is plausible that the slowed housing growth in 2007 (thus slowed dilution of all-electric homes) coupled with more and larger televisions and other electronics, more air conditioning, more telecommuting, more home dining due to the economy, etc. have all contributed to the per customer increase in average, weather-normalized residential electricity usage. Staff estimates that Idaho Power's residential DSM efforts that occurred in 2005 (but for the savings that did not accrue in calendar year 2005), in 2006 and in 2007 reduced per customer usage by less than 1% in calendar year 2007 and that this achievement is being overshadowed by other factors.

STAFF RECOMMENDATION


Staff recommends that the Commission approve the Company's FCA filing with certain modifications. First, Staff recommends that the net deferral balance of negative \$2,400,557 be distributed to both customer classes on an energy basis during the 2008-2009 FCA year. Based on the forecasted energy usage provided by the Company, the result is a rate reduction of 0.040821 ¢/kWh.

Staff also recommends that the Company meet with Staff and other interested parties to address the appropriate levels of fixed costs per customer class for the 2008 FCA year, and to improve transparency of the pilot program through enhanced reporting during the year. Further, Staff recommends that the Commission direct the Company to explicitly address the FCC

⁴ The number of residential customers increased by 6.6% over this two-year period, but because the FCA is based on per customer usage, it is not affected by customer growth unless the average usage of new customers differs significantly from the average usage of existing customers.

amounts in the next general rate case. Staff encourages the Commission to set the FCC level in its final order of the next general rate case so as to avoid further calculation uncertainties.

Idaho Power's DSM program effort clearly increased in 2007, but at a slower rate than it had in previous years. The Company presented no significant evidence to demonstrate that removal of DSM disincentives through the FCA mechanism, after just one year of a three-year pilot, has had a material impact on the DSM activities of Idaho Power. While Staff believes the growth in residential electric consumption was somewhat impacted by the Company's residential DSM programs, it does not appear that the Company's commercial DSM programs significantly contributed to the reduction in per customer electrical consumption in the commercial class. Nevertheless, Staff recommends the pilot be continued to further evaluate longer-term effects.

Respectfully submitted this  day of May 2008.



Weldon B. Stutzman
Deputy Attorney General

Technical Staff: Bryan Lanspery
Lynn Anderson

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Derivation of IPC Fixed Cost Adjustment and Staff Recommended Fixed Cost Adjustment

Calculation of FCA Rates										
Rate Schedule	2007 Average Customer Count	2007 Weather Normalized Energy	Fixed Cost per Customer per IPC Filing	Allowed Fixed Cost, per IPC Filing	Actual Fixed Cost Collected	Credit Including Interest	Surcharge Including Interest	2008 Forecasted Energy, per IPC	Fixed Cost Adjustment (cents/kWh), per IPC Filing	Fixed Cost Adjustment (cents/kWh), per Staff Proposal
Residential	383531.1	4,908,955,470	\$395.82	\$151,809,280	\$155,226,081	\$3,587,592	-	5,065,086,947	0.070830	0.045676
Small Commercial	30,172.8	186,037,452	\$293.88	\$8,867,185	\$7,727,810	-	\$1,187,034	190,586,226	0.622833*	0.045676

*Subject to 3% cap on increase

Attachment No. 1
Case No. IPC-E-08-4
Staff Comments
B. Lanspery, Staff
5/09/08

Idaho Power's 5-Year DSM Expenses and Performance 2003-2007

Year	Idaho Power's Program Costs	% chg.	Idaho Power's Overhead Costs	% chg.	First Year, Annual kWh Saved	% chg.	Peak Demand KW Saved	% chg.
2003	\$ 2,566,229		\$ 78,526		18,712,919		189	
2004	\$ 3,807,688	48%	\$ 148,610	89%	19,419,605	4%	6,536	3358%
2005	\$ 6,523,349	71%	\$ 177,624	20%	37,853,046	95%	44,034	574%
2006	\$ 11,174,181	71%	\$ 309,832	74%	70,765,825	87%	43,790	-1%
2007	\$ 14,896,816	33%	\$ 765,561	147%	91,143,761	29%	57,072	30%
Totals	\$ 38,968,263		\$ 1,480,153		237,895,156		151,621	

Source: Appendix 4 of the 2007 Annual DSM Report. The costs and savings shown include all program activities funded by Idaho's and Oregon's DSM tariff riders, BPA, base rates and NEEA carryover.

Note: In any static year, only about 50% of the annual kWh savings shown are saved in that calendar year, but because Idaho Power has been continually ramping up its DSM efforts, less than half of the savings from DSM completed each year will actually occur in that calendar year. Except for some degradation of annual savings, such savings are additive for the average life of each measure.

ATTACHMENT NO. 3

This attachment provides a brief description of the recent histories of each of Idaho Power's current, major DSM programs based on information in its DSM Annual Reports. (All references to energy savings are first-year, annual kilowatt-hour [kWh] unless otherwise stated):¹

Demand Response Programs

Residential Air Conditioning Cycling – the number of participants more than doubled from 2005 to 2006 and again from 2006 to 2007. The peak kilowatt (KW) savings increased by 105% and 91%, respectively, for those years, while Idaho Power's costs increased by 64% and 96%, respectively. Economies of scale seem to be diminishing.

Irrigation Peak Rewards – The number of participants and Idaho Power's costs have slowly increased from 2005 to 2007, while the peak KW savings have decreased slightly.

Residential Efficiency Programs

Appliance Program – Currently this program consists of a consultant's study for which Idaho Power paid less than \$10,000 in 2007. The study is intended to be incorporated into the 2009 integrated resource plan (IRP).

Energy House Calls – This program consists primarily of sealing ducts in mobile homes and was originally funded by the Bonneville Power Administration (BPA) but it is now funded by Idaho Power's DSM rider. Participation dropped by nearly half in 2005 from the prior year and has slowly declined each year since then, as have the costs and the savings.

Energy Star Homes – This program is the subject Idaho Power's pilot incentive mechanism (Case No. IPC-E-06-32) running concurrently with the FCA pilot. As such, Idaho Power not only has no disincentive to promoting Energy Star Homes, it also has an economic incentive to promote them.

The number of new Energy Star homes and the total energy savings dropped by about 30% from 2006 to 2007, which is not unexpected given the general housing decline. The estimated percentage of Energy Star homes compared to total new homes increased from 3.9% in

¹ Annual kWh are additive for the life of each measure, except for some degradation. First year kWh are not degraded, but for static programs only about 50% will be saved in the calendar year listed. If programs are growing, then less than 50% of kWh savings will occur in the listed year.

2006 to 5.0% in 2007. Idaho Power's costs increased by about 1% from 2006 to 2007. Much of the marketing for this program is performed through the Northwest Energy Efficiency Alliance (NEEA).

Rebate Advantage – This program to encourage purchases of energy efficient mobile homes was originally funded by BPA. Participants increased by 20% from 2006 to 2007 after being nearly unchanged for the prior three years. The utility cost of the program and the kWh savings both increased by about two-thirds in 2007.

Energy Star Lighting (CFLs) – Historically, Idaho Power's CFL promotions have been leveraged and timed with promotions by NEEA and BPA. In 2007, participation increased by 23%, down from a 308% increase in the prior year. Idaho Power's costs increased by 86% in 2007, while its kWh savings increased by 14 percent.

Low-Income Weatherization – The number of homes weatherized by the community action partnership (CAP) agencies in Idaho Power's service area have been decreasing since 2005, while the total annual energy savings have increased slightly. Idaho Power does not control how many homes the CAP agencies weatherize each year.

Heating and Cooling Efficiency – This program had some startup costs in 2006, but most of its \$0.5 million costs were incurred in 2007. To date it has produced very little verifiable energy savings, but it has resulted in the training of over 200 heating, ventilation and air conditioning (HVAC) technicians. Energy savings are expected to occur as those trained implement the techniques learned.

Commercial/Industrial Programs

Commercial Building Efficiency – The number of participants has been up and down again since 2005 for this new construction/major addition program, but Idaho Power's program costs have been steadily climbing as have the energy savings, but not enough to have had any significant impact on the overall average usage per commercial customer.

Easy Upgrades – This program was officially launched early in 2007 after being included in the 2006 IRP as a cost-effective resource. Most of the actual activity occurred in the latter half of 2007. The 5,184 MWh annual savings were much more than the savings actually occurring in 2007 and likely less than 2% of the savings have benefitted Schedule 7's small commercial

customers. This program does not explain why Schedule 7's average electricity usage per customer declined in 2007.

Custom Efficiency – As a result of the 2006 IRP, this program grew from an expansion of the former Industrial Efficiency program that was originally identified in the 2004 IRP. In 2007, 49 large commercial and industrial customers participated, Idaho Power spent \$3.2 million, and 29,789 annual MWh savings were estimated from this program. From 2006 to 2007 participation increased by 23%, Idaho Power's costs increased by 95% and energy savings increased by 55 percent. But, from 2005 to 2006 participation and energy savings had increased at higher rates, while the costs increased at a lower rate.

Irrigation Efficiency Program

Irrigation Efficiency – This program has existed since 2003, but was relatively small until 2006 when it was expanded by more than 15-fold. Although the number of participants increased 46% from 2006 to 2007, Idaho Power's costs and the annual energy savings both decreased by 28 percent.

Regional Market Transformation

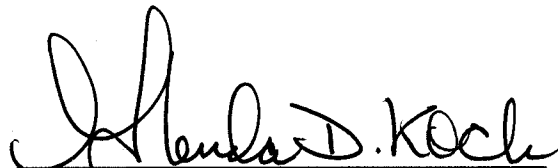
Idaho Power has a five-year contract with the Northwest Energy Efficiency Alliance (NEEA) for \$1.3 million annually in exchange for its participation in and benefit from NEEA's regional energy efficiency market transformation activities. This contract runs from 2004 through 2009 and the monetary obligation is funded from its Idaho DSM rider, carryover from past contributions, and from its Oregon service area. In addition to the 28,601 MWh that NEEA attributed to Idaho Power proportionately to its funding level in 2007, some of Idaho Power's own DSM activities rely upon research, testing, marketing and demonstration programs performed or administered by NEEA.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 9TH DAY OF MAY 2008,
SERVED THE FOREGOING **COMMENTS OF THE COMMISSIN STAFF**, IN CASE
NO. IPC-E-08-04, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE
FOLLOWING:

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SECRETARY

CERTIFICATE OF SERVICE