Office of the Secretary
Service Date
May 18, 2017

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF PACIFICORP DBA ROCKY MOUNTAIN POWER FOR A PRUDENCY DETERMINATION OF DEMAND-SIDE MANAGEMENT EXPENDITURES	)	**CASE NO. PAC-E-16-14** **ORDER NO. 33766**

On October 11, 2016, PacifiCorp dba Rocky Mountain Power applied to the Commission for an Order establishing that the Company prudently incurred $7,460,715 in demand-side management (DSM) expenses in 2014 and 2015. The Commission issued a Notice of Application, and set deadlines for persons to intervene as parties and file comments in the case. Order Nos. 33639 and 33679. Staff filed comments supporting the Application, the Community Action Partnership Association of Idaho (CAPAI) intervened as a party and filed comments generally supporting the request. The Company also filed a reply. No other comments were received.

BACKGROUND

Since the 1970s, Rocky Mountain has offered a variety of DSM programs to its customers. In 2006, the Commission approved an enhanced set of DSM programs and provided for cost recovery of the Company's energy efficiency and DSM programs. Typically, DSM programs have two parts. First, the utility designs and implements a variety of DSM programs to promote energy efficiency and conservation, or reduce customer demand during periods of peak demand and/or in times of supply constraint. Second, utilities periodically report on the effectiveness of their DSM programs and subsequently seek permission to recover the deferred costs of their DSM programs.

In Order No. 29976, issued in March 2006, the Commission authorized Rocky Mountain to establish a DSM tariff rate (or "rider") as a separate line item on customers' bills under tariff Schedule 191. The DSM tariff rider is the mechanism used to recover the costs of the DSM programs. The Company was authorized to defer the costs of its DSM programs until such time as the Commission finds that the "Company's DSM expenditures and programs are or will be found to be reasonably and prudently incurred and executed." *Id.* at 6.

THE APPLICATION

The Application, including the supporting testimony, describes the Company's energy efficiency activities, its expenditures on those activities, and their cost-effectiveness. The Application addresses the Company's expenditures, measures taken, and an evaluation of cost-effectiveness.

A. Expenditures

The Company requested the Commission find that the claimed DSM expenditures totaling $7,460,715 ($3,222,115 for 2014 and $4,238,600 for 2015) were prudent and in the public interest. In support of its Application, the Company provided 2014 and 2015 annual reports, and a categorized list of expenditures. The Company also provided monthly tracking of the Schedule 191 balancing account.

During 2014 and 2015, the Company's DSM portfolio consisted of five programs: (1) Schedule 21 – Low Income Weatherization; (2) Schedule 117 – Residential Refrigerator Recycling; (3) Schedule 118 – Home Energy Saver; (4) Home Energy Reports (no tariff); and (5) Schedule 140 – Non-Residential Energy Efficiency, offering incentives for a wide variety of energy efficiency measures to the Company's residential, business and agricultural customers.

B. Energy Efficiency and Cost Effectiveness

The Company estimates that the annual savings achieved through its DSM programs were 11,410 MWh in 2014 and 15,692 MWh for 2015. The Company analyzed its programs and measures for cost-effectiveness under the Total Resource Cost test (TRC) and the Utility Cost Test (UCT). Overall, the Company's portfolio was cost-effective for each year under consideration. Unpacked, the appliance recycling program was cost-effective in 2014, but not 2015, and the Low Income Weatherization program was not cost-effective in 2014 or 2015.

THE COMMENTS AND REPLY

Commission Staff and CAPAI filed timely written comments, and the Company filed a timely reply. The parties' comments and the Company's reply are summarized below.

A. Staff Comments

Rider Balance and Expenses

After an audit of the program expenses, Staff believed the Company's DSM rider expenses to be prudent, and recommended no adjustments be made to the request. Staff recommended the Commission order that the Company prudently incurred $3,222,115 in 2014, and $4,238,600 in 2015 DSM tariff rider expenses. Staff Comments at 2.

Staff's review showed that the Company continues to have an underfunded balance in the tariff rider account—$714,687 as of December 31, 2015, which is approximately 18.5% of the 2015 rider revenue. *Id.* In March 2016, the Commission approved an increase in the Company's Schedule 191, and Staff confirmed that the underfunded balance is decreasing. Order No. 33491. *See Id.*

Staff noted the one-time customer credit was properly reflected in the Company's records. Based on Staff's review of the Company's 2014 and 2015 DSM expenditures, Staff determined the expenses were accurate and prudently incurred. *Id.* at 3.

Residential Programs

Staff provided an overview of the Company's residential programs, noting that the residential portfolio acquired 5,569,109 kWh in energy savings in 2014, and 8,137,029 kWh in 2015. *Id.* at 4. Taken together, the residential portfolio was cost-effective with a 1.29 UCT and 2.24 TRC. *Id.* Staff noted that Rocky Mountain's low-income weatherization program remains not cost-effective, but points out that "the Company has prudently managed this program and recognizes that most utilities have similar challenges with [such] programs." *Id.* at 5. Staff also provided information on the Company's refrigerator recycling program, which was discontinued after the contractor responsible for administering the program went into receivership. *Id.*

Non-Residential Programs

Staff's review of the Company's non-residential programs was that the non-residential portfolio acquired 5,841,257 kWh in energy savings in 2014, and 7,554,665 kWh in 2015. *Id.* at 5. Staff provided a concise overview of the Company's evolving non-residential programs, administration structure, and a review of the Company's consolidation of non-residential programs into the *watt*smart Business Program in 2014. *Id.* at 5-6, *see also* Order No. 33178.

Marketing

Staff provided an evaluation of the Company's program marketing campaign. In particular, Staff highlighted the Company's *watt*smart program, use of social media, energy kits, and messaging in particular. *Id.* at 7.

Cost-Effectiveness of DSM Programs

With regard to cost-effectiveness, Staff provided comments relating to the evaluative methods employed by the Company. Specifically, Staff annunciated that it prefers to emphasize the UCT (over the TRC) when determining if a DSM program is cost-effective. *Id.* Staff recommended that while the Company "continue[s] reporting the results of multiple cost-effectiveness tests, . . . the Company conduct its CPA using utility, rather than total, costs." *Id.*

B. CAPAI Comments

CAPAI provided comments focused on the Company's Low Income Weatherization Assistance (LIWA) program. CAPAI provided a brief overview of the LIWA program, including participation trends, and the effect of natural gas prices. CAPAI Comments at 1-2. Ultimately, CAPAI recommended that the Company form a working group to evaluate possible changes in the LIWA program such as targeting more cost-effective weatherization measures. *Id.* at 3-5. CAPAI claimed that it "is in the process of identifying and prioritizing the most cost-effective and allowable weatherization measures," though it also "proposes using the results of the program evaluation as a starting point for this process of target selection." *Id.* at 4.

C. Company Reply Comments

The Company provided reply comments addressing two issues: use of the UCT, as recommended by Staff; and CAPAI's request to form a working group. The Company supported Staff's recommendation for use of the UCT for its CPA analyses for Idaho, but seeks direction from the Commission on this matter. Company Reply at 2. The Company resisted CAPAI's recommendation to form a working group. *Id.* The Company noted that little has changed since the last collaborative process, and repeating it would be unproductive and only increase the burden on the LIWA program. *Id.* The Company provided additional details of the drivers impeding cost-effectiveness, and noted that it "continually analyzes its programs and makes ongoing adjustments to incentives and measures in response to market conditions. . . ." *Id.* at 3. The Company pointed to a third-party evaluation that will be completed in third quarter 2017, and indicated that should the study yield new results, the Company would take appropriate action. *Id.*

INTERVENOR FUNDING

On April 19, 2017, CAPAI petitioned the Commission for a $4,897.50 intervenor funding award. *See* CAPAI's Petition for Intervenor Funding. In sum, CAPAI claimed $4,290 in attorney fees (28.6 hours at $150/hour); $457.50 in staff costs (15 hours at $30.50/hour); and $150 in Miscellaneous Costs.

CAPAI provided five pages of comments on the LIWA program. The comments included an analysis of market saturation, gas prices, and program targeting. CAPAI recommended the formation of a working group to improve cost-effectiveness, though the Company resisted this recommendation.

DISCUSSION

Based on our review of the record, and the undisputed comments of the parties, we find that the Company prudently incurred $7,460,715 in DSM-related expenses in 2014 and 2015. We find that the recovery of DSM Rider account expenses, while underfunded, is improving, and is projected to find balance in the near future, and is therefore just and reasonable.

Generally, we find that the Company's overall portfolio is practical and prudently implemented. The programs' scoring reveals overall cost-effectiveness of the DSM programs. The Company provided the results of a number of tests, but relies more heavily on the TRC and UCT, which examine cost-effectiveness from different perspectives.

The TRC compares program administrator costs and customer costs to utility resource savings, and assesses whether the total resource cost of energy in a utility's service territory will decrease. The UCT compares program administrator costs to supply-side resource costs, and assesses whether the utility's resource cost will increase. Under these tests, a program or measure is deemed cost-effective if it has a benefit/cost ratio above 1.0.

We find that the UCT more accurately assesses the value of energy efficiency as a resource. Moreover, we have previously approved using the UCT as the primary determinant of cost-effectiveness. That said, the Commission encourages the use of a full suite of cost-effectiveness evaluations, including the TRC, UCT, and participant cost test (PCT). These measures each provide a different perspective and valuable results.

After reviewing the comments of CAPAI, and the Company's reply, we decline the recommendation of a working group. We note that the upcoming study will provide information for the Company to evaluate its offerings, including LIWA. To implement a working group now would only serve to increase costs and possibly duplicate efforts already underway. Instead, we encourage the parties to monitor the outcome of the current study, evaluate those results, and prepare to make specific recommended changes in the Company's next DSM prudency filing, if necessary.

Finally, with regard to intervenor funding: *Idaho Code* § 61-617A is intended "to encourage participation at all stages of all proceedings before this Commission so that all affected customers receive full and fair representation in those proceedings." To do so, the statute allows the Commission to order any regulated utility with intrastate annual revenues exceeding $3.5 million to pay all or a portion of the costs of one or more parties for legal fees, witness fees and reproduction costs not to exceed a total for all intervening parties combined of $40,000.[1] *Id.*

The Commission considers the following factors when deciding whether to award intervenor funding: (1) a finding that the participation of the intervenor has materially contributed to the decision rendered by the Commission; (2) a finding that the costs of intervention are reasonable in amount and would be a significant financial hardship for the intervenor; (3) that the recommendation made by the intervenor differed materially from the testimony and exhibits of the Commission Staff; and (4) the testimony and participation of the intervenor addressed issues of concern to the general body of users or consumers. *Idaho Code* § 61-617A(2). To obtain an intervenor funding award, an intervenor must comply with Commission Rules of Procedure 161 through 165. Rule 162 provides the form and content for the petition. IDAPA 31.01.01.162.

After reviewing the funding request submitted by CAPAI, we find that CAPAI's Petition satisfies the intervenor funding requirements. CAPAI stated that it "fully participated in every aspect of this proceeding from start to finish and provided input and asserted issues not raised by Staff and other parties." Petition for Intervenor Funding at 5. CAPAI provided five pages of comments addressing the LIWA program, and noted that it "was the only party to propose collaborating with RMP to better identify and locate potential eligible LIWA recipients [and] the assembly of an informal advisory working group for this purpose." *Id.* at 8. Regardless of our decision declining adoption of CAPAI's proposal, it appears that CAPAI participated in the process, reviewed and provided feedback on the LIWA program, and made suggestions to address the issue. Thus, we find that CAPAI has materially contributed to the Commission's

[1] As a threshold matter, Rocky Mountain's intrastate annual revenues exceed $3.5 million and the total claim for fees and costs does not exceed $40,000.

decision. The documentation of the costs and fees incurred by CAPAI establishes that the request is reasonable in amount, and that CAPAI would suffer financial hardship if the request is not approved. Accordingly, we approve an award of intervenor funding to CAPAI in the amount of $4,897.50, chargeable to the residential customer class.

CONCLUSION

The Company is an electrical corporation as defined by *Idaho Code* § 61-119, and a public utility subject to the Commission's jurisdiction pursuant to *Idaho Code* § 61-129. The Company's duties, and burden in presenting this Application to the Commission, are set forth in Title 61 of the Idaho Code, and the Commission's Rules of Procedure, IDAPA 31.01.01.000, *et seq*. In particular, the Commission looks to Chapter 3 of Title 61 in reviewing this Application to ensure the proposed action is "just and reasonable." *See*, e.g., *Idaho Code* §§ 61-301 through 61-315.

Based on our review of the record, and the discussion above, we find that the Company prudently incurred $7,460,715 in DSM-related expenses ($3,222,115 for 2014 and $4,238,600 for 2015). We further find it fair, just, and reasonable for the Company to take such other actions as referenced above.

O R D E R

IT IS HEREBY ORDERED that Rocky Mountain's Application for a finding of prudency related to its demand-side management expenditures for 2014-2015 is approved. The Commission finds that $7,460,715 DSM-related expenses ($3,222,115 for 2014 and $4,238,600 for 2015) were prudently incurred.

IT IS FURTHER ORDERED that the Company take such actions as directed in the body of this Order, including the award of intervenor funding.

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 18th day of May 2017.

Paul Kjellander

PAUL KJELLANDER, PRESIDENT

Kristine Raper

KRISTINE RAPER, COMMISSIONER

Eric Anderson

ERIC ANDERSON, COMMISSIONER

ATTEST:

Diane M. Hanian

Diane M. Hanian
Commission Secretary

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