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IDAHO PUBLIC  
UTILITIES COMMISSION

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March 15, 2021

**VIA ELECTRONIC FILING AND HAND DELIVERY**

Jan Noriyuki, Secretary  
Idaho Public Utilities Commission  
11331 W. Chinden Blvd., Bldg 8,  
Suite 201-A (83714)  
Boise, Idaho 83720-0074

Re: Case No. IPC-E-21-04  
2020 Demand-Side Management Expenses  
Idaho Power Company's Application and Testimony

Dear Ms. Noriyuki:

Enclosed for electronic filing, pursuant to Order No. 34781, in the above matter please find Idaho Power Company's Application, Testimony of Pawel P. Goralski, and the 2020 Demand-Side Management report, as well as Supplements. The DSM Annual Report, including Supplements are being hand-delivered today.

If you have any questions about the enclosed documents, please do not hesitate to contact me.

Sincerely,

A handwritten signature in blue ink that reads "Adam Lowney".

Adam Lowney

Enclosures

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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION )  
OF IDAHO POWER COMPANY FOR A ) CASE NO. IPC-E-21-04  
DETERMINATION OF 2020 DEMAND-SIDE )  
MANAGEMENT EXPENSES AS ) APPLICATION  
PRUDENTLY INCURRED. )  
\_\_\_\_\_ )

In accordance with RP 052 and RP 201, *et. seq.*, Idaho Power Company (“Idaho Power” or “Company”) submits its *Demand-Side Management 2020 Annual Report* (“DSM 2020 Annual Report”) and makes Application to the Idaho Public Utilities Commission (“Commission”) for an order designating Idaho Power’s expenditures of \$40,477,043 in Idaho Energy Efficiency Rider (“Rider”) funds and \$6,533,734 of demand response program incentives funded through base rates and tracked annually through

the Power Cost Adjustment (“PCA”) mechanism, for a total of \$47,010,777, as prudently incurred demand-side management (“DSM”) expenses.

In support of this Application, Idaho Power represents as follows:

## **I. INTRODUCTION**

1. The Commission has “consistently stated that cost-effective DSM programs are in the public interest and has admonished electric utilities operating in the state of Idaho to develop and implement DSM programs in order to promote energy efficiency.” Case No. IPC-E-10-09, Order No. 32113 at 8, *citing* Order Nos. 29784 and 29952. To further the Commission’s objective, Idaho Power informs its customers of a wide range of opportunities to participate in DSM activities and provides information that allows them to use electricity wisely. Through DSM programs, Idaho Power seeks to provide customers with programs and knowledge to help them manage their energy use and to utilize cost-effective DSM resources to meet the Company’s electrical system’s energy and demand needs.

2. Idaho Power continues to offer a broad portfolio of DSM solutions, consisting of energy efficiency programs and demand response programs. Due to the robust nature of these programs, the 2020 energy savings represent Idaho Power’s second-highest annual incremental energy savings since the establishment of the Idaho Rider in 2002. DSM 2020 Annual Report at 1. The savings from Idaho Power’s energy efficiency programs alone, excluding Northwest Energy Efficiency Alliance (“NEEA”) savings, was 180,818 megawatt-hours (“MWh”). DSM 2020 Annual Report at 1. Idaho Power also saved an additional 15,991 MWh<sup>1</sup> of energy-efficient market transformation

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<sup>1</sup> Because Idaho Power will not receive a final 2020 savings report from NEEA until Q2 2021, the number provided in this Application is an estimate provided to the Company from NEEA.

savings through NEEA initiatives. Direct Testimony of Pawel P. Goralski (“Goralski Testimony”) at 6. From its demand response programs, Idaho Power achieved a total demand reduction of 336 megawatts (“MW”) from an available capacity of 366 MW. Goralski Testimony at 12. Even though these numbers represent a slight decrease from the all-time energy savings achieved in 2019, the Company’s actions, as detailed in the DSM 2020 Annual Report, demonstrate the conscientious work Idaho Power undertook to expend funds wisely to further DSM activities.

3. Idaho Power also modified many of its DSM initiatives in response to the COVID-19 pandemic to prioritize the safety of customers, contractors, and Company staff while balancing opportunities to improve program performance. To supplement its efforts, Idaho Power also solicited input from its Energy Efficiency Advisory Group (“EEAG”) on ways to adjust DSM programs impacted by COVID-19 and identify opportunities for increased effectiveness in program delivery and marketing. These efforts to balance the safety of the Company’s customers, contractors, and employees while continuing to achieve nearly record levels of DSM efficiency savings demonstrate the thoughtful and diligent work of Idaho Power’s employees during these difficult times.

## **II. CONTENTS OF THE DSM 2020 ANNUAL REPORT**

4. Idaho Power’s DSM 2020 Annual Report is included as Attachment 1 to this Application. The DSM 2020 Annual Report satisfies the DSM reporting obligation set forth in Commission Order No. 29419 in Case No. IPC-E-03-19.

5. The DSM 2020 Annual Report consists of the main document (with appendices) and two supplements. The main report provides information on DSM program descriptions, program performance, expenditures, and marketing efforts.

*Supplement 1: Cost-Effectiveness* (“Supplement 1”) to the DSM 2020 Annual Report shows the results of the cost-effectiveness tests that Idaho Power has calculated for each program and includes a table that reports expenses by funding source and cost category. *Supplement 2: Evaluation* (“Supplement 2”) to the DSM 2020 Annual Report contains copies of Idaho Power’s 2020 program evaluations, customer surveys and reports, evaluations conducted by the Company’s third-party contractors, Idaho Power’s evaluation plans, general energy efficiency research, and demand response research. Each of these evaluations reflects Idaho Power’s continued commitment to its review and independent third-party program evaluation. Finally, the DSM 2020 Annual Report contains a description of the Company’s DSM strategies for 2021.

### **III. 2020 DSM PROGRAM PERFORMANCE**

6. In 2020, Idaho Power offered its customers a broad portfolio of energy efficiency programs and demand response programs, participated in market transformation efforts through NEEA, and offered several educational initiatives and other activities. As explained in more detail in the Goralski Testimony filed contemporaneously with this Application, Idaho Power’s annual energy savings combined with NEEA estimated annual energy savings resulted in an incremental energy efficiency savings of 22 average megawatt-hours (“aMW”), exceeding the economic technical achievable potential included in Idaho Power’s 2017 Integrated Resource Plan (“IRP”). Goralski Testimony at 7.

7. On a system-wide basis, Idaho Power’s 196,809 MWh of incremental annual energy efficiency savings in 2020, including the estimated NEEA market transformation savings, were comprised of 37,302 MWh from the residential sector, 130,633 MWh from the commercial and industrial sector, 12,884 MWh from the irrigation

sector, and an estimated 15,991 MWh of energy efficiency market transformation savings through NEEA initiatives. DSM 2020 Annual Report at 9, Table 4. Three programs, in particular, had increased savings in 2020 compared to 2019. First, the Commercial and Industrial Custom Projects Option increased by 33 percent due to the completion of several large, long-term projects. Goralski Testimony at 8. Second, the Home Energy Report Program increased its savings by 23 percent after the successful permanent program rollout following the pilot program in 2019. Goralski Testimony at 8. Lastly, the Irrigation Efficiency Rewards program represented a 28 percent increase in savings from 2019. Goralski Testimony at 8.

8. Idaho Power successfully operated all three of its demand response programs in 2020. From an enrolled capacity of 366 MW, the total actual demand reduction from the Company's demand response programs was 336 MW during the 2020 program season. DSM 2020 Annual Report at 1; Goralski Testimony at 12. This value represents the maximum realized, non-coincident load reduction from all three programs.

9. Table 3 on page 8 of the DSM 2020 Annual Report contains a list of Idaho Power's DSM programs by sector, operational type, and location. The table illustrates the broad suite of programs that Idaho Power offers to its customers in energy efficiency, demand response, and education. Idaho Power's energy efficiency portfolio was also cost-effective, resulting in a 2.71 benefit/cost ratio when evaluated from a Utility Cost Test ("UCT") perspective, a 2.08 benefit/cost ratio when evaluated from a Total Resource Cost ("TRC") test perspective, and 2.45 benefit/cost ratio when evaluated from a Participant Cost Test ("PCT") perspective. Goralski Testimony at 5–6.

10. Idaho Power also implemented many additional changes to its DSM activity due to the COVID-19 pandemic. The Company suspended activities that included

person-to-person interactions, such as customer home installations, in-person trade shows, in-person vendor trainings, and onsite contractor work. These modifications were necessary and prudent to protect the health and wellbeing of Idaho Power’s customers, contractors, and employees. The Company did suspend some in-person activity for some programs, such as the newly implemented Small Business Direct Install program. However, once Idaho Power implemented appropriate safety protocols, the program resumed and achieved a savings of 780 MWh in its first year. Goralski Testimony at 9.

#### **IV. 2020 DSM EXPENSES AND ADJUSTMENTS**

11. Funding for the Idaho DSM programs in 2019 came from several sources. The Idaho Rider funds are collected directly from customers on their monthly bills at 2.75 percent of their base rate revenues. Additionally, the Idaho demand response program incentives are included in base rates and tracked annually through the PCA. Energy efficiency and demand response-related expenses not funded through the Rider are included in Idaho Power’s ongoing operations and maintenance (“O&M”) costs.

12. In 2020, the Company’s total system-wide expenditures on DSM-related activities totaled \$50,556,303. DSM 2020 Annual Report at 9, Table 4. This figure includes expenditures for Oregon and other O&M expenses that are not before the Commission as part of this prudence request. In this filing, Idaho Power seeks a determination that a total of \$47,010,777 were prudently incurred in 2020 (\$40,477,043 in Rider expenses and \$6,533,734 in demand response program incentives). A summary of the 2020 program expenditures by program, customer sector, and funding source for which the Company is seeking a prudence determination is provided as Exhibit No. 1 to the Goralski Testimony.

13. Idaho Power identified one prior year-end and two current year-end

accounting adjustments that were necessary to accurately account for DSM expenses in 2020. Goralski Testimony at 15. Idaho Power has included each of these adjustments in Exhibit No. 1 to the Goralski Testimony. The prior year-end accounting adjustment involved a credit of \$51,166 in Company labor expenses back to the Idaho Energy Efficiency Rider account per Commission Order No. 34827 in Case No. IPC-E-20-15. Goralski Testimony at 15. To accurately reflect 2020 DSM spending, an adjustment was necessary to add \$51,166 back to the 2020 expenses to reflect the costs incurred related to the Company's 2020 DSM efforts. The first current year-end adjustment reverses a credit of \$57 that the Company incorrectly applied to the Rider during 2020 instead of its non-Rider funded Green Power Program. Goralski Testimony at 15. The second current year-end adjustment adds \$15,910 of expenses related to the Small Business Direct Install program that Idaho Power incorrectly charged to the Oregon Energy Efficiency Rider account in 2020. Goralski Testimony at 15.

14. In its last DSM prudence evaluation of Idaho Power, the Commission stated that Idaho Power "shall apply the 2% cap to actual average wages per [full-time employee] going forward. The baseline for the 2% cap shall be the prior year's actual average wages per [full-time employee]." Case No. IPC-E-20-15, Order No. 34874 at 5. Idaho Power's Rider-funded DSM employee labor expense in 2020 totaled \$3,408,382. Goralski Testimony at 16. While Idaho Power believes it was necessary to spend this amount to support the pursuit of energy efficiency in the Company's Idaho service area, using the Commission's formula results in \$105,369 being in excess of the maximum allowed labor expense. Goralski Testimony at 17, Table 2. Accordingly, only \$3,303,013 in DSM labor expenses are included in the Company's prudence request.



## **V. DSM PROGRAM COST-EFFECTIVENESS AND EVALUATIONS**

15. The DSM 2020 Annual Report and accompanying Goralski Testimony provides a sufficient basis for the Commission to determine whether Idaho Power's DSM expenses were prudently incurred.

16. To calculate cost-effectiveness, the DSM 2020 Annual Report uses benefit/cost methodologies used in previous DSM annual reports, including the UCT, the TRC test, and the PCT. A review of each test allows for an economic assessment of the lifecycle costs and benefits of a DSM investment from the perspective of Idaho Power, DSM program participants, and non-participating customers. Goralski Testimony at 18–19. Idaho Power calculates cost-effectiveness from the TRC test, UCT, and PCT perspectives at the program level except for those programs with no customer costs, in which case the PCT is not applicable. If a program is not cost-effective under any one of these tests, Idaho Power seeks EEAG input before making a determination to modify, continue, or discontinue the program. Goralski Testimony at 19. Cost-effective test methodologies are described in more detail in Supplement 1 to the DSM 2020 Annual Report.

17. While the Commission continues to assess the prudence of DSM investments under “the totality of the circumstances,” the Commission also believes that public utilities may “emphasize the UCT—and that test’s focus on Company-controlled benefits and costs—to argue whether programs were cost-effective.” Case No. IPC-E-15-06, Order No. 33365 at 9–10. Thus, the Company continues to conduct all three benefit/cost methodologies while using the UCT perspective as its primary test for evaluating program cost-effectiveness in Idaho and energy efficiency resources in the

IRP planning cycle.<sup>2</sup> Goralski Testimony at 20–23. Idaho Power continues to engage EEAG in reviewing benefit/cost analyses for current and potential programs, and the Company has incorporated EEAG’s feedback to develop its ongoing DSM programs.

18. Supplement 1 to the DSM 2020 Annual Report includes detailed results of the cost-effectiveness tests by program and by measure. As shown in Supplement 1, all three program sectors and the overall DSM portfolio achieved benefit/cost ratios greater than 1.0 from the perspective of all three cost-effectiveness tests. Idaho Power’s cost-effectiveness test results for 2020 energy efficiency programs are summarized as follows:

a. Portfolio Basis. On a portfolio basis, Idaho Power’s energy efficiency programs are cost-effective, passing the UCT, TRC test, and PCT with ratios of 2.71, 2.08, and 2.45, respectively. Goralski Testimony at 21, Table 4. The Company’s energy efficiency programs’ customer sector-level portfolios were also cost-effective from a UCT, TRC test, and PCT perspective. Goralski Testimony at 21, Table 4.

b. Program Basis. On an individual program basis, in 2020, 11 of the 16 energy efficiency programs offered in Idaho for which the Company calculates cost-effectiveness had benefit/cost ratios greater than 1.0 under the UCT. Goralski Testimony at 21. Two programs that scored less than 1.0 under the UCT were the Company’s Weatherization Assistance for Qualified Customers (“WAQC”) and Weatherization Solutions for Eligible Customers (“Solutions”). While these programs are not cost-effective under the UCT, Idaho Power will continue to offer these programs because it believes that WAQC and Solutions provide benefits to the Company’s limited-income customers that Idaho Power cannot quantify through the economic tests. Goralski

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<sup>2</sup> In final Order No. 34469, the Commission directed Idaho Power to use the UCT perspective for DSM programs in the IRP context. Case No. IPC-E-19-11, Order Nos. 34469 at 9 and 34503 at 4.

Testimony at 24–25. Idaho Power will also continue to work with EEAG and weatherization managers to improve the effectiveness of these programs. Two of the other programs with a UCT less than 1.0—the Energy House Calls and Multifamily Energy Savings Programs—experienced significant reductions in participation due to the COVID-19 pandemic because these programs require contractors to enter customers’ homes. Even though the overall participation level resulted in low cost-effectiveness scores for 2020, the Company is confident that both programs can be cost-effective with a typical year’s participation. Goralski Testimony at 26. Finally, Idaho Power has discontinued the Simple Steps, Smart Savings™ program, which had a UCT score under 1.0. Goralski Testimony at 26-27. This program was discontinued by the program’s administrator, the Bonneville Power Administration (“BPA”), in September 2020.

c. Measures Basis. In 2020, Idaho Power evaluated the benefits and costs of 281 measures. Goralski Testimony at 21. The results of these calculations, along with measure assumption details and source determination, can be found in Supplement 1 to the DSM 2020 Annual Report. DSM 2020 Annual Report, Supplement 1.

19. For 2020, Idaho Power determined the cost-effectiveness of its demand response programs based on the levelized annual cost of a 170 MW deferred resource over a 20-year lifespan that was established in the settlement reached in Case No. IPC-E-13-14 and subsequently approved in Commission Order No. 32923. While benefit/cost ratios are not currently calculated for the three demand response programs, in 2020, the system-wide cost of operating the three demand response programs was approximately \$7.7 million (\$6.9 million of incentives and \$0.8 million of other costs). Goralski Testimony

at 27. The amounts attributable to the Idaho-only jurisdiction were \$7.3 million (\$6.5 million of incentives and \$0.8 million of other costs). Goralski Testimony at 27. Idaho Power estimates that if the three programs were dispatched for the full 60 hours allowed, the total costs would have been approximately \$10.9 million on a system-wide basis. Goralski Testimony at 27–28. The 2020 total program costs are less than the value of demand, calculated in the 2017 IRP to be \$19.6 million. Goralski Testimony at 28.

20. Program Evaluations. In addition to the annual cost-effectiveness analysis the Company conducts for each program, the results of which are included in Supplement 1 to the DSM 2020 Annual Report, Idaho Power solicits and contracts with independent third-party consultants to provide program evaluations. Idaho Power uses the results of these evaluations to improve its DSM programs, compare Company processes to industry best practices, and benchmark reported program savings. In 2020, these independent, third-party consultants conducted three program impact evaluations, three program process evaluations, five program summary analyses, and one joint billing analysis. Goralski Testimony at 29–30. Idaho Power also administered surveys on several programs to measure program satisfaction. The Commission can find copies of these reports and the Company’s program evaluation plan for 2021-22 in Supplement 2.

## **VI. STAKEHOLDER INPUT**

20. Idaho Power relies on input from EEAG to provide a customer and public interest review of energy efficiency and demand response programs and expenses. EEAG provides input on enhancing existing DSM programs and on implementing new DSM programs. Currently, EEAG consists of members representing a cross-section of

customers from the residential, industrial, commercial, and irrigation sectors, as well as representatives for low-income individuals, environmental organizations, state agencies, public utility commissions, and Idaho Power.

21. Normally, EEAG holds quarterly in-person meetings at Idaho Power's corporate offices and through webinars as needed. Due to COVID-19, however, all but one EEAG meeting was held virtually. The Company found the transition to virtual meetings was successful in maintaining member participation. This continued effectiveness of EEAG meetings underscores the group's flexibility and commitment to work collectively and identify program enhancements. Specifically, Idaho Power worked with EEAG on developing, designing, and promoting several projects related to COVID-19, the WAQC and Solutions programs, Educational Distributions, and the potential to implement a new cost-effective Simple Steps, Smart Savings™ program after the BPA sunset the program in September 2020.

22. Idaho Power also worked with Commission Staff ("Staff") in response to Staff's concerns and recommendations issued in the Company's previous DSM prudence filing, Case No. IPC-E-20-15. Based on discussions with Staff in January 2021, Idaho Power plans to adjust its Effective Load-Carrying Capacity as part of its annual demand response program cost-effectiveness determination.

## **VII. MODIFIED PROCEDURE**

26. Idaho Power believes that a technical hearing is not necessary to consider the issues presented herein and respectfully requests that this Application be processed under Modified Procedure, i.e., by written submissions rather than by hearing. RP 201, *et. seq.* Idaho Power has, however, contemporaneously filed the Goralski Testimony in

support of this Application. The Company stands ready to present the testimony supporting this Application in a technical hearing if the Commission determines such a hearing is required.

**VIII. COMMUNICATIONS AND SERVICE OF PLEADINGS**

27. Communications and service of pleadings with reference to this

Application should be sent to the following:

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**IX. REQUEST FOR RELIEF**

28. As described in greater detail above, Idaho Power respectfully requests that the Commission issue an order designating Idaho Power's DSM expenses of \$47,010,777 as prudently incurred.

Respectfully submitted this 15<sup>th</sup> day of March 2021.



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ADAM LOWNEY  
LISA D. NORDSTROM  
Attorneys for Idaho Power Company

**BEFORE THE  
IDAHO PUBLIC UTILITIES COMMISSION  
CASE NO. IPC-E-21-04**

**IDAHO POWER COMPANY**

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***ATTACHMENT 1***

***DEMAND-SIDE MANAGEMENT  
2020 ANNUAL REPORT***