DAYN HARDIE
DEPUTY ATTORNEY GENERAL
IDAHO PUBLIC UTILITIES COMMISSION
PO BOX 83720
BOISE, IDAHO 83720-0074
(208) 334-0312
IDAHO BAR NO.9917

Street Address for Express Mail:
11331 W CHINDEN BLVD, BLDG 8, SUITE 201-A
BOISE, ID 83714

Attorney for the Commission Staff

RECEIVED
2021 AUG -2 PM 4:44
IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER COMPANY'S APPLICATION FOR A DETERMINATION OF 2020 DEMAND-SIDE MANAGEMENT EXPENSES AS PRUDENTLY INCURRED

CASE NO. IPC-E-21-04

COMMENTS OF THE COMMISSION STAFF

STAFF OF the Idaho Public Utilities Commission, by and through its Attorney of record, Dayn Hardie, Deputy Attorney General, submits the following comments.

BACKGROUND

On March 15, 2021, Idaho Power Company ("Company") requested the Commission determine the Company prudently incurred $47,010,777 in demand-side management ("DSM") expenses in 2020.

On April 6, 2021, the Commission issued a Notice of Application and Notice of Intervention Deadline, setting an April 27, 2021, deadline for interested persons to intervene. Order No. 34986. Boise City, the Industrial Customers of Idaho Power, and the Idaho Conservation League petitioned to intervene, and the Commission granted their petitions. *See* Order Nos. 35026, 35043, 35044.

The Company reports it spent $40,477,043 of Idaho Energy Efficiency Rider ("EE Rider") funds and $6,533,734 on demand response program incentives funded through base rates and tracked annually through the Power Cost Adjustment mechanism.

The Company reports it saved 180,818 MWh from its energy efficiency programs and an additional 15,991 MWh from energy-efficient market transformation savings through Northwest Energy Efficiency Alliance savings.

The Company reports it achieved a total demand reduction of 336 MW from its demand response programs out of an available capacity of 366 MW.

The Company reports energy savings of 37,302 MWh from the residential sector, 130,633 MWh from the commercial and industrial sector, and 12,884 MWh from the irrigation sector.

The Company's DSM 2020 Annual Report is included as Attachment 1 to the Application. Supplement 1 to the DSM 2020 Annual Report shows the results of the cost-effectiveness tests for each program and Supplement 2 contains program evaluations and customer surveys and reports. The DSM 2020 Annual Report also describes the Company's DSM strategies for 2021.

The Company reports its energy efficiency portfolio achieved a Utility Cost Test ("UCT") ratio of 2.71.

STAFF ANALYSIS

Staff believes the Company's programs are generally well-managed and recommends the Commission issue an order approving $47,008,618 in 2020 expenses as prudently incurred. Staff reviewed the Company's Application and the accompanying testimony of Pawel Goralaski, the 2020 DSM Annual Report, and additional information provided by the Company. Staff recommends the Commission make one adjustment to the Company's request, decreasing its prudency request by $2,159 due to an expense that should have had 5% allocation to the Company's Oregon customers.

In the comments below, Staff addresses the Company's EE Rider account, expenditures, and program management. Staff notes that the absence of discussion on other issues presented in the 2020 DSM Annual Report should not be construed as Staff's support of the Company's position on those issues.

Financial Review

Staff audited the Company's EE Rider expenses and demand response expenses, which included a sample of more than 100 transactions across the Company's programs. Expenses were well-documented, and controls were in place and adjusted as needed to regulate proper payment of incentives and other costs. Staff recommends that the Commission find that the Company prudently incurred $47,008,618 in DSM-related expenses for 2020. This total consists of $40,474,884 in EE Rider expenses and $6,533,734 in demand response incentives. Demand response incentives were included for recovery and audited in the 2020 Power Cost Adjustment, Case No. IPC-E-21-10. Staff calculated the DSM Rider account balance as of December 31, 2020, in Table No. 1, below:

Table No. 1: Tariff Rider Reconciliation

2020 Beginning Rider Balance (Underfunded)	$ (259,880)
2020 Tariff Revenue	$ 28,594,651
Interest on DSM Rider	$ (104,070)
Total Funds Available	$ 28,230,701
2020 Reported Expenses	$ (40,409,911)
Oregon Allocation	$ 2,159
Green Power and SBDI adjustments	$ (15,967)
2019 DSM labor adjustment	$ (51,165)
2020 Ending Balance (Underfunded)	$ (12,244,183)

During Staff's audit of energy efficiency expenses, the Company identified an expense that was assigned directly to Idaho that should have had a 5% allocation to Oregon customers. Correcting that allocation lowers the Company's Idaho expenses by $2,159. Before filing this case, the Company also made two adjusting entries, reversing a $57 credit to its Green Power program and reassigning a $15,910 expense for the Small Business Direct Install program from the Oregon rider to the Idaho rider. These two adjustments increased expenses by $15,967.

In 2019, the Commission disallowed $51,165 in the Company's DSM labor expense. Because the correction occurred in 2020 as a negative entry, this amount needs to be added to the net reported expenses to accurately reflect the Company's 2020 total EE Rider expenses.

DSM Labor Expense

In Order No. 33908, Case No. IPC-E-17-03, the Commission ordered a 2% cap on wage increases charged to the EE Rider. Last year, in Reconsideration Order No. 34874, the Commission ordered that "the Company shall apply the 2% cap for DSM labor expense increases to the actual average wage per FTE based on the prior year's average wage per FTE." The Company complied with this Commission order. As shown in Table 2 of Goralski's testimony, the Company's EE Rider request is $105,369 less than its claimed actual labor expense, due to the cap tied to its 2019 actual labor expense. However, if the 2% cap were applied to approved labor expense rather than actual labor expense, the approved 2020 EE Rider labor expense would be $51,270 less.

Staff remains concerned that applying the 2% cap to the previous year's actual wages instead of the Commission approved wages, the Company could continue to significantly increase its labor expense each year. Staff will continue to review the Company's annual EE Rider wage increases and develop possible frameworks to discuss in the Company's next general rate case to ensure that DSM labor expenses do not dramatically increase in years between rate cases. Depending on the timing of the Company's next rate case, Staff may engage with the Company to discuss such frameworks.

Energy Efficiency

In March of 2020, nearly all of the Company's energy efficiency programs were paused or impacted because of the COVID-19 pandemic. The Company suspended in-home and on-location work, moved from in-person to virtual Energy Efficiency Advisory Group ("EEAG") meetings, postponed public events, and modified several of its energy efficiency programs to administer them safely. During the COVID-19 pandemic, the Company regularly updated EEAG members with the status of its programs and the precautions the Company was taking to ensure the safety of its customers and its employees. As of April 29, 2021, the Company had five programs that remained suspended due to in-home work: (1) Easy Savings: Low-Income Energy Efficiency Education; (2) Energy House Calls; (3) Home Energy Audit Program; (4) Multifamily Energy Savings Program; and (5) Weatherization Solutions for Eligible Customers. Of those programs, the Company has maintained a customer waitlist for Energy House Calls, Home Energy Audit, and the Weatherization Solutions program. Aside from the Weatherization

Solutions program, the Company does not expect any issues with ramping up and serving the customers for the suspended programs once it is deemed safe to do so. For the Weatherization Solutions program, the Company states that the Community Action Partnership ("CAP") agencies' staffing has been reduced as a result of the pandemic, which may result in delays to weatherizing homes when in-home activity resumes.

In 2020, 26 of the Company's 281 individual measures were cost-ineffective from the UCT perspective. Every measure in the Energy House Calls and Multifamily Energy Savings program was cost-ineffective, accounting for 18 measures failing the UCT. The Company states the cost-ineffective measures resulted from programs incurring administration costs after in-home activity was suspended.[1]

Additionally, four measures from the Simple Steps, Smart Savings program were cost-ineffective from the UCT perspective. The program is administered by the Bonneville Power Administration ("BPA") and is promoted in two areas by the Company: Energy Efficient Lighting program and the appliance promotion program (Simple Steps, Smart Savings program). The BPA decided to sunset the program on September 30, 2020. The Company states that the "decision to end the program was made because the lighting market transformed to high-efficiency lightbulbs. With most of the Simple Steps sales coming from lighting products, the program could not be cost-effectively maintained by just showerhead and appliance sales." In response to the BPA sunsetting the Simple Steps, Smart Savings program, the Company is exploring alternative options for administering a lighting buydown program and a program for providing incentives for ENERGY STAR appliances. Staff appreciates that the Company is exploring alternative programs and will be interested in reviewing the alternative programs offered by the Company in the future. In 2020, the Company's Simple Steps, Smart Savings and Energy Efficient Lighting programs accounted for 38% of the Company's residential energy efficiency savings.

Other Energy Efficiency Programs

Custom Projects

Custom Projects reported an increase of 33% in savings from 2019. The 94,007 MWh savings accounted for 48% of the Company's energy efficiency portfolio savings, while the measure's approximately $18.1 million in expenses accounted for 38% of the Company's DSM

[1] See DSM 2020 Annual Report, Supplement 1 at 8-9 for a comprehensive list of cost-ineffective measures.

expenses. Since 2018, the Custom Projects measures savings have increased 100%, contributing the most savings of any program to the Company's overall savings. Staff applauds the Company for its continued success with the Custom Projects option for its Commercial and Industrial customers.

Shade Tree Project:

In 2020, all events for the Shade Tree Project, which typically occur in the spring and fall, were canceled due to the COVID-19 Pandemic. In 2021, the Company plans to continue the program. Instead of customers collecting their trees at an in-person event, customers will now receive their trees in 2021 through shipments.

Low Income Weatherization

In 2020, the Company's low income programs remained cost-ineffective. The Weatherization Solutions for Eligible Customers reported a UCT ratio of 0.13 and Total Resource Cost ("TRC") ratio of 0.23. During the suspension of the program, a waitlist has been maintained for customers waiting for weatherization services. As of April 19, 2021, the waitlist was at 104 customers.

The Weatherization Assistance for Qualified Customers ("WAQC"), funded through base rates—not the EE Rider—reported a UCT ratio of 0.2 and TRC ratio of 0.33. CAP agencies suspended activities for the WAQC program in March of 2020, but the program resumed in early summer 2020. The program did not use all the allocated funds in 2020 and there will be a total of $1,861,402 of available funds for the program in 2021. In the spring of 2021, the Company acknowledged the struggles of achieving a cost-effective low-income weatherization program. The Company plans to address these issues with its stakeholders. Staff will continue to monitor the Company's progression and efforts towards making the WAQC and Weatherization Solutions programs cost-effective.

Educational Distribution Program

The Company's Educational Distributions program was cost-effective in 2020 with a 1.45 benefit to cost ratio from the UCT perspective. The program had multiple changes to its individual measures and giveaways in 2020. These are discussed below.

In June of 2020, the Company transitioned the Home Energy Reports ("HER") pilot into a full program. The transition resulted in an additional 106,491 treatment customers for the program, a 409% increase from the piloted group in 2019. Similarly, the Company's cost increased 349% during the transition. In 2020, the Company's savings increased 23% from 2019 to 10,428 MWh of savings. The incremental increase in savings resulted in the program not being cost-effective with a 0.64 UCT ratio in 2020. However, the Company states this is "largely due to the additional cost associated with the expansion of the program. Additionally, the savings associated with the expansion only reflect a partial year of savings and it generally takes six months to ramp up savings." Staff looks forward to reviewing the performance of the HER program in 2021 after the program has been implemented as a full program for a year.

In December of 2020, the Company delivered its last Energy-Savings Kit and will no longer be administering the program. The Company states that the program had reached just under 50% saturation in the market and that after reviewing the future of lighting savings the Company decided to end the program with EEAG's support.

Similarly, the Company's Welcome Kits program experienced issues from a change in lighting savings. In 2021, due to new Regional Technical Forum deemed savings for lightbulbs, the kits will no longer be cost-effective as a standalone item. However, instead of ending the program like the Energy-Saving Kits, the Company will continue to offer the Welcome Kits as a promotional item but will no longer conduct a cost-effectiveness test on the program. The Company plans to claim the savings associated with the Welcome Kits in 2021 under the Educational Distributions program. The Company estimates that the program will cost approximately $610,605 and projects 22.86 kWh savings per kit. The Company will assign costs under the Educational Distributions program with more costs being distributed to the Residential Energy Efficiency Education Initiative; however, the specifics of the cost distribution have not been decided yet.

In a July 14, 2021 meeting with the Company, Staff expressed its concern with the future of Welcome Kits. Stating concerns over the Welcome Kits no longer being evaluated for performance by a cost-effectiveness test, the Company's plan to continue claiming the savings, and how to analyze the savings impact on future load growth in the Company's Integrated Resource Plan ("IRP").

Staff agrees with the Company that Welcome Kits are a useful "education and marketing" program. Welcome Kits allow the Company to market other energy efficiency programs and to promote energy efficiency to the Company's new customers. The Company stated it intends to discuss the Welcome Kits in the upcoming EEAG meeting in August of 2021. Staff looks forward to the discussion and how the Company can successfully utilize the program as a marketing and education program. Staff intends to closely evaluate the Welcome Kits in next year's prudency filing when the program changes have taken place.

The lighting industry has shown significant strides in market adoption and saturation for energy efficiency measures over the last several years. Particularly, residential lighting programs have presented cost-effectiveness issues in recent years due to lower deemed savings. Simple Steps, Smart Savings (Energy Efficient Lighting program), Energy-Saving Kits, and Welcome Kits have all been impacted by changes in lighting savings. Many of the programs are no longer cost-effective or barely remain cost-effective in the Company's future outlook. Constant adjustments, adoption, and removal of the various measures offered are necessary for making measures and programs cost-effective going forward. Staff applauds the Company for making necessary changes to programs and looks forward to how the Company will transition to other areas for residential energy efficiency savings.

Northwest Energy Efficiency Alliance ("NEEA"):

In 2020, the Company spent $2,649,749—7% of Idaho rider funds—on regional market transformation through NEEA. Through market transformation in the Pacific Northwest, NEEA's purpose is to improve gas and electricity efficiency usage by endorsing and advancing energy-efficient practices, services, and products. NEEA claims savings for its efforts in two areas: (1) efficiency measures; and (2) codes and standards. NEEA reports these savings to the Company in an annual report,[2] using three different allocation methods that the Company can choose: the

[2] The Company provided Staff the annual savings report in excel format. The report is referred to as the *NEEA 2020 Annual Savings Report.*

service territory[3], the funder share[4], or the funder specified[5] allocation method. In 2020, the Company's savings were allocated using the "funder share" allocation method. The Company's current funding share for NEEA's business plan is 9.23%, which started in 2020 and ends in 2024.

After filing this Application, NEEA finalized its 2020 savings for the Company on April 6, 2021. The finalized NEEA savings for the Company in 2020 is 2.01 aMW or 17,614 MWh. In total 16,734 MWh of the total savings is reported for the Company's Idaho service territory.[6] For the Company's Idaho savings, about 75% of NEEA's reported savings (12,577 MWh or 1.44 aMW) originated from codes and standards and the remaining originated from efficiency measures.

In the NEEA 2020 Annual Savings Report, NEEA reports savings from Codes and Standard across the Northwest with savings attributed to states including Montana and Washington that are not within the Company's service territory. For example, a measure called International Energy Conservation Code ("IECC") 2009 code for residential homes built in Montana was part of NEEA's "Efficient Homes" initiative that resulted in a Montana code. NEEA claimed the measure saved 0.01 aMW for the Company. Similarly, NEEA claims 0.08 aMW of savings from a nearly identical Idaho code for the Company. NEEA reports these savings from the IECC 2009 code for residential homes built in Idaho. Staff is uncertain how a duplicative IECC 2009 code for homes built in Montana provides benefits to the Company's Idaho customers. On pages 31-34 in Supplement 2 of the DSM 2020 Annual Report, the Company provided NEEA's Market Evaluations with hyperlinks to access various market evaluations and performance reports. However, identifying the savings for the Company from the associated codes and standards and efficiency measures that NEEA is claiming is difficult using the Market Evaluations provided. If such savings are to be claimed for out-of-state codes and

---

[3] Service Territory Allocation: "NEEA allocates the savings using the most disaggregated data available. The data sources can range from service-territory level to regional. The Program worksheets note the data source. When NEEA has only regional level data, NEEA allocates the savings using funding shares. NEEA applies the funder shares to savings by initiative based on the initiative start." *NEEA 2020 Annual Savings Report.*

[4] Funder Share Allocation: "NEEA allocates the regional savings (Idaho, Montana, Oregon, and Washington) using funder shares. The shares vary based on the funding cycle. Savings from previous investments receive the previous funder share. Savings from current investments receive the current funder share." *NEEA 2020 Annual Savings Report.*

[5] Funder Specified Allocation: "In cases where a funder has more specific service territory data, NEEA will use the information provided by the funder." *NEEA 2020 Annual Savings Report*

[6] This is due to the Oregon Rider contributing to NEEA also.

standards, a transparent evaluation should be provided to Staff and outlined in the Company's Annual Conservation Reports describing how such programs benefit Idaho customers.

NEEA currently claims 100% of savings for code-to-code changes. Staff is concerned that NEEA claims savings it is not directly responsible for producing. If savings from codes and standards are removed, NEEA would not be cost-effective. Staff believes that to support the continued funding of NEEA, an independent Evaluation, Measurement, and Verification should be conducted to (1) clarify the savings NEEA claims; (2) the allocation of those savings to its member utilities: and (3) the cost-effectiveness of those savings to the member utilities based on the utilities' DSM avoided cost.

Demand Response

Staff reviewed the Company's demand response programs and believes that the programs were well managed and effective. The three demand response programs (Irrigation Peak Rewards program, A/C Cool Credit program, and Flex Peak program) incurred $6,533,734 in incentive payments funded through base rates while achieving 336 MW of maximum demand reduction in 2020. Of the three demand response programs, most demand reduction comes from the Company's Irrigation Peak Rewards program. The program performed to expectations, achieving a maximum demand reduction of 292 MW, an increase of 14 MW from 2019. The other two programs were impacted in various ways by the COVID-19 pandemic as described below.

In 2020, due to more customers being at home because of the COVID-19 pandemic, the Company took additional precautions to minimize its impact of the A/C Cool Credit program. For example, the Company reduced its cycling percentage from 55% to 50%. Additionally, participation dropped by 1,266 homes from 2019 resulting in a maximum demand reduction of 19 MW for 2020 when 2019 achieved 24 MW of maximum reduction.

In the Company's Flex Peak program, business customers experienced an increase in loads from the COVID-19 pandemic. The Company states that many businesses had increased loads during the events because of increasing production to recoup lost revenues and increasing fresh air flow into buildings resulting in higher cooling needs. This all resulted in an average realization rate of 65% across the three demand response events with a maximum demand reduction of 24 MW as compared to the amount of committed 36 MW of load reduction. *Id.* at 113.

Staff notes that many changes to the Company's demand response programs have been proposed during the Company's development of the 2021 IRP. The Company is evaluating changes to the available hours and length of season for demand response programs starting in 2022 to better align with the needs of the Company's power system. The changes proposed have no direct impacts on the prudence in this case; however, if the changes proposed are implemented, it will impact the future operations and the performance of the Company's demand response programs. When the Company files its 2021 IRP with the Commission and in future prudency and tariff filings, Staff intends to evaluate the proposed changes to the demand response programs to ensure the proposed changes are the least cost and least risk for Idaho ratepayers.

Effective Load Carrying Capacity ("ELCC")

The Company has made progress and continues to work with Staff to address the concerns outlined in Staff Comments in Case No. IPC-E-20-15. In the calculation of determining cost-effectiveness for 2020, the Company used the Value of Demand ("VOD") calculation that was set in the 2013 settlement agreement in Case No. IPC-E-13-14. However, the Company did provide an updated ELCC calculation in response to Production Request No. 14. The updated ELCC calculation impacts the VOD, which is used as a benchmark to determine the cost-effectiveness of demand response programs. The Company's change in calculating the ELCC is an improvement over the previous ELCC calculations from the 2013 settlement agreement because it is based on current data and the actual availability of DR programs. The updated ELCC calculation looks at the top 100 hours of actual system peak load over a five-year period (2016-2020) to determine demand response program availability at system peak.

The result of the updated ELCC calculation is an ELCC of 85% instead of the 93% that was set in the 2013 settlement agreement. The updated ELCC resulted in a VOD of $18 million versus the $19.6 million using ELCC established in the 2013 settlement. Staff believes the updates in the ELCC calculation provided to Staff in response to Production Request No. 14 is an improvement from the ELCC used in the 2013 settlement.

During the development of the 2021 IRP, the Company has provided additional updates to the ELCC and VOD. The Company has discussed with Staff changes to the ELCC based on potential demand response program changes. Staff will continue to engage with the Company around the updates to the calculation of the VOD and ELCC, and other concerns previously outlined in Staff Comments in Case No. IPC-E-20-15. When the Company files its 2021 IRP with the Commission and in future prudency and tariff filings, Staff intends to closely evaluate the updates to the ELCC, VOD, and any additional changes to the Company's demand response programs.

STAFF RECOMMENDATIONS

Staff recommends the Commission find that the Company prudently incurred DSM-related expenditures of $47,008,618, including $40,474,884 in Idaho Energy Efficiency Rider expenses and $6,533,734 in Demand Response program incentives.

Respectfully submitted this 2nd day of August 2021.

Dayn Hardie
Deputy Attorney General

Technical Staff: Taylor Thomas
Brad Iverson-Long
Kevin Keyt
Michael Eldred

i:umisc/comments/ipce21.4dhttblkkme comments

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 2nd DAY OF AUGUST 2021, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF,** IN CASE NO. IPC-E-21-04, BY E-MAILING A COPY THEREOF, TO THE FOLLOWING:

LISA D NORDSTROM
IDAHO POWER COMPANY
PO BOX 70
BOISE ID 83707-0070
E-MAIL: lnordstrom@idahopower.com
dockets@idahopower.com

ADAM LOWNEY
MCDOWELL RACKNER GIBSON PC
419 SW 11th AVE., SUITE 400
PORTLAND OR 97205
E-MAIL: adam@mrg-law.com

CONNIE ASCHENBRENNER
IDAHO POWER COMPANY
PO BOX 70
BOISE ID 83707-0070
E-MAIL: caschenbrenner@idahopower.com

BENJAMIN J OTTO
ID CONSERVATION LEAGUE
710 N 6TH ST
BOISE ID 83702
E-MAIL: botto@idahoconservation.org

PETER J RICHARDSON
RICHARDSON ADAMS PLLC
515 N 27TH ST
BOISE ID 83702
E-MAIL: peter@richardsonadams.com

DR DON READING
6070 HILL ROAD
BOISE ID 83703
E-MAIL: dreading@mindspring.com

MARY GRANT
DEPUTY CITY ATTORNEY
BOISE CITY ATTORNEY'S OFFICE
PO BOX 500
BOISE ID 83701-0500
E-MAIL: mrgrant@cityofboise.org
BoiseCityAttorney@cityofboise.org

SECRETARY