RILEY NEWTON
DEPUTY ATTORNEY GENERAL
IDAHO PUBLIC UTILITIES COMMISSION
PO BOX 83720
BOISE, IDAHO 83720-0074
(208) 334-0318
IDAHO BAR NO. 11202

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

Attorney for the Commission Staff

RECEIVED
2022 AUG -3 PM 4:59
IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER COMPANY'S APPLICATION FOR A DETERMINATION OF 2021 DEMAND-SIDE MANAGEMENT EXPENSES AS PRUDENTLY INCURRED	**CASE NO. IPC-E-22-08** **COMMENTS OF THE COMMISSION STAFF**

Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Riley Newton, Deputy Attorney General, submits the following comments.

BACKGROUND

On March 15, 2022, Idaho Power Company ("Company" or "Idaho Power") requested the Commission determine the Company prudently incurred $35,055,318 in demand-side management ("DSM") expenses in 2021.

On April 6, 2022, the Commission issued a Notice of Application and Notice of Intervention Deadline, setting an April 27, 2022, deadline for interested persons to intervene. Order No. 35365. The Commission granted the City of Boise City's petition to intervene on April 27, 2022. Order No. 35385.

The Company reports it spent $27,922,340 of Idaho Energy Efficiency Tariff Rider ("EE Rider") funds and $7,132,978 on demand response ("DR") program incentives funded through base rates and tracked annually through the Power Cost Adjustment mechanism.

The Company's DSM 2021 Annual Report is included as Attachment 1 to the Application. Supplement 1 to the DSM 2021 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 2021 Annual Report also describes the Company's DSM strategies for 2021.

The Company reports its energy efficiency ("EE") portfolio achieved a Utility Cost Test ("UCT") ratio of 2.17.

STAFF ANALYSIS

Staff believes the Company's programs are generally well-managed and recommends that the Commission issue an order approving $35,054,668 in 2021 expenses as prudently incurred. Staff has reviewed the Company's Application, the accompanying testimony of Robert Thompson, the 2021 DSM Annual Report, and all the additional information provided by the Company. Staff recommends the Commission make one adjustment to the Company's request, decreasing its prudency request by $650 due to sales tax booked in error.

In the comments below, Staff addresses the Company's EE Rider account, expenditures, and program management. Staff notes that the absence of any discussion on other issues presented in the 2021 DSM Annual Report should not be construed as Staff support for the Company's position on those issues.

Financial Review

Staff audited the Company's EE Rider expenses and DR expenses, which included a sample of more than 60 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 $35,054,668 in DSM-related expenses for 2021. This total consists of $27,921,690 in EE Rider expenses and $7,132,978 in DR incentives. DR incentives were included for recovery and audited in the 2021 Power Cost Adjustment, Case No. IPC-E-22-11.

Staff calculated the DSM Rider account balance as of December 31, 2021, in Table No. 1, below:

Table No. 1: Tariff Rider Reconciliation

2021 Idaho Power Beginning Rider Balance (Underfunded)	$ (12,230,374)
2021 Tariff Revenue	$ 33,346,611
Interest on Tariff Rider Balance	$ (110,846)
Total Funds Available	$ 21,005,391
2021 Reported Expenses	$ (27,943,096)
2020 Oregon Jurisdiction Adjustment	$ (2,159)
2020 Green Power Program Adjustment	$ 57
2020 Small Business Direct Install Adjustment	$ 15,910
2021 Residential New Construction Adjustment	$ (1,356)
2021 Commercial & Industrial Adjustment	$ 1,044
2021 Small Business Direct Install Adjustment	$ 7,260
2021 Duplicate Sales Tax	$ 650
2021 Total Prudent Expenses	$ (27,921,690)
2020 Ending Balance (Underfunded)	$ (6,916,299)

During Staff's audit of EE expenses, the Company identified a duplicate $650 sales tax expense booked in error. Staff removed this duplicate expense from the Company's prudency request. In preparation of filing its case, the Company identified separate adjustments to its 2021 EE Rider expenses. The first adjustment adds $1,356 of expenses associated with the Idaho Residential New Construction program that were incorrectly charged to the Oregon Energy Efficiency Rider in 2021. The second adjustment reduces $1,044 of expenses associated with the Commercial and Industrial ("C&I") program that should have been charged to the Oregon Rider instead of the Idaho Rider. The third adjustment removes a duplicate transaction of $7,260 associated with the Company's Small Business Direct Install program from the Company's prudency request.

In 2020, the Commission disallowed $2,159 in expenses that should have been allocated to the Company's Oregon jurisdiction. Additionally, two other adjustments related to the Company's Green Power program and Small Business Direct Install program were removed from the Company's prudency request. Because the correcting entries to these 2020 expenses did not occur until 2021, these amounts need to be adjusted from the Company's net reported expense to accurately reflect the Company's 2021 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. 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 Order. As shown in Table 2 of Thompson's testimony, the Company's EE Rider request is $28,722 under the allowed 2% cap for 2021.

Staff remains concerned that, by 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.

Energy Efficiency

In 2021, the Company's EE portfolio reported 126,102 megawatt-hours ("MWh") of energy savings and 17,870 MWh of market transformation savings from Northwest Energy Efficiency Alliance ("NEEA"). The EE portfolio remained cost-effective with a 2.17 UCT ratio in 2021, although a 27% year over year decrease in saving occurred.

The Company's C&I Custom Projects program continues to be the EE portfolio's biggest energy savings program, contributing 43% of the Company's EE portfolio savings. In total, the program used $8,608,903 to achieve 53,728 MWh of savings. The C&I Custom Projects program 2021 EE savings decreased 43% from the program's 2020 acquired savings.

Cost-Ineffective Measures & Programs

The residual impacts of the COVID-19 pandemic led to a difficult year for energy efficiency programs due to program suspensions, supply chain issues, and increased labor and materials costs. In particular, the residential sector was impacted by in-home work restrictions.

The Company had five programs that continued their program suspensions from 2020: (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. These programs began to resume in-home work in November with all programs returning to in-home work in December of 2021. The Company maintained a customer waitlist for the Energy House Calls, Home Energy Audit, and the Weatherization Solutions programs during the program suspensions. Staff looks forward to reviewing these programs' performance in next year's prudency filing.

In 2021, 24 of the Company's 272 individual measures were cost-ineffective from the UCT perspective. Of the 24 ineffective measures, 8 were part of the Energy House Calls program. As a result of in-home work suspensions and reduced measure savings, the Company anticipated significant challenges to the program's cost-effectiveness moving forward. After consulting with the Energy Efficiency Advisory Group ("EEAG"), the Company decided to end this program. The program will cease marketing and will work through the waitlist of 125 applications before transitioning the cost-effective duct sealing measure to the Heating and Cooling Efficiency ("H&CE") program. Staff appreciates the Company's active management of the program.

In 2021, the HC&E program was cost-effective with a 1.14 UCT benefit-to-cost ratio. However, at a measure level, five of the ten programs' measures were cost-ineffective. Reduced Regional Technical Forum ("RTF") measure savings caused the heat pump to heat pump upgrades, ductless heat pumps, and prescriptive duct sealing measures to drop below a UCT ratio of one, becoming cost-ineffective. Apart from the ductless heat pumps measure, the Company claims these measures would be cost-effective without the inclusion of administrative costs. DSM 2021 Annual Report at 59. Additionally, the Smart Thermostats measure in the H&CE program has been cost-ineffective since 2019. In 2021, the Company contracted ADM Associates to complete an impact and process evaluation for the H&CE program with additional focus on the individual measures in the program. The evaluation was submitted in March of 2022 and included numerous recommendations to improve the cost-effectiveness of the program and its measures, such as revisiting the billing analysis for self-installed smart thermostats and ensuring application requirements are met before fulfilling incentives or rebates.[1] The Company

[1] For a complete list of recommendations see DSM Supplement 2 at 7-16.

indicated it will consider all recommendations, and that it will implement changes and update savings assumptions in the 2022 DSM filing. DSM 2021 Annual Report at 59. Staff looks forward to reviewing the recommendations implemented by the Company and their effect on improving their cost-ineffective measures for the HC&E program in the 2022 DSM annual report.

Additionally, three of the cost-ineffective measures can be found in the Cohorts of the C&I Custom Projects program. Cohorts are behavioral based measures that engage customers in a group setting to capture economies of scale and allow customer interaction on energy saving opportunities. The three cohorts that failed the UCT were the Municipal Water Supply Optimization Cohort ("MWSOC"), the Wastewater Energy Efficiency Cohort ("WWEEC"), and the Continuous Energy Improvement Cohort for Schools ("CEI"). The Company claims that the MWSOC would be cost effective without the inclusion of administrative costs and that the MWSOC and CEI Cohort for Schools is cost effective from a lifecycle perspective. Additionally, the Company notes that the WWEEC cost-effectiveness is based on a facility that was recently re-baselined. DSM Supplement 1 at 9.

Of the remaining eight measures that were cost-ineffective from the UCT perspective, four measures belong to the C&I New Construction and Retrofits program and four to the Irrigation Efficiency Reward program. For the New Construction and Retrofits program, the Company states that these measures will be monitored in 2022 and that the HVAC Fan Motor Belts measure would have been cost-effective without the inclusion of administrative costs. With respect to the Irrigation Efficiency Rewards program, the Company states that the savings assumptions related to these measures will be updated in 2022 and it expects these measures to become cost-effective, or otherwise they will be removed from the program offering. DSM Supplement 1 at 9. Staff recognized multiple measures across the EE portfolio that could become cost-effective if administrative costs were not included. Staff encourages the Company to work on reducing administrative costs (where possible) for these measures to help increase the cost-effectiveness at the measure level.

Other EE programs

Educational Distributions Program & Welcome Kits

Previously administered under the Residential Energy Efficiency Education Initiative ("REEEI"),[2] the Educational Distributions ("ED") program became a standalone program in 2015 focused on using low to no cost channels to deliver energy efficiency education materials and energy savings items directly to customers. The ED program currently delivers educational and energy savings material through the Nightlights as Giveaways, Student Energy Efficiency Kit ("SEEK"), and Welcome Kit[3] measures. In 2021, the Company reported the ED program as cost-effective with an UCT benefit to cost ratio of 2.39. Additionally, the Company reported all measures under the ED program as cost-effective. However, the Welcome Kits measure currently splits its cost between the REEEI and the ED program, and when all cost for the Welcome Kits are assigned under the ED program, the Welcome Kits become cost-ineffective with benefit-to-cost ratio of 0.51. *See* Response to Production Request No. 9 and 10. In 2021, $278,626 was allocated under the REEEI from the Welcome Kit's measure. This included cost related to education aspects of the ED program such as LED bulb sleeves, Welcome Kit flipbooks, education cards, and portions of shipping and handling. *Id.* at 9-11.

As a result of changes to the RTF savings values for LED lightbulbs, the Company modified the kit contents for the 2022 Welcome Kits to now provide four 1100 lumen lightbulbs and two nightlights versus two 800 lumen LED bulbs, two 1600 lumen LED bulbs, and one nightlight. The changes to the kits resulted in a higher savings per kit, but it did increase the total cost of the materials for the kits. Additionally, in 2022, the ED "program will continue to count the savings and pay for the cost-effective energy saving portion of each kit, while the remaining costs associated with the kits will be included in Idaho Power's REEEI efforts." DSM 2021 Annual Report at 49. In 2022, if all kit costs are assigned to the ED program, Welcomes Kits would be cost-ineffective. However, under the Company's cost allocation method, the kits would be considered cost-effective with $81,752 assigned to the REEEI.

[2] The REEEI promotes energy efficiency to the residential sector through the Kill A Water Meter Program, Teacher Education, Customer Education, and Marketing.

[3] "Idaho Power uses a vendor to mail Welcome Kits to brand new customers between 35 and 45 days after electric service begins at their residence. Each kit contains four LED lightbulbs, a nightlight, a greeting card, and a small flipbook containing energy-saving tips and information about Idaho Power's energy efficiency programs. The kits are intended to encourage first-time customers to adopt energy-efficient behaviors early in their new homes." DSM 2021 Annual Report at 45.

The lighting industry has shown increased market adoption and saturation for EE measures in the residential sector over the last few years. Many programs and measures that were once cost-effective have now been dissolved, which was apparent in the Company's 2020 prudency filing. The Welcome Kits measure is facing the same issues with changes to savings for LED bulbs; however, Staff agrees with the Company's view that this is a useful education and marketing measure. The Company provided sufficient evidence that Welcome Kits often lead new Idaho Power customers to pursue other EE programs offered by the Company.[4] Staff cautions the Company in only assigning the cost-effective portion of costs to a program and all cost-ineffective cost elsewhere. This method of assigning cost should be an exception, such as the Welcome Kits measure where the intent of the kits is to educate and market. The kits as a standalone measure are not cost-effective and, because of this, Staff encourages the Company to reduce cost for the kits where possible and focus the intent of the program on marketing and education.

Multifamily Energy Savings Program

The Multifamily Energy Savings program targets multifamily dwellings such as apartments and townhomes for no cost direct installation of energy-saving products. The program was suspended until November 2021 resulting in no claimed energy savings for 2021. The Company has stated that the cost-effectiveness of the program will be a challenge moving forward. In 2020, the RTF reduced deemed savings on LED lightbulbs and deactivated showerhead and faucet aerator measures, impacting potential energy savings of many of the program's measures. In response, the Company modified its worksheets to calculate lighting savings based on existing fixtures rather than deemed savings. The Company has communicated these concerns to the EEAG and will work with a dedicated subcommittee to discuss saving assumptions and alternative models. Staff appreciates the Company's foresight on these challenges and will continue to monitor the program's development.

[4] "Of the customers that received Welcome Kits in 2020, 4,083 customers participated in another residential energy efficiency program in 2020 and 173 participated in a program in 2021, [and] of the customers that received Welcome Kits in 2021, 138 customers participated in another residential energy efficiency program in 2021 and 79 participated in a program in 2022 as of June 2022." Response to Production Request No. 10d and e.

Residential New Construction Program

The Residential New Construction program transitioned to its first year as a regular program in 2021. Piloted in 2018, the program provides an incentive to builders for the construction of energy-efficient homes. As part of the program, builders must contract with certified Residential Energy Services Network ("RESNET") raters to design homes at least 10% more energy efficient than code. Despite participation being down to 90 homes in 2021, from 246 in 2020, annual modeled savings has increased by 2,619 kWh per home. The program reports a UCT benefit to cost ratio of 1.64.

Low Income Weatherization

The Company maintains two low-income weatherization programs: The Weatherization Assistance for Qualified Customers ("WAQC") which is funded through Company base rates, and the Weatherization Solutions for Eligible Customers ("Weatherization Solutions") which is designed to mirror the WAQC and is funded through the Energy Efficiency Rider. In 2021, the Company's low-income weatherization programs remained cost-ineffective. The Weatherization Solutions program remained suspended until October 2021 and only serviced 7 homes. The WAQC was not suspended in 2021 and reports a UCT ratio of 0.19 and TRC ratio of 0.31. Staff and the Company acknowledge the struggles of achieving a cost-effective low-income weatherization program. To increase cost-effectiveness, the Company developed a job cost calculator ("JCC") to be used when the WAQC program stops using the Energy Audit Version 5 ("EA5") tool, which is expected to occur by the end of 2022. Response to Production Request No. 13.

Due to the impact of COVID-19 a large sum of unspent funds was carried over from 2020. In 2021, continued shortages and supply chain limitations grew the carry over funds balance to $870,985. To address this increasing pool of funding, the Company worked with the EEAG to propose re-weatherization projects as a solution to deplete these excess funds. Under these projects the Company would pay 100% of costs of HVAC replacement for homes that previously qualified for the program but did not receive HVAC upgrades. The Company's proposal is currently pending in Case No. IPC-E-22-15.

Northwest Energy Efficiency Alliance:

In Staff's Comments in Case No. IPC-E-21-04, Staff notated concerns with NEEA claiming savings for out-of-state code changes for states such as Montana and Washington. Subsequently, the Commission ordered the Company to conduct an independent Evaluation, Measurement and Verification ("EM&V") report of NEEA claimed savings in the next DSM filing. Commission Order No. 35270 at 9. The Company has begun to develop a request for proposal for the EM&V in conjunction with Avista Corporation.[5] The evaluation is expected to be completed by the end of 2022 and reported in the 2022 DSM Annual Report. Staff looks forward to reviewing the EM&V report and validating the savings NEEA claims for the Company's service territory. In the claimed savings for 2021, Staff continued to find evidence of claimed savings by NEEA for out of state code changes.

Demand Response

Staff reviewed the Company's DR programs and believes the programs were well managed, effective, and satisfy the requirements as stipulated under the 2013 agreement in Order No. 32923. The three DR programs: Irrigation Peak Rewards program, A/C Cool Credit program, and FIex Peak program, incurred $7,132,978 in incentive payments funded through base rates while achieving 313 MW of maximum demand reduction in 2021. Of the three DR programs, most demand reduction comes from the Company's Irrigation Peak Rewards program. The program performed to expectations achieving a maximum demand reduction of 255.5 MW, a decrease of 36.5 MW from 2020. The Company indicates this reduction is due to this program using four individual participant groups not all of which are called for a given event.

In Case No. IPC-E-21-32, the Company proposed many changes to the DR programs. These changes included the following: (1) alignment of DR program design to system capacity needs; (2) revised cost-effectiveness calculation methodology; (3) assessment of available DR; (4) impact evaluations; and (5) removal of the marketing cost cap. In Order No. 35336, the proposed changes were accepted with an effective date of March 4, 2022. The resulting order superseded the terms of the 2013 Settlement approved in Order No. 32923. The changes proposed have no direct impacts on the prudence in this case; however, the changes could impact

[5] Similarly, Avista was ordered to conduct an EM&V for NEEA savings in Commission Order No. 35129.

future operations and the performance of the Company's DR programs and will be reviewed in the Company's prudency filing in 2023 for the 2022 program year.

STAFF RECOMMENDATIONS

Staff recommends the Commission find that the Company prudently incurred DSM-related expenditures of $35,054,668, including $27,921,690 in Idaho Energy Efficiency Rider expenses and $7,132,978 in Demand Response program incentives.

Respectfully submitted this 3rd day of August 2022.

Riley Newton
Deputy Attorney General

Technical Staff: Taylor Thomas
Jason Talford
Donn English
Laura Conilogue

i:umisc/comments/ipce22.8rnttdelc comments

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 3rd DAY OF AUGUST 2022, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF,** IN CASE NO. IPC-E-22-08, BY E-MAILING A COPY THEREOF, TO THE FOLLOWING:

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

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

ED JEWELL
DEPUTY CITY ATTORNEY
BOISE CITY ATTORNEY'S OFFICE
150 N CAPITOL BLVD.
PO BOX 500
BOISE ID 83701-0500
E-MAIL: ejewell@cityofboise.org
boisecityattorney@cityofboise.org

WIL GEHL
ENERGY PROGRAM MGR
BOISE CITY DEPT PUBLIC WORKS
150 N CAPITOL BLVD.
PO BOX 500
BOISE ID 83701-0500
E-MAIL: wgehl@cityofboise.org

Jo Nelson
SECRETARY