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IDAHO PUBLIC
UTILITIES COMMISSION

LISA NORDSTROM
Lead Counsel
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June 30, 2023

Jan Noriyuki, Secretary
Idaho Public Utilities Commission
11331 W. Chinden Boulevard
Building 8, Suite 201-A
Boise, Idaho 83714

Re: Case No. IPC-E-23-10
In the Matter of the Application of Idaho Power Company for a Determination
of 2022 Demand-Side Management Expenses as Prudently Incurred

Dear Ms. Noriyuki:

Attached for electronic filing is Idaho Power Company's Supplemental Application and the Direct Testimony of Theresa Drake in support of the Supplemental Application in the above-entitled matter.

In addition, two (2) copies of the Supplemental Application and Direct Testimony will be hand delivered to the Commission. A Word version of the testimony will also be sent in a separate email for the convenience of the Reporter.

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

Sincerely,

Lisa Nordstrom

LN:cd
Enclosures

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Attorneys for Idaho Power Company

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)
OF IDAHO POWER COMPANY FOR A) CASE NO. IPC-E-23-10
DETERMINATION OF 2022 DEMAND-SIDE)
MANAGEMENT EXPENSES AS) SUPPLEMENTAL APPLICATION
PRUDENTLY INCURRED.)
_____)

Idaho Power Company (“Idaho Power” or “Company”) hereby respectfully submits to the Idaho Public Utilities Commission (“Commission”) this Supplement to the Company’s Application pursuant to Procedural Rule 52 seeking an order (1) designating Idaho Power’s 2022 DSM expenses of \$39,896,437 as prudently incurred, (2) finding the Company complied with the directives outlined in Order No. 35270, and (3) acknowledging continued participation in NEEA through the current funding cycle is likely to result in cost-effective energy savings for Idaho Power’s customers.

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

I. INTRODUCTION

1. Idaho Power considers energy efficiency and demand response to be an important and necessary part of a balanced approach to meeting system energy needs,

and it endeavors to provide customers with programs and knowledge through its DSM programs to help them use electricity wisely. As part of its efforts in this regard, the Company participates in regional market transformation through the Northwest Energy Efficiency Alliance (“NEEA”), a collaborative approach aimed at identifying and removing market barriers to energy efficiency to drive permanent change throughout the supply chain.

2. Energy savings are achieved through NEEA’s market transformation programs, codes and standards work, and investment in tools, training, resources, data and research to support greater efficiency. Because market transformation work takes time (typically viewed on a 20-year cycle¹), benefits may not be seen immediately, and as a result, NEEA operates on a five-year funding cycle though it reports estimated savings due to NEEA regional market transformation, allocated to utility stakeholders, on an annual basis.

3. In evaluating the prudence of the Company’s 2020 DSM expenses, the Commission noted Staff’s concerns with NEEA claimed energy savings and agreed that in order to support the continued funding of NEEA, an independent Evaluation, Measurement, and Verification (“EM&V”) 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.²

¹ See “NEEA Fundamentals of Market Transformation” at 4 (identifying NEEA’s standard cost-effectiveness time frame as 20 years). Available at: <https://neea.org/img/documents/NEEA-Fundamentals-of-Market-Transformation.pdf>. Accessed Jun. 27, 2023.

² *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, Order No. 35270 at 6 and 9 (Dec. 27, 2021).

4. Thereafter, the Company undertook efforts to fulfill the Commission's directive in collaboration with Avista Corporation ("Avista"), which had been similarly instructed, to conduct a single EM&V to examine NEEA claimed savings for efficiency purposes. The companies hired ADM Associates Inc. ("Evaluator") to complete the independent EM&V on behalf of both utilities.

5. In its Application filed on March 15, 2023, the Company advised that the EM&V report was forthcoming but not yet complete and would therefore be supplemented by the end of June 2023.³ Accordingly, the Company is providing this Supplemental Application along with the Direct Testimony of Theresa Drake ("Drake Testimony") and exhibits thereto including the NEEA EM&V Report (Exhibit No. 1), Idaho Power's Net Market Effect NEEA Savings 1997 – 2022 (Exhibit No. 2), and the NEEA EM&V Report Addendum (Exhibit No. 3). As summarized herein, while the evaluation found NEEA savings to be overall cost effective, it identified several concerns regarding NEEA's reported energy savings and provided recommendations to address its findings, which will guide the Company as it considers its continued participation in the next funding cycle.

II. THE INDEPENDENT EVALUATION, MEASUREMENT, AND VERIFICATION

6. As directed by the Commission, an Evaluator was retained for the purpose of validating the savings NEEA claims, verifying the allocation of savings to Idaho Power and Avista, and determining the cost-effectiveness of the savings for the companies based on the utilities' DSM avoided cost.

7. NEEA's approach to reporting and allocating energy efficiency savings differs for each of its main reporting category as follows:

³ Application at 6 and 16.

Voluntary Measure Activities

- Tracks total regional sales of the measure to calculate overall energy savings, then subtracts the baseline estimate of sales that would have occurred in absence of the initiatives.
- Removes any applicable energy savings generated by local utility-run programs.
- Allocates the regional net market effect energy savings to Idaho Power based on the funder share allocation methodology.

Federal or State Energy-Saving Product Standards

- Engages a third-party evaluator to calculate energy savings, assess the overall impact of the standard as well as NEEA's role in its enactment.
- Allocates the net market effect energy savings to Idaho Power using the funder share methodology.

Building Codes

- Conducts a third-party review to quantify the energy impacts compared to the previous code and claims these energy savings on all new construction for a 10-year period after the code goes into effect.
- Assigns saving based on an estimate of the code impact within each funder's respective region, a methodology known as service territory allocation.

8. As more fully described in the Drake Testimony and exhibits, while the evaluation found NEEA savings to be cost effective overall, it identified some concerns regarding NEEA's reported energy savings. In reviewing how NEEA accounts for energy savings related to its activities, the EM&V made a number of findings on various issues

including, but not limited to, concerns over the use of the funder share methodology to allocate savings stemming from voluntary measures and federal or state energy-saving product standards; the method and role of formal influence evaluations in determining savings for product standards and building codes; and data reporting practices. The EM&V also noted in its findings areas of divergence between the priorities and approaches of the NEEA, which develops programs to benefit a broader constituency and prioritizes cost-effective savings in terms of regional benefits, and its individual member utilities, that are beholden to their respective ratepayers and regulatory commissions. See Drake Testimony, Exhibit 1.

9. In relation to the findings of the EM&V dated April 6, 2023, the Evaluator made a number of recommendations for improvement, which ranged from changing to a service territory savings allocation methodology, completing influence evaluations to verify savings associated with federal standards, completing evaluations for code updates to quantify NEEA's influence, updating how annual savings and costs are reported, and other updates to how savings are accounted for and reported.⁴ Idaho Power sent a copy of the final report to NEEA in April 2023.

10. Upon reviewing the final EM&V report, NEEA provided responses to certain conclusions and recommendations as well as raised several questions regarding the findings in the report in a letter to Idaho Power and Avista sent in May 2023. Shortly thereafter, the companies, NEEA, and the Evaluator met to discuss the issues in more detail. As a result of that meeting, the Evaluator compiled a list of items requiring further follow-up with NEEA, and NEEA responded by providing additional information in late May and early June 2023. After reviewing the additional information, the Evaluator issued

⁴ See Drake Testimony, Exhibit 1 at 16-20 (listing of all of the Evaluator's findings and recommendations) and Exhibit 3 at 12-16 (table listing revised findings and recommendations).

an addendum to the EM&V report dated June 15, 2023, which recharacterizes some of the language from the initial report and revised certain findings and recommendations resulting from the evaluation. See Drake Testimony, Exhibit 3.

11. Idaho Power appreciates the efforts of the Evaluator in the evaluation of the Idaho-specific NEEA impacts. The Company is committed to the pursuit of tangible, transparent, and cost-effective energy savings for its customers and has initiated plans to address the Evaluator's recommendations. For example, the Company will explore methods or alternatives in calculating code savings in the near term and has been working with NEEA to address the issues moving forward. NEEA has reviewed the EM&V, offered feedback, has initially verbally agreed to implement some of the recommendations as soon as practicable, such as switching to service-territory allocated energy savings and providing more detailed estimates of expenditures, and to further evaluate other recommendations, some of which may require coordination with other NEEA members and/or board approval.

12. NEEA has played a significant role in energy efficiency within the Northwest, and its contributions have amounted to large energy efficiency savings across the region. Idaho Power has been a longstanding supporter of NEEA since its inception and continues to recognize the importance of regional collaboration. Notwithstanding, the Company recognizes the widening differences in jurisdictional regulatory goals, market trends, and customer needs across each state, which may impact its decision to continue participation in the next funding cycle (2025-2029).

13. In business planning for the 2025-2029 funding cycle, the Company will continue to address the concerns and recommendations of the EM&V and explore ways to reduce costs and keep the focus on energy efficiency measures and activities that deliver actual verified benefits to Idaho Power customers.

III. CONCLUSION

14. While Idaho Power and NEEA share the same fundamental objective of improving energy efficiency, as the EM&V demonstrates, their preferred approaches and priorities to pursuing this shared goal may not always align. Guided by the findings and recommendations of the EM&V, NEEA's potential implementation of any of the EM&V recommendations, and any Commission guidance received through orders issued in this matter or other relevant proceedings, the Company will evaluate whether it believes NEEA is a wise use of customer funds and provides sufficient direct benefits to Idaho residents moving forward in order to determine whether it will participate in the next funding cycle.

15. Idaho Power respectfully requests the Commission issue an order: (1) designating Idaho Power's 2022 DSM expenses of \$39,896,437 as prudently incurred, (2) finding the Company complied with the directives outlined in Order No. 35270, and (3) acknowledging continued participation in NEEA through the current funding cycle is likely to result in cost-effective energy savings for Idaho Power's customers.

Respectfully submitted this 30th day of June 2023.

 for

MEGAN GOICOECHEA ALLEN
Attorney for Idaho Power Company

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 30th day of June 2023, I served a true and correct copy of Supplemental Application upon the following named parties by the method indicated below, and addressed to the following:

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<p>Ed Jewell Deputy City Attorney Boise City Attorney's Office 150 N. Capitol Blvd. P.O. Box 500 Boise, ID 83701-500</p>	<p><input type="checkbox"/> Hand Delivered <input type="checkbox"/> U.S. Mail <input type="checkbox"/> Overnight Mail <input type="checkbox"/> FAX <input type="checkbox"/> FTP Site <input checked="" type="checkbox"/> Email ejewell@cityofboise.org dearly@cityofboise.org boisecityattorney@cityofboise.org</p>
<p>Wil Gehl Energy Program Manager Boise City Dept. of Public Works 150 N. Capitol Blvd. P.O. Box 500 Boise, ID 83701-500</p>	<p><input type="checkbox"/> Hand Delivered <input type="checkbox"/> U.S. Mail <input type="checkbox"/> Overnight Mail <input type="checkbox"/> FAX <input type="checkbox"/> FTP Site <input checked="" type="checkbox"/> Email wgehl@cityofboise.org</p>
<p>Becca Yates Northwest Energy Efficiency Alliance 700 NE Multnomah Street, Suite 1300 Portland, Oregon 97232</p>	<p><input type="checkbox"/> Hand Delivered <input type="checkbox"/> U.S. Mail <input type="checkbox"/> Overnight Mail <input type="checkbox"/> FAX <input type="checkbox"/> FTP Site <input checked="" type="checkbox"/> Email byates@neea.org</p>
<p>Nicole Hydzik Avista Corporation 1411 E. Mission Ave. Spokane, WA 99252-0001</p>	<p><input type="checkbox"/> Hand Delivered <input type="checkbox"/> U.S. Mail <input type="checkbox"/> Overnight Mail <input type="checkbox"/> FAX <input type="checkbox"/> FTP Site <input checked="" type="checkbox"/> Email Nicole.Hydzik@avistacorp.com</p>



Christy Davenport
Legal Administrative Assistant