

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF ROCKY MOUNTAIN ) CASE NO. PAC-E-20-11**  
**POWER’S APPLICATION FOR A )**  
**PRUDENCY DETERMINATION ON )**  
**DEMAND SIDE MANAGEMENT ) ORDER NO. 34970**  
**EXPENDITURES )**  
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On August 28, 2020, Rocky Mountain Power, a division of PacifiCorp (“Company”), asked the Commission to find that the Company prudently spent \$9,634,576 on demand side management (“DSM”) programs in 2018 and 2019.

On October 16, 2020, the Commission issued a Notice of Application and Notice of Intervention Deadline. Order No. 34813. No parties intervened. On December 29, 2020, the Commission issued a Notice of Modified Procedure. Order No. 34878.

**BACKGROUND**

The Commission approved cost recovery for DSM programs through Schedule No. 191, Customer Efficiency Services Rate Adjustment (“Schedule 191”), and a line-item surcharge (also known as a “Rider”), in 2006. Order Nos. 29952, 29976. Before the approval of Schedule 191, the Company was allowed to seek cost recovery for DSM expenditures in general rate cases. Order Nos. 22299, 22758. In approving Schedule 191, the Commission found that “cost effective DSM provides benefits to non-participants by reducing the overall cost of serving new load. It also benefits all Idaho customers by reducing Idaho’s allocation of system power supply costs.” Order No. 29952 at 9.

The Company collects revenues under the Schedule 191 Rider designed to match its anticipated expenditures on cost-effective DSM programs. The Schedule 191 Rider has fluctuated throughout the years, from 1.5% of base charges up to 4.72%. *See* Order No. 34255, PAC-E-18-12. Most recently, the Commission approved the Company’s request to lower the Schedule 191 Rider from 2.7% of base charges to 2.25%. *Id.* The Company is encouraged to pursue all cost-effective DSM, regardless of the balancing account status. *See* Order No. 34255 at 4. After the DSM programs are implemented and the costs are incurred, the Commission reviews the expenditures for prudence.

The Commission and the Company use a variety of methods to assess the cost effectiveness of energy efficiency as a resource. The Utility Cost Test (“UCT”) examines the cost to the utility of administering the program and compares those costs to supply-side resources avoided through the energy savings achieved. The Total Resource Cost Test (“TRC”) compares the costs of program administration and the costs borne by individual program participants compared to avoided supply-side resource costs. The Commission has approved the UCT as the primary determinant of cost effectiveness and stated that it more accurately assesses the value of energy efficiency as a resource than other tests such as the TRC. *See* Order No. 33766 at 5, Case No. PAC-E-16-14. The Company uses the PacifiCorp Total Resource Cost Test (“PTRC”) for its Low Income Weatherization program. Order No. 32788, GNR-E-12-01. The PTRC is the TRC plus a 10% conservation adder. *See id.* at 4-5. Under these tests, a program or measure is cost effective if the benefit/cost ratio is above 1.0.

#### **APPLICATION**

The Company reported that it spent \$4,766,097 in 2018 and \$4,868,479 in 2019 on DSM expenditures. Application at 3. The Company reported that its DSM programs saved 17,663 MWh in 2018 and 21,354 MWh in 2019. *Id.* at 5. The Company seeks to recover its expenditures under Schedule No. 21, Low Income Weatherization/Low Income Education (“Low Income Weatherization”), Schedule No. 118, Home Energy Saver (“Wattsmart Homes”), Schedule No. 140, Non-Residential Energy Efficiency (“Wattsmart Business”), and Home Energy Reports.

The Company reported that in 2018, its energy efficiency portfolio was not cost effective under the UCT. *Id.* Although the Company’s energy efficiency portfolio was not cost effective under the UCT in 2018, the Company reported that the Wattsmart Homes and Wattsmart Business programs passed the UCT, the Home Energy Reports program passed the UCT if the one-time start-up costs of establishing a new program administrator are excluded, and the Low Income Weatherization program passed the PTRC. *Id.* The Company stated that cost effectiveness was adversely impacted by the reduction in avoided costs from the 2017 Integrated Resource Plan (“IRP”). *Id.*

The Company reported that in 2019, its energy efficiency portfolio was cost effective under the UCT. *Id.* Additionally, the Wattsmart Homes, Wattsmart Business, and Home Energy Reports each were cost effective under the UCT and the Low Income Weatherization program passed the PTRC. *Id.* at 5-6.

The Company stated that in 2018-2019, the Company achieved 43,264 MWh of energy efficiency savings in Idaho out of 46,010 MWh selected by the IRP, equaling 94% of the savings identified in the IRP. *Id.* at 7. The achievable technical potential for 2018-2019 was 67,958 MWh. *Id.* The achievable technical potential was identified in the Company's conservation potential assessment and uses acquisition ramp rates and assumes 85% of the technical potential is achievable over 20 years. *Id.* at 6. The Company stated that actual program performance can fluctuate from year to year based on factors like economic conditions and the timing of large project completions. *Id.* at 7.

The Company stated that it conducts process and/or impact evaluations to assist in program management and to ensure its energy efficiency programs are cost effective through validation of energy savings. *Id.* at 7. The Company reported that process and impact evaluations were published for the Wattsmart Homes and Wattsmart Business programs during the 2018-2019 prudency timeframe. Further, the Company anticipated process and impact evaluations for the Low Income Weatherization, Wattsmart Business, and Home Energy Reports programs would be published by the first quarter of 2021. *Id.* at 8.

#### **COMMISSION STAFF COMMENTS**

Commission Staff filed the only comments and recommended the Commission approve the Company's request to designate \$9,634,576 in DSM expenditures in 2018 and 2019 as prudently incurred. Staff Comments at 2. Staff audited the Company's expenses and determined the Company documented the expenses correctly. *Id.* Staff determined the Schedule 191 Rider was overfunded by \$1,541,064 at the end of 2018 and \$1,066,780 at the end of 2019. *Id.* Staff stated the Commission's decision in PAC-E-18-12 to decrease the Rider from 2.7% to 2.25%, effective March 1, 2019, reduced the tariff rider revenues for each of the final ten months of 2019 compared to 2018 levels and reduced the overfunded tariff rider balance, as expected. *Id.* at 3.

Staff stated the Company's energy efficiency portfolio showed significant improvements in 2019 compared to 2018 in both energy savings and cost effectiveness. *Id.* In 2019 the Company exceeded its IRP target for energy savings at generation and had a UCT score of 1.09. But in 2018, the Company's energy efficiency portfolio achieved energy savings 15% below the IRP target and had a UCT score of 0.94. *Id.*

Staff verified that the Company's residential energy efficiency portfolio was cost effective under the UCT in 2018 and 2019 when the Low Income Weatherization program was

excluded, but the residential energy efficiency portfolio was not cost effective under the UCT when the Low Income Weatherization program was included. *Id.* Under the PTRC, the Low Income Weatherization program was cost effective in 2018 and 2019, although the reported savings have not yet been independently verified through a third-party Evaluation, Measurement, and Verification (“EM&V”) study. *Id.* at 4. In 2018, the Low Income Weatherization program had a PTRC of 1.39 and a UCT of 0.33 and in 2019 it had a PTRC of 1.13 and a UCT of 0.26. *Id.*

Staff reported that the Company works with two Community Action Partnership (“CAP”) agencies to provide weatherization services for low-income customers: the Eastern Idaho Community Action Partnership (“EICAP”) and the South Eastern Idaho Community Action Agency (“SEICAA”). *Id.* at 3. The CAP agencies weatherized 64 homes in 2018 and 71 homes in 2019. *Id.* The program costs increased 34% in 2019 over 2018. *Id.* at 4. Staff also stated that in November 2020 a third-party EM&V report determined that the Low Income Weatherization programs were not cost effective in 2016 and 2017, with an overall PTRC of 0.82. *Id.* The Company had reported its Low Income Weatherization programs were cost effective in 2016 and 2017 under the PTRC based on unverified savings. *Id.* “The report found a significant reduction in evaluated savings—163,296 kWh per year compared to the Company’s claimed gross savings of 271,409 kWh per year for both program years—for a realization rate of approximately 60 percent.” *Id.* Staff expressed concerns that a similar result might apply to the 2018 and 2019 reported savings when verified. *Id.* at 4-5. Staff reported that the Company has indicated it will move to a “real-time” feedback evaluation, working with evaluators concurrent with program delivery, to improve the Low Income Weatherization program and provide the Company with more timely information for the Company’s next prudency filing. *Id.* at 5.

The Company contributes \$25,000 annually to the two CAP agencies for low-income energy conservation education. EICAP receives \$16,000 annually and SEICAA receives \$9,000 annually. *Id.* Staff reported that EICAP has a growing carryover each year, with a balance of \$47,883 at the end of 2019 while SEICAA ended 2019 with zero funds to carry over. *Id.* The Company does not evaluate these funds for cost effectiveness. But the Company includes program expenses in its energy efficiency portfolios, which are evaluated for cost effectiveness. *Id.* In PAC-E-18-07, the Commission encouraged the Company “to explore the need for and possibility of fund sharing between the two CAP agencies.” Order No. 34224 at 6. In a DSM update meeting

with Staff, the Company stated a program manager would work with the CAP agencies to determine funding need and rebalance funding allocation. *Id.*

Staff stated the Wattsmart Home program was cost effective in 2018 and 2019. *Id.* at 6. The Wattsmart Home program has two main initiatives: 1) promoting smart thermostats and 2) offering a free advanced power strip. *Id.* A third-party evaluation found claimed energy savings in 2018 to be significantly overstated and verified savings to be more in line with claimed 2019 energy savings. *Id.* The Company distributed 3,132 electronic units in 2018 and 725 electronic units in 2019 to residential customers. *Id.* Staff noted the Electronics category in the Wattsmart Home program has not achieved cost effectiveness, with a 0.5 UCT in 2018 and a 0.61 UCT in 2019. *Id.* Staff recommended the Company demonstrate a path to cost effectiveness if the Company intends to continue the category. *Id.*

The Company spent \$397,274 on its lighting measures in 2019 compared to \$175,731 in 2018, which accounted for 49% of the total Wattsmart Home program costs in 2019. *Id.* at 7. The lighting UCT dropped from 0.89 in 2018 to 0.79 in 2019. *Id.* Staff encouraged the Company to evaluate how to lower program delivery costs, discuss options with stakeholders, and modify the program to ensure the program is cost effective going forward. *Id.*

The Company switched vendors that administer the Home Energy Reports, which entailed significant upfront costs, making the program not cost effective in 2018. *Id.* at 7. But in 2019, the program increased participation by 6,000 customers and achieved a UCT of 2.03. *Id.* Spreading the upfront costs over two years also would result in a cost-effective program. *Id.* Staff commended the Company for actively managing this program.

Staff reported that the Wattsmart Business program saved 37% more energy in 2019, and achieved a UCT of 1.25, after a UCT of 1.04 in 2018. *Id.* at 8. Staff stated the Company changed the program in several ways in 2018, “including restructuring the lighting retrofit incentives, adding prescriptive irrigation incentives, and adjusting cool roof measures[.]” *Id.* The Company’s small business direct install (“SBDI”) program faced challenges and scored a UCT of 0.75 in 2019 and 0.72 in 2018. *Id.* The Company adjusted the program to increase cost effectiveness and energy savings, but the adjustments, along with other market factors, resulted in a 44% decrease in customer participation in 2019. *Id.* Despite not achieving the desired result, Staff applauded the Company’s efforts and believes the Company has shown continuous dedication to improving the program’s cost effectiveness. *Id.*

The Company's Irrigation Load Control program is designed to balance customers' usage during peak summer hours by incentivizing curtailment during dispatchable events. *Id.* Staff reported that 11 control events for four hours each were administered in 2018, and none in 2019 because of low energy prices. *Id.* Currently, the Company does not evaluate the Irrigation Load Control program for cost effectiveness. *Id.* Staff recommended the Company track all measurable costs and savings for the program and outline the metrics in the Annual Reports. *Id.*

### **COMMISSION FINDINGS AND DECISION**


The Commission has jurisdiction over this matter under *Idaho Code* §§ 61-501, -502 and -503. The Commission is empowered to investigate rates, charges, rules, regulations, practices, and contracts of public utilities and to determine whether they are just, reasonable, preferential, discriminatory, or in violation of any provision of law, and to fix the same by order. *Idaho Code* §§ 61-502 and 61-503. Having reviewed the record, the Commission finds that the Company's 2018 and 2019 DSM expenditures were prudently incurred. The Commission appreciates the Company's active management of its DSM programs and the improvements observed from 2018 to 2019, such as in the Home Energy Reports. The Company should continue to evaluate and refine elements of its programs that continue to lag, such as the Electronics category of the Wattsmart Home program, and demonstrate a clear path to cost effectiveness if the Company plans to continue making those offerings available to customers. Further, the Company should track all measurable costs for the Irrigation Load Control program and outline program metrics in its annual DSM Reports. The Commission looks forward to seeing the results of the Company's planned move to a more real-time program evaluation for the Low Income Weatherization program so EM&V results can more quickly be integrated into program offerings.

### **ORDER**

IT IS HEREBY ORDERED that the Company's Application is granted. The Company prudently incurred \$9,634,576 in DSM expenses in 2018 and 2019.

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 with regard to any matter decided in 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.

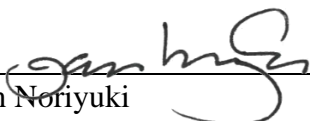
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 24<sup>th</sup> day of March 2021.

  
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PAUL KJELLANDER, PRESIDENT

  
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KRISTINE RAPER, COMMISSIONER

  
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ERIC ANDERSON, COMMISSIONER

ATTEST:

  
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Jan Noriyuki  
Commission Secretary

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