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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF ROCKY MOUNTAIN)
POWER'S APPLICATION FOR A PRUDENCY) CASE NO. PAC-E-20-11
DETERMINATION ON DEMAND SIDE)
MANAGEMENT EXPENDITURES) COMMENTS OF THE
) COMMISSION STAFF
)

STAFF OF the Idaho Public Utilities Commission ("Staff"), by and through its Attorney of record, Edward Jewell, Deputy Attorney General, submits the following comments.

BACKGROUND

On August 28, 2020, Rocky Mountain Power, a division of PacifiCorp ("Company") filed an application seeking a Commission order finding that Rocky Mountain Power prudently spent \$9,634,576 on demand side management ("DSM") in 2018 and 2019. The Company reports its DSM programs saved 17,663 MWh in 2018, and 21,354 MWh in 2019. The Company's DSM expenditures were \$4,766,097 for 2018 and \$4,868,479 for 2019.

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

The Company uses its energy efficiency rider to fund programs for approximately 84,000 customers in eastern Idaho. The Company offers four energy efficiency programs for its residential, business, and agricultural customers. Programs offered to the residential customers are the Low-Income Weatherization/Low-Income Education (Schedule 21), Home Energy Saver

or “Wattsmart Homes” (Schedule 118), and Home Energy Reports (no tariff). The Wattsmart Business (Schedule 140) is the energy efficiency program offered to business customers and agricultural customers. The Company also offers an irrigation load management program focused on demand response which is covered in its DSM Annual Reports (“Annual Reports”) but is not subject to energy efficiency tariff riders.¹ The Company’s DSM program savings, expenditures, cost effectiveness, and overall performance are outlined in the 2018 Annual Report and the 2019 Annual Report.²

STAFF ANALYSIS

Staff reviewed the Company’s Application, DSM Annual Reports, and additional information received during its audit of the Company’s DSM expenditures. Based on its review, Staff recommends the Commission approve the Company’s request to designate its DSM expenditures of \$9,634,576 in 2018 and 2019 as prudently incurred.

Rider Balance and Expenses

Staff audited the Company's DSM expenses and determined that the Company documented expenses correctly and that the Company's DSM rider expenses appear to be prudent. See Table No. 1 below for a summary of the Company’s rider revenues and expenses.

Table No. 1: Customer Efficiency Services Tariff Rider Balance

	2018	2019
Beginning balance - overfunded ³	\$ 1,127,251	\$ 1,541,064
Tariff rider revenue	5,142,442	4,481,050
Carrying charges	18,433	33,527
DSM expenses	(4,747,062)	(4,988,861)
Ending balance - overfunded	\$ 1,541,064	\$ 1,066,780

¹ See Order No. 32196: Idaho’s share of program cost will be shifted from the Company’s tariff rider to base rates for the Irrigation Load Control Program.

²The 2018 Annual Report is available at https://www.pacificorp.com/content/dam/pcorp/documents/en/pacificorp/environment/dsm/idaho/2018_ID_DSM_Annual_Report_Appendices.pdf and the 2019 Annual Report is available at: https://www.pacificorp.com/content/dam/pcorp/documents/en/pacificorp/environment/dsm/idaho/2019_ID_DSM_Annual_Report_4-20-20.pdf

³ The beginning balance for 2018 does not include the \$9,210 adjustment to decrease the balance that the Commission approved in Case No. PAC-E-18-07. This adjustment was included in 2018 DSM expenses.

In Case No. PAC-E-18-12, the Commission approved a decrease to the Company’s Customer Efficiency Services Rate from 2.7% to 2.25%, effective March 1, 2019. Order No. 34255. As expected, this rate decrease lowered tariff rider revenues for each of the final 10 months of 2019 compared to 2018 levels, and reduced the overfunded tariff rider balance.

Energy Savings

The Company’s energy efficiency portfolio achieved 43,264 MWh savings at generation over 2018 and 2019, failing to achieve the Integrated Resource Plan (“IRP”) target of 46,010 MWh. Notably, in 2018 the energy efficiency portfolio fell 15% below the IRP energy savings target. It is unclear why the Company did not achieve its 2018 IRP target. The portfolio also failed the Utility Cost Test (“UCT”) in 2018 at 0.94. The portfolio showed significant improvements in 2019, exceeding its IRP target and achieving a UCT of 1.09. See Table No. 2 below for a summary of the programs’ energy savings and UCT.

Table No. 2: Rocky Mountain Power’s Idaho DSM Portfolio

Metric	2018	2019
Savings (at customer meter)	17,663 MWh	21,354 MWh
Savings (at generation)	19,595 MWh	23,669 MWh
IRP target (at generation)	22,950 MWh	23,060 MWh
Utility Cost Test (UCT)	0.94	1.09

Residential Programs

The Company’s Residential Portfolio was cost effective from the UCT perspective (UCT of 1.06 in 2018 and a 1.07 in 2019) when excluding the Low-Income Weatherization program. When including the Low-Income Weatherization program, the Residential Portfolio is not cost effective with a UCT of 0.89 in 2018 and 0.85 in 2019.

Low-Income Weatherization/Low-Income Conservation Education (Schedule 21)

For low-income customers, the Company works with two Community Action Partnership (“CAP”) agencies to provide weatherization services, Eastern Idaho Community Action Partnership (“EICAP”) and South Eastern Idaho Community Action Agency (“SEICAA”). The Company reported its Low-Income Weatherization program as cost effective in both years, with

a PacifiCorp Total Resource Cost Test (“PTRC”) of 1.39 in 2018 and 1.13 in 2019.⁴ However, the reported savings have not yet been independently verified through a third-party Evaluation, Measurement, and Verification (“EM&V”) study. The number of homes weatherized by the CAP agencies increased from 64 in 2018 to 71 in 2019, and the program costs increased 34%, resulting in an overall decline in the cost effectiveness in 2019 compared to 2018, as displayed in Table No. 3 below.

Table No. 3: Low-Income Weatherization Program Results

Low-Income Weatherization	2018	2019
Homes serviced	64	71
Claimed energy savings (kWh)	82,868	89,208
Benefits	\$83,240	\$88,510
Non-energy benefits	\$264,589	\$288,259
Costs	\$255,771	\$341,665
PTRC (TRC + 10 % conservation adder)	1.39	1.13
UCT	0.33	0.26

In the Company’s previous DSM prudence case, Case No. PAC-E-18-07, the Company reported the Low-Income Weatherization programs were cost effective in 2016 and 2017 from the PTRC perspective. In November 2020, ADM Associates, Inc. (“ADM”) completed the 2016-2017 Low-Income Weatherization EM&V Report and concluded that the program was not cost effective, with an overall PTRC of 0.82 for 2016-2017.⁵ 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. Because the Company’s reported savings for 2018 and 2019 have yet to be verified, Staff is concerned that the program will not be cost effective when verified

⁴ Order No. 32788 in GNR-E-12-01 outlines how the Company calculates cost effectiveness for Low-Income programs. The PTRC test is the TRC test plus a 10% conservation adder.

⁵Idaho Low Income Weatherization Program Evaluation, Measurement, & Verification Report 2016-2017 at 38 available at https://www.pacificorp.com/content/dam/pcorp/documents/en/pacificorp/environment/dsm/idaho/2016-17_PacifiCorp_Low_Income_Weatherization_Report_ID_FINAL_clean.pdf (last visited February 17, 2021).

savings are known. In a meeting with Staff in December 2020, the Company said it will handle future evaluations by moving to a “real-time” feedback evaluation that will work with evaluators in concurrence with the program delivery, as well as assess performance of the projects and/or processes for the DSM programs. Given the length of time EM&V reporting can take, Staff believes the Company’s decision to move forward with “real-time” evaluations should improve the Low-Income Weatherization program and provide the Company with the most up-to-date results for its cost-effectiveness tests in the Company’s next prudency filing.

In addition to the Low-Income Weatherization program, the Company contributes \$25,000 annually to low-income conservation education. Those funds are split between the two CAP agencies in its service territory, with EICAP receiving \$16,000 annually and SEICAA \$9,000 annually. The CAP agencies provide tips on how to conserve energy and provide energy efficiency kits to low-income customers who receive Low-Income Home Energy Assistance Program (“LIHEAP”) funds. While these services may provide energy savings, the Company does not conduct cost-effectiveness tests on this program.⁶ However, the expenses for the program are included in the cost-effectiveness test for the program’s entire energy efficiency portfolios. The EICAP has had a growing carryover of funds each year, with a 2019 ending balance of \$47,883, while SEICAA ended 2019 with zero funds to carry over into 2020.

In the Company’s previous DSM prudency case, Case No. 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. Similarly, in the Company’s 2016-2017 Low-Income Weatherization EM&V study, ADM recommended the Company “consider rebalancing the allocation of funding across implementation agencies to address unmet demand in Eastern Idaho Community Action Partnership’s service area.”⁷ The Company addressed these recommendations in its most recent DSM update meeting with Staff in December 2020, stating that a program manager will work with both EICAP and SEICAA to determine funding need and rebalance funding allocation. Staff will monitor the low-income programs for future fund sharing between the two CAP agencies.

⁶ GNR-E-12-01, Order No. 32788, Att. A (Staff Recommendation stating, “As with other education programs in which energy savings are often very difficult to determine, the [conservation education] programs should not be subjected to standard cost-effectiveness tests like the TRC and UCT.”)

⁷ Idaho Low Income Weatherization Program Evaluation, Measurement, & Verification Report 2016-2017 at 38 available at https://www.pacificorp.com/content/dam/pcorp/documents/en/pacificorp/environment/dsm/idaho/2016-17_PacifiCorp_Low_Income_Weatherization_Report_ID_FINAL_clean.pdf (last visited February 17, 2021).

Home Energy Savings/Wattsmart Home (Schedule 118)

The Wattsmart Home program, also called Home Energy Savings, is available for new or existing homes, multi-family housing, and manufactured homes. Residential customers can participate in multiple measures and incentives offered across multiple categories, e.g., HVAC and Lighting. Overall, the Wattsmart Home program was cost effective in both years with a UCT of 1.13 in 2018 and 1.11 in 2019. Application at 6. The 2018 Annual Report claims significantly higher kWh savings at site than reported in 2019. However, following the completion of the 2017-2018 Wattsmart Home Program Evaluation prepared by ADM,⁸ evaluated savings in 2018 were more in line with the Company's claimed savings in 2019, as shown below:

Table No. 4: Wattsmart Home Annual Savings

2018 Claimed Savings (2018 Annual Report)	3,771,635 kWh/yr (at site)
2018 Evaluated Gross Savings (2017-2018 EM&V)	3,166,917 kWh/yr
2019 Claimed Savings (2019 Annual Report)	2,808,414 kWh/yr (at site)
2018 Electronics Evaluated Gross Savings (2017-2018 EM&V)	676,512 kWh/yr
2019 Electronics Claimed Savings (2019 Annual Report)	156,600 kWh/yr (at site)

The significant drop in Wattsmart program savings in 2019 coincides with the drop in the Electronics measure savings, as displayed in Table No. 4 above. In 2018, the Company's marketing team supported two main initiatives for the Wattsmart program. 1) promoting its smart thermostat incentive and 2) offering a free advanced power strip. These were the only items included in the Electronics category that year. The Company distributed 3,132 electronic units in 2018 and 725 electronic units in 2019 to residential customers. That decrease in distributed units is reflected in the drop in kWh savings in 2019. Since introducing the Electronics category in 2018, it has not achieved cost effectiveness, with a 0.5 UCT in 2018 and 0.61 UCT in 2019. Staff recommends the Company address the cost effectiveness of the category and demonstrate a path to cost effectiveness if it plans to continue the category.

⁸Final Evaluation Report for PacifiCorp wattsmart Homes Program in Idaho, Program Years 2017-2018 *available at* https://www.pacificorp.com/content/dam/pcorp/documents/en/pacificorp/environment/dsm/idaho/wattsmart_Homes_Program_Evaluation_2017-2018.pdf (last visited February 17, 2021).

The Company had significant increases in cost associated with the lighting measure in 2019, spending \$397,274 in 2019 after spending \$175,731 in 2018. The increase made lighting the Company’s most expensive residential measure, accounting for 49% of the total Wattsmart Home program costs. Notably, in 2019 the Company incurred an increase of \$214,974 in the program delivery costs for lighting. With the increased expense came a decrease in cost effectiveness, with the measure decreasing to a 0.79 UCT from 0.89 in 2018. Staff encourages the Company to specifically address the increased program delivery costs, evaluate other areas for improvement, and discuss with stakeholders ways to make lighting cost effective going forward. The lighting industry has shown significant strides and market adoption for energy efficiency measures over the last several years. Constant adjustments, adoption, and removal of the various measures offered are necessary for making measures and programs cost effective going forward.

Home Energy Reports

Home Energy Reports (“HER”) is a behavioral program that encourages residential customers to decrease energy usage by providing them with energy saving tips and comparative data via email or postal mail. The Company switched vendors from OPower to Bidgely in 2018. This change had significant upfront costs that markedly lowered the program’s cost effectiveness. However, removing the initial costs would have made the program cost effective in 2018, and the program was cost effective with significantly increased participation in 2019, as shown in Table No. 5 below:

Table No. 5: Home Energy Reports Cost Effectiveness

	2018	2018 without initial fees	2019
Net benefit	\$ (29,460)	\$ 60,540	\$ 80,441
UCT	0.82	1.86	2.03
Customers at year end	12,669	12,669	18,876

Ignoring startup or one-time fees entirely when evaluating cost-effectiveness results would not be appropriate, but amortizing those one-time expenses over two years, 2018 and 2019, would show that the Bidgely-run HER program was cost-effective.

Unlike other DSM measures, the Company claims savings for the HER based on single-year energy savings. That means the Company does not assume that customer behavioral

changes will persist over several years, as it does with other measures such as lighting or appliances. Staff feels this conservative approach to claiming savings is appropriate for this program, as participant savings tend to decrease when customers stop receiving reports.

The Company has also increased the number of customers participating in the HER program, adding 6,000 customers from the end of 2018 to the end of 2019, as shown in Table No. 5 above. The opt-out rate for customers was less than 1% in both years. The additional customers contributed to a 12% increase in total energy savings for the program. Staff appreciates the Company's active management of this program.

Non-Residential Programs

Wattsmart Business (Schedule 140)

Total non-residential program savings increased 5% from 2017 to 2018, resulting in a total of 11,006 MWh of savings and a UCT of 1.04 as reported in the 2018 Annual Report. Following multiple program changes and adjustments in 2018, including restructuring the lighting retrofit incentives, adding prescriptive irrigation incentives, and adjusting cool roof measures, the Wattsmart Business program experienced a 37% increase in energy savings in 2019 while also increasing its UCT to 1.25. While the Small Business Direct Install ("SBDI") program had reduced savings, as discussed below, the Company reported a significant increase in savings in the Irrigation and Energy Management measure categories accounting for 47% of the Company's Wattsmart Business savings in 2019.

In its 2018 Annual Report, the Company recognized its struggles with the SBDI program despite recording an energy savings increase of more than 30% in 2018. The Company states that "increased savings targets combined with deeper market penetration and increased product costs due to Chinese tariff regulations resulted in a much more challenging effort to serve the small business community." 2018 Annual Report at 29. To increase cost effectiveness and energy savings, the Company increased customer "up to" co-pays to 50% from 25% and increased the maximum incentive amount from \$5,000 to \$7,500 per site. However, after these adjustments, the SBDI program experienced a 44% decrease in customer participation in 2019. Overall, 1,146 MWh savings were installed at customer sites for a total utility cost of \$504,695 which was not cost effective with a 0.75 UCT in 2019. The program had a slight increase in cost effectiveness from 2018's 0.72 UCT. Staff applauds the Company for their work with

implementing energy efficiency measures in small businesses and believes the Company has shown continuous dedication in improving the cost effectiveness of the program.

Cadmus is currently evaluating the Wattsmart Business program for 2018 and 2019 and is projected to publish a report by the first quarter of 2021.

Irrigation Load Control

The Company offers an Irrigation Load Control program designed to balance customers' energy usage during peak summer hours. Participating customers receive an incentive for curtailment of their electricity usage during dispatchable events. EnerNOC administers and manages this demand response program, which runs from the first week of June through the middle of August. Overall, the program provides a valuable reduction of energy on the system, allowing the Company to defer higher cost investments that might otherwise be needed during peak summer hours.

In 2018, the Irrigation Load Control program administered 11 control events for 4 hours each, and the Company estimates an average load reduction of 103 MW at generation for those events. In 2019, the program did not administer any control events due to low energy prices.

The Company does not track and report many aspects of the Irrigation Load Control program and does not provide a cost-effectiveness calculation. *See* Response to Production Request No. 13. Staff recommends the Company track all measurable costs and savings for the Irrigation Load Control program and outline these metrics in the Company's future Annual Reports.

Idaho Stakeholder Meetings

In the Company's previous DSM prudency case, Case No. PAC-E-18-07, Staff requested that the Company schedule two meetings per year with Staff to discuss DSM programs. Since that time, the Company has scheduled two meetings with Staff per year, which have been informative and productive.

STAFF RECOMMENDATIONS

Staff recommends that the Commission issue an Order approving the Company's DSM expenses of \$4,766,097 in 2018 and \$4,868,479 in 2019 as prudently incurred.

Respectfully submitted this 22nd day of February 2021.



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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 22ND DAY OF FEBRUARY 2021, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. PAC-E-20-11, BY E-MAILING A COPY THEREOF, TO THE FOLLOWING:

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