

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF THE APPLICATION**     )  
**OF INTERMOUNTAIN GAS COMPANY’S**     ) **CASE NO. INT-G-20-04**  
**REQUEST FOR AUTHORITY TO**             )  
**IMPLEMENT A COMMERCIAL ENERGY**     )  
**EFFICIENCY PROGRAM AND FUNDING**     ) **ORDER NO. 34941**  
**MECHANISM**                                 )  
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On August 3, 2020, Intermountain Gas Company, a subsidiary of MDU Resources Group, Inc. (“Company”) applied to begin the Commercial Energy Efficiency Program (“Commercial EE Program”) and associated funding mechanism. The Company proposed an October 1, 2020 effective date for the Commercial EE Program and Commercial Energy Efficiency Charge (“Funding Mechanism”).

On September 3, 2020, the Commission issued a Notice of Application and Notice of Intervention Deadline (“Notice”) setting a 21-day intervention deadline and suspending the Company’s effective date for five months and 30 days. Order No. 34771 at 4. The Idaho Conservation League (“ICL”) was the only party to intervene. *See* Order No. 34790.

On December 11, 2020, the Commission issued Notice of Modified Procedure and set comment and reply comment deadlines for interested persons and parties and the Company. Order No. 34869 at 1-2. Staff filed comments on January 26, 2021 and was the only party to do so. The Company filed reply comments on February 9, 2021.

Having reviewed the record, the Commission issues this Order approving the Company’s Application consistent with our findings below.

**APPLICATION**

The Company hired Dunskey Energy Consulting in 2018 to perform a Conservation Potential Assessment (“CPA”).<sup>1</sup> *Application* at 4. The Company asserts the CPA covers years 2020-2039, with an emphasis on the first five years, analyzing viable conservation and efficiency measures and total savings that could be achieved. *Id.* The Company represents the CPA showed strong potential for application of these measures for commercial customers. *Id.*

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<sup>1</sup> The CPA was attached as Exhibit A to the Company’s Application in Case No. INT-G-19-07.

The Company states it developed the Commercial EE Program using the CPA and input from the Company's Energy Efficiency Stakeholder Committee ("EESC"). *Id.* at 4-6. The Commercial EE Program focuses on therm-saving measures for HVAC, commercial kitchen appliances, and hot water savings. *Id.* For HVACs this includes proposed rebates for three high-efficiency appliances: boilers with 300,000 British Thermal Units per Hour ("Btuh") input size or greater, installation of boiler reset controls and condensing unit heaters. *Id.* at 7. The kitchen end-use category offers proposed incentives for the installation of high-efficiency natural gas commercial kitchen appliances. *Id.* The Company asserts all kitchen appliances must be ENERGY STAR® certified to qualify. *Id.* The Company also believes there are benefits in combining smaller conservation and energy efficiency measures into Energy Savings Kits ("ESK" or "ESKs"). *Id.* at 6. The Company would provide ESKs to commercial customers for free that focus on water saving measures such as a pre-rinse spray valve, restroom faucet aerators, kitchen faucet aerators and a water temperature gauge. *Id.* Last, the Company notes the CPA reviewed the cost effectiveness of commercial retrofit and commercial equipment programs and found that a commercial equipment program would be most cost effective. *Id.* at 5.

For the first year of the Commercial EE Program the Company anticipates total costs of approximately \$411,000 (\$170,000 for program administration and \$241,000 in rebate payments). *Id.* at 8. The Company represents that program administration costs and rebate payments in future program years will be based on actual, ongoing program results. *Id.*

The Company proposes to apply 20% of the total residential energy efficiency ("Residential EE Program")<sup>2</sup> and Commercial EE Program administration to the Commercial EE Program. *Id.* At the end of the first program year, actual therm savings will be used to allocate actual program administration between the Residential and Commercial EE Programs which will be used in the cost effectiveness calculations and Energy Efficiency Charge true-up for each customer class. *Id.*

The Company states the Commercial EE Program's first year \$411,000 budget would equate to a per therm charge of \$0.00320 for the Company's GS-1 class, and result in an increased bill of \$1.02 per month, or 0.6%, for the Company's average GS-1 customer. *Id.* The Commercial EE Program and associated per therm charge is reflected in the Company's proposed Rate

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<sup>2</sup> The Commission approved implementation of the Company's first energy efficiency program for residential customers, effective October 1, 2017. *See* Order No. 33888.

Schedules EE-GS and EEC-GS. *Id.* The Company states customers using gas solely as Compressed Natural Gas Fuel for their vehicles would be excluded from the Commercial EE Program and exempt from the accompanying per therm charge. *Id.* at 8-9.

The Company also proposes to revise its tariffs if the Commission approves the Commercial EE Program. *Id.* at 9. To avoid confusion, the Company proposes renaming its Residential EE Program tariffs from Rate Schedules EE and EEC to Rate Schedules EE-RS and EEC-RS. *Id.* The Company also proposes to update its Rate Schedules RS and GS-1 to incorporate references, terms and conditions associated with the Commercial and Residential EE Programs. *Id.*

The Company represents it notified GS-1 customers about the Application through a Customer Notice and a Press Release sent to daily and weekly newspapers, and major radio and television stations in the Company's service area. *Id.* at 10.

## COMMENTS

### **1. Staff Comments**

Staff believes the Company's request to establish a separate Commercial EE Program is reasonable. *Staff Comments* at 3. Staff states there are seven measures in the Commercial EE Program and recommends that the Commission authorize the Company to implement the Commercial EE Program and all measures proposed except for the ESK measure. *Id.*

Staff believes GS-1 customers should bear the costs of the Commercial EE Program since energy savings from it will primarily accrue to those customers. *Id.* Staff recommends that the Commission authorize the Funding Mechanism, as proposed by the Company to recover the costs of the Commercial EE Program from those customers. *Id.* Staff also asserts that the Company should consider consolidating the Residential and Commercial EE Programs when they have matured. *Id.*

Staff expressed concerns about the cost effectiveness and implementation of the ESK measure and recommends that the Company employ it as a pilot project, limiting the number of ESKs it purchases and distributes to GS-1 customers to 350, the number the Company forecasts being installed in the first year of the Commercial EE Program. *Id.* at 4. Staff believes this will allow the Company to gather sufficient data to verify the savings and cost effectiveness of this measure. *Id.*

Staff also has concerns about the high projected administrative cost of the Commercial EE Program, which is 43% of its budget. *Id.* at 5. Staff states the budgeted administrative cost is split between the Commercial and Residential EE Programs, with the Commercial EE Program incurring 20% of shared costs. *Id.* Staff recognizes this cost allocation was used for budgeting the new program. *Id.* However, Staff encourages the Company to directly assign all costs incurred to the proper energy efficiency program, whenever feasible, so costs are properly allocated to customer classes. *Id.* For costs that cannot be directly assigned, Staff recommends that costs be allocated based on factors that are driving the costs to be incurred. *Id.* Staff believes the Company's proposed allocation method as a starting point is reasonable but expects to review cost allocations and cost drivers in a future prudency case. *Id.*

Staff further recommends that the Company be required to file an Annual Commercial EE Report that includes overall program costs, and the cost effectiveness and realization rates for each of its Commercial EE Program measures. *Id.*

Staff believes that a CPA, such as that conducted by Dunskey, is a reasonable starting point for designing an energy efficiency program, selecting cost effective measures, and setting initial rebate levels. *Id.* But Staff also believes that the savings estimates from the CPA are preliminary and the Company should obtain more accurate estimates once a new measure has been implemented. *Id.* In most cases, Staff believes that the best savings estimates will be derived from billing data; however, it may be possible to develop reasonably good estimates using other sources, such as consumption information obtained directly from commercial equipment using data loggers. *Id.* Staff believes that the Company should propose a plan for evaluating the energy savings of each new measure, or modification to an existing measure, with input from the EESC to be approved by the Commission. *Id.*

Staff recommends that the Company include a plan for the monitoring and evaluation of the seven measures in it, and any additional measures the Company will propose in its first (CY 2022) annual report. *Id.* Staff also recommends that the Company retain an independent evaluator to perform an Evaluation, Measurement, and Verification ("EM&V") for inclusion with the Company's subsequent (CY 2023) annual report. *Id.* Last, Staff recommends that representatives from the GS-1 class be included in the Company's EESC. *Id.*

Staff reviewed the Company's customer notice and press release and determined they comply with Rule 125 of the Commission's Rules of Procedure. IDAPA 31.01.01.125. *Id.* at 7.

The customer notice was included with bills mailed to customers beginning August 5, and ending September 2, 2020, providing customers with a reasonable opportunity to file comments by the January 26, 2021, deadline. *Id.* As of January 26, 2021, one customer commented with concerns about energy efficiency measures and increased costs to ratepayers. *Id.*

## **2. Intermountain Gas Company Reply Comments**

The Company agrees that reporting is an important part of any energy efficiency program and is committed to providing an accurate Annual Commercial EE Program report that includes the rider reconciliation; evaluation plan; EM&V results (CY 2023 report); and the use of EM&V results to adjust program savings and incentive levels as outlined by Staff. *Intermountain Gas Company Reply Comments* at 2.

The Company states the method for determining the cost effectiveness of any measure in the Commercial EE Program should be based on the advice of the Company's EM&V consultant and discussions with the EESC rather than the "prescriptive approach" of using billing data as recommended by Staff. *Id.*

The Company agrees with Staff that there are unknowns regarding the ESK measure and believes Staff's recommendation to operate the measure as a pilot program is reasonable. *Id.* at 3.

The Company also recognizes the importance of including representatives from the GS-1 rate class on the EESC. *Id.* If the Commercial EE Program is approved, the Company plans to recruit GS-1 customers for the EESC. *Id.*

## **COMMISSION FINDINGS AND DECISION**

The Company is a gas corporation under *Idaho Code* § 61-117, and a public utility under *Idaho Code* § 61-129. The Commission has jurisdiction over the issues in this case under Title 61 of the Idaho Code, including *Idaho Code* §§ 61-301, 501, 502, and 503.

In Order No. 33757, in which the Commission authorized the Company to begin an energy efficiency/Demand Side Management ("DSM") program, the Commission found:

DSM, as both a least-cost resource and an important element of promoting energy efficiency, is an important part of any utility's provision of service. Accordingly, we find it reasonable to authorize the Company to implement its proposed DSM program, recognizing that the Company represents that this program will be used as a starting point from which to develop more robust DSM offerings.

Order No. 33757 at 37. Consistent with these findings, the Commission finds that programs like the Commercial EE Program, have value to the Company and its customers.

Having reviewed the record in this case, the Commission authorizes the Company to implement the Commercial EE Program and finds the associated Rate Schedule EE-GS–General Service Energy Efficiency Rebate Program is fair, just, and reasonable. The Commission finds that the proposed energy efficiency measures in the Commercial EE Program, except for the ESK measure, are reasonable and may be implemented without modification. Due to questions about the ESK measure’s cost effectiveness, the Commission, at least initially, only authorizes that measure to operate as a pilot program. The Company may purchase and distribute up to 350 ESKs, the number the Company forecasts will be installed in the first year of the Commercial EE Program. We find the Company’s proposals to implement the ESK measure effectively, such as requiring customers to fill out an application to receive an ESK, working with its HVAC and plumbing vendors, and surveying customers after they receive them to be worthwhile and should be employed. As the Company gathers data from this pilot program, we encourage the Company to share survey results and cost effectiveness data with Staff and the EESC before seeking to continue the measure on a larger scale.

The Commission finds that the Company’s GS-1 customers, who will realize the energy savings from the Commercial EE Program, should bear the cost of funding it. The Commission thus finds that approving the Company’s proposed Rate Schedule EEC-GS, which will allow the Company to collect a \$0.00320 per therm surcharge (“EEC”) from its GS-1 customers, is fair, just and reasonable. The EEC will not apply to customers using gas solely as Compressed Natural Gas Fuel in vehicular internal combustion engines as they would not be included in the Commercial EE Program. Last, the Commission finds it reasonable to approve the Company’s request to rename Rate Schedules EE and EEC, for the Company’s Residential EE Program, as Rate Schedules EE-RS and EEC-RS and to make minor changes to the Company’s Rate Schedules RS and GS-1 associated with the Commercial and Residential EE Programs.

We also find it reasonable to direct the Company to obtain an independent third-party EM&V study for all Commercial EE Program incentives. The EM&V will serve as an important tool for determining which Commercial EE Program incentives are cost effective and what modifications should be made. The Commission appreciates the Company’s willingness to undertake this step as represented in its Reply Comments. *Reply Comments* at 2. Rather than

prescribing the method of conducting the EM&V, the Commission finds that the Company may work with its EM&V consultant and EESC to set the parameters and content of such undertaking. When reporting savings from the Commercial EE Program, the Company's estimates should be adjusted using the results of the most recent EM&V.

Because the Commercial EE Program is new, the Commission finds it reasonable to require the Company to file an Annual Commercial EE Program Report ("Report"). The Report should include, but not be limited to:

- An accounting of the Energy Efficiency Rider (rider reconciliation);
- A plan for measuring the effectiveness of each existing measure, modification to existing measures, or new measure. Beginning with the Company's CY 2022 Report, the Company should propose an evaluation plan for each of its proposed measures, existing measures, or proposed modifications to existing measures.
- Billing data should be included in the Report, when available, as an additional tool to help measure the cost effectiveness of each measure; and
- Beginning with the CY 2023 Report, the Company should include the results of an EM&V study conducted on selected measures.

Last, the Commission finds that the Company should include representatives from the GS-1 rate class in its EESC. The Commission appreciates the Company's willingness to take this step as represented in its reply comments. *Reply Comments* at 3.

Overall, the Company's desire to implement a cost effective energy efficiency program is well placed. We look forward to seeing the Commercial EE Program evolve. We also encourage the Company to collaborate with Staff, the EESC, and other advisory groups to tailor Commercial EE Program incentives to attract GS-1 customers and enable the Company to offer cost effective energy efficiency measures. However, the Commission makes no finding or determination about the reasonableness or prudence of the Company's Commercial EE Program, the energy efficiency measures in it, or expenses in this case, which will be subject to review and possible approval in a separate case. Further, we remind the Company to monitor, assess, and evaluate the Commercial EE Program's ongoing cost effectiveness. We expect the Company to timely advise the Commission of any changes to the cost effectiveness of the Commercial EE Program.

## **ORDER**

IT IS HEREBY ORDERED that the Company's Application for authority to implement the Commercial EE Program and Funding Mechanism is granted as set forth above.

IT IS FURTHER ORDERED that the Commission approves the Company's proposed \$0.00320 per therm charge to be assessed on the Company's GS-1 customers. This charge will be assessed as set forth in Rate Schedules EE-GS and EEC-GS, which are also approved, effective April 1, 2021. The Commission also approves the proposed changes in the Company's Rate Schedule GS-1 to reflect the Commercial EE Program. The Company shall file conforming tariffs with the Commission within ten (10) days of the service date of this Order.

IT IS FURTHER ORDERED that the Company's request to rename Rate Schedules EE and EEC, the tariffs for the Company's Residential EE Program, as Rate Schedules EE-RS and EEC-RS is approved. The Commission also approves the Company's proposed changes to its Rate Schedule RS – Residential Service to reflect the new tariff names for its Residential EE Program. The Company shall file conforming tariffs with the Commission within ten (10) days of the service date of this Order.

IT IS FURTHER ORDERED that the Company shall develop a plan to have an EM&V study completed for its Commercial EE Program. The EM&V study will be used to assess and modify the incentives offered through the Commercial EE Program to ensure its cost effectiveness.

IT IS FURTHER ORDERED that the Company shall prepare and file an Annual Commercial EE Program Report containing the information required by the Commission.

IT IS FURTHER ORDERED that the Company should include representatives from the GS-1 rate class in its EESC.

IT IS FURTHER ORDERED that the Company immediately and continuously monitor, evaluate, and update its Commercial EE Program incentives with the best available data.

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. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code § 61-626.*

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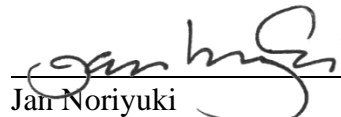
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 8<sup>th</sup> day  
of March 2021.

  
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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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