

JOHN R. HAMMOND, JR.  
DEPUTY ATTORNEY GENERAL  
IDAHO PUBLIC UTILITIES COMMISSION  
PO BOX 83720  
BOISE, IDAHO 83720-0074  
(208) 334-0357  
IDAHO BAR NO. 5470

RECEIVED  
2021 JAN 26 PM 1:33  
IDAHO PUBLIC UTILITIES COMMISSION

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

Attorney for the Commission Staff

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF THE APPLICATION )**  
**OF INTERMOUNTAIN GAS COMPANY’S ) CASE NO. INT-G-20-04**  
**APPLICATION FOR AUTHORITY TO )**  
**IMPLEMENT A COMMERCIAL ENERGY )**  
**EFFICIENCY PROGRAM AND FUNDING ) COMMENTS OF THE**  
**MECHANISM ) COMMISSION STAFF**  
\_\_\_\_\_ )

**COMES NOW** the Staff of the Idaho Public Utilities Commission (“Staff”), by and through its attorney of record, John R. Hammond, Jr., Deputy Attorney General, and in response to the Notice of Modified Procedure issued in Order No. 34869 on December 11, 2020, in Case No. INT-G-20-04, submits the following comments.

**BACKGROUND**

In Case No. INT-G-16-02, the Commission authorized the Company to implement a Residential Demand Side Management (“DSM”) program. Order No. 33757.

In Case No. INT-G-17-03, the Commission approved the Company’s proposed residential DSM program with some modifications and authorized a \$0.00367 per therm surcharge for Residential (“RS”) customers. Order No. 33888.

On August 3, 2020, Intermountain Gas Company (“Company”) applied for authority to implement a Commercial Energy Efficiency (“Commercial EE”) Program that would be funded

by a \$0.00320 per therm surcharge from its General Service (“GS-1”) customers. *Application* at 8. The Company requested that the Application be processed by Modified Procedure. *Id.* at 10. The Company proposed an October 1, 2020, effective date for the Commercial EE Program coincident with the effective date of the price change related to the Company’s annual Purchased Gas Cost Adjustment. *Id.* at 9-10.

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

## **STAFF ANALYSIS**

### **Summary**

Staff recommends that the Commission authorize the Company’s proposed Commercial EE Program, and that the Company be authorized to collect a \$0.00320 per therm surcharge from its GS-1 customers. Staff also recommends that the proposed Energy Savings Kit (“ESK”) measure be treated as a limited pilot program until sufficient data has been gathered to determine its cost effectiveness. Staff further recommends that the Company be required to file an annual Commercial EE report that includes overall program costs, as well as the cost effectiveness and realization rates for each of its Commercial EE measures. Last, Staff recommends that additional representatives from the GS-1 class be included in the Company’s Energy Efficiency Steering Committee (“EESC”).

### **New Commercial EE Program**

The Company seeks authority to implement a Commercial<sup>1</sup> EE Program and funding mechanism that is separate from the Company’s current Residential DSM program and funding mechanism. The Company’s request is atypical of how incremental EE/DSM programs and funding have been implemented by other utilities in Idaho. Generally, program expansions have been implemented through modification of existing EE/DSM programs and funding mechanisms, and not by creation of a new program.

---

<sup>1</sup> Commercial customers are served under Tariff Rate Schedule GS-1.

Staff believes that the Company's request to establish a separate Commercial EE Program is reasonable. The energy savings realized by the Commercial EE Program would primarily accrue to GS-1 customers; thus, Staff believes that it is appropriate for the GS-1 rate class to bear the costs of the new program. However, Staff also notes that EE/DSM measures that reduce the need to invest in new utility plant can benefit all customers. If the Company's proposal is approved, a consolidation of Residential and Commercial EE Programs should be considered when the Company's EE/DSM programs have matured to the point that plant deferrals or reductions to capital investments can be identified and quantified.

Implementation of the separate Commercial EE Program, if approved, will require revisions to current Residential EE (Residential Energy Efficiency Rebate Program) and EEC (Residential Energy Efficiency Charge) tariffs, creation of new General Service EE (General Service Energy Efficiency Rebate Program) and EEC (General Service Energy Efficiency Charge) tariffs and establishing a separate tariff rider and balancing account. The Company included the applicable modified and proposed tariffs with its Application.

#### *Proposed Commercial EE measures*

The proposed Commercial EE Program includes seven measures. Staff recommends that the Commission authorize them as proposed by the Company with the exception of the ESK measure. Staff's concerns and recommendations regarding the ESK measure are detailed below.

In its Application, the Company describes the Conservation Potential Assessment ("CPA") performed on its behalf by Dunsky Energy Consulting ("Dunsky"). Dunsky concluded that for the Company's commercial customers, HVAC measures provide about 75% of potential savings, and that commercial kitchen appliances accounted for another 14% of potential savings. Dunsky also stated that hot water savings potential would continue to grow over the CPA's 20-year study period. *Application* at 5.

The Company is proposing rebates for three different high efficiency heating appliances: Boilers with inputs of 300,000 British Thermal Units per Hour ("BTUH") or more, installation of boiler reset controls, and condensing unit heaters. *Id.* at 7. Using the energy consumption and savings values from the Dunsky CPA, Staff verified that these measures should all be cost effective with Utility Cost Test ("UCT") ratios of 1.0 or better.

The Company also proposes rebates for three different high efficiency kitchen appliances: Energy Star Certified griddles, Energy Star Certified Fryers, and Energy Star Certified Steamers. *Application* at 7. Using data from the Dunsky CPA, Staff verified that all three of the kitchen measures proposed by the Company should be cost effective, with UCT values of 1.0 or better.

### *Energy Savings Kits*

Staff is concerned about the cost effectiveness and implementation of the ESK measure and recommends that the Company implement the measure as a pilot project, limiting the number of kits it purchases and distributes to 350 until it has gathered sufficient data to verify savings and cost effectiveness. The ESK measure is the second most costly measure proposed by the Company.

The ESKs consist of sink aerators and spray valves for kitchens and bathrooms, which the Company say would save 53 therms per year by limiting the use of hot water. Each ESK has a relatively high marginal cost, \$100 per ESK, and that the Company would provide them to commercial customers for free. The Company has proposed having HVAC and plumbing contractors distribute some of the ESKs, but it's not clear that HVAC contractors would be able to install the ESK's plumbing equipment for commercial customers. The Company would also distribute ESKs directly to commercial customers, who would self-install the equipment.

The Company estimates the UCT ratio for the ESKs at 1.0. Given the marginal UCT value, the relatively high marginal cost of the ESKs, and the Company's plans to distribute these for free, Staff is concerned that customers could receive the kits but not install some or all of the components, which would reduce the therm savings and could make the measure cost ineffective.

The Company has proposed some steps to implement this portion of the Commercial EE Program 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. Staff recommends that the Company operate the ESK as a pilot measure, ordering and distributing 350 ESKs it forecasted being installed in one year,<sup>2</sup> then complete a customer survey to determine how many aerators and valves were installed and measure customer satisfaction with the

---

<sup>2</sup> See Exhibit No. 1

Commercial EE Program. The Company should share survey results and preliminary cost-effectiveness data with Staff and the EESC before continuing the measure.

### **Administrative Costs**

Staff is concerned about the relatively high projected administrative cost, which is 43 percent of the total Commercial EE Program budget. The budgeted administrative cost consists entirely of a split between the Commercial and Residential EE programs, with the Commercial EE Program incurring 20% of shared costs. The 20% allocation was used for budgeting the new program; however, Staff encourages the Company to directly assign all costs incurred to the proper EE program, whenever feasible, so that costs are properly allocated to customer classes. For costs that cannot be directly assigned, Staff recommends that costs be allocated based on factors that are driving the costs to be incurred. The Company proposes allocating between the Commercial and Residential EE Programs based on actual therm savings.<sup>3</sup> Staff accepts this allocation method as a starting point but expects to review cost allocations and cost drivers in a future prudency case.

### **Reporting**

Experience with the Company's Residential EE program suggests the desirability of a well-defined process for reporting the cost effectiveness of the Company's proposed Commercial EE measures. Staff believes that the Company should be required to file an annual report that includes information about program cost, energy savings, and the cost effectiveness of each measure.

Staff believes that a CPA, such as that conducted by Dunsky, is a reasonable starting point for designing an EE program, selecting cost effective measures, and setting initial rebate levels; however, Staff also believes that the savings estimates obtained from the CPA are preliminary and that the Company should endeavor to obtain more accurate estimates once a new measure has been implemented. In most cases, Staff believes that the best savings estimates will be derived from billing data; however, in some cases, it may be possible to develop reasonably good estimates using other sources, such as consumption information obtained directly from commercial equipment using data loggers. In any event, Staff believes that the Company should

---

<sup>3</sup> See Response to Production Request No. 2.

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.

In its Application, the Company did not propose a plan for monitoring or evaluating the cost effectiveness of its Commercial EE Program. Staff recommends that the Company include an evaluation plan for each of the seven measures currently under consideration, and any additional measures the Company will propose in its first (CY 2022) annual report.

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. Staff notes that an EM&V can be costly, and does not believe it to be either necessary or desirable for the Company to evaluate every Commercial EE measure every year using an EM&V. Some measures may have relatively small participation, so that two or more years may be required to collect sufficient data to accurately evaluate their cost effectiveness. The savings from other measures may be relatively stable, and once proper incentive levels have been established, it may not be necessary to evaluate their cost effectiveness using an EM&V more often than every two or three years. Staff believes that the initial EM&V should include the Company's most costly measures. Currently, the Company anticipates this to be the High Efficiency Condensing Boiler (\$153,000), the ESKs (\$35,000), and the Energy Star Certified Fryer (\$31,200); however, Staff also believes that determination of which programs should be included in the initial EM&V should wait until the Company files its first annual report and has actual cost information on which to base its decisions.

Realization rates are an important result of an EM&V. A realization rate is the ratio of the savings determined by the independent EM&V evaluator to the savings estimated by the Company. Staff believes that when reporting savings, the Company’s estimates should be adjusted using the results of the most recent EM&V.

### **Stakeholder Involvement**

Staff believes that the Company’s EESC could benefit from the addition of members that are on the GS-1 rate schedule and would represent commercial customers’ interests.

## **CUSTOMER NOTICE AND PRESS RELEASE**

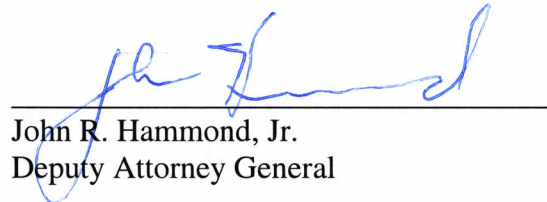
The Company's press release and customer notice were included with its Application. Staff reviewed the documents and determined that both meet the requirements of Rule 125 of the Commission's Rules of Procedure. IDAPA 31.01.01.125. The customer notice was included with bills mailed to customers beginning August 5, and ending September 2, 2020, providing customers with a reasonable opportunity to file timely comments with the Commission by the January 26, 2021, deadline. As of January 26, 2021, one customer filed comments expressing concerns about EE and increased costs to ratepayers.

## **STAFF RECOMMENDATIONS**

Staff recommends that the Commission approve the Company's proposed Commercial EE Program and funding mechanism. Staff makes additional recommendations listed below.

1. The Commission order the Company to file an Annual Commercial EE Program report that includes:
  - a. A complete accounting of the Energy Efficiency Rider (rider reconciliation);
  - b. 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;
  - c. Billing data, when available, should be used to determine the cost effectiveness of each measure;
  - d. Beginning with the CY 2023 annual report, the Company should include the results of an EM&V study conducted on selected measures; and
  - e. The Company should use realization rates from the most recent EM&V to adjust program savings estimates and adjust incentive levels.
2. The purchase and distribution of ESKs be limited to 350 until sufficient data is obtained to evaluate their cost effectiveness.
3. The Company include representatives from the GS-1 rate class in its EESC.
4. The Company be allowed to collect a \$0.00320 per therm surcharge on sales to its GS-1 customers.

Respectfully submitted this <sup>26<sup>th</sup></sup> day of January 2021.



---

John R. Hammond, Jr.  
Deputy Attorney General

Technical Staff: Mike Morrison  
Kevin Keyt  
Brad Iverson-Long  
Curtis Thaden

i:umisc:comments/intg20.4jhmmblkk comments



## CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 26<sup>th</sup> DAY OF JANUARY 2021, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. INT-G-20-04, BY E-MAILING A COPY THEREOF, TO THE FOLLOWING:

LORI BLATTNER  
DIR – REGULATORY AFFAIRS  
INTERMOUNTAIN GAS CO  
PO BOX 7608  
BOISE ID 83707  
E-MAIL: [lori.blattner@intgas.com](mailto:lori.blattner@intgas.com)

PRESTON N CARTER  
GIVENS PURSLEY LLP  
601 W BANNOCK ST  
BOISE ID 83702  
E-MAIL: [prestoncarter@givenspursley.com](mailto:prestoncarter@givenspursley.com)  
[kendrah@givenspursley.com](mailto:kendrah@givenspursley.com)

BENJAMIN J OTTO  
ID CONSERVATION LEAGUE  
710 N 6<sup>TH</sup> STREET  
BOISE ID 83702  
E-MAIL: [botto@idahoconservation.org](mailto:botto@idahoconservation.org)

  
\_\_\_\_\_  
SECRETARY

CERTIFICATE OF SERVICE