

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF INTERMOUNTAIN GAS COMPANY'S APPLICATION FOR DETERMINATION OF 2020 ENERGY EFFICIENCY EXPENSES AS PRUDENTLY INCURRED))))))	CASE NO. INT-G-21-03 ORDER NO. 35313
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On July 14, 2021, Intermountain Gas Company ("Company") applied for an order designating expenses associated with its 2020 Energy Efficiency Program ("EE Program") as prudently incurred. The Company requested its Application be processed by Modified Procedure.

On August 20, 2021, the Commission issued a Notice of Application, Notice of Intervention Deadline, and Notice of Modified Procedure setting comment and reply deadlines. Order No. 35143. The city of Boise City ("Boise City") intervened. Order No. 35173. Staff and Boise City filed comments. No reply was filed.

Having reviewed the record in this case, we issue this Order finding the Company's 2020 EE Program expenses as prudently incurred.

BACKGROUND

In Case No. INT-G-17-03, the Commission authorized the Company to implement: 1) Rate Schedule EE—Residential Energy Efficiency Rebate Program, outlining the offerings of the EE Program; and 2) Rate Schedule EEC—Energy Efficiency Charge ("EE Charge"), establishing a per therm charge to fund the EE Program. *See* Order No. 33888. The EE Program is funded by customers via the EE Charge. Both Schedules were implemented and initially became effective on October 1, 2017.

THE APPLICATION

Total EE Program revenues collected between January 1, 2020, through December 31, 2020, were \$5,416,740. The EE Program expenditures for the same period were \$3,656,158. Of the expenditures, \$2,848,550—approximately 78%—were related to energy efficiency rebates paid directly to customers. The remaining \$807,608 of EE Program expenses were used for labor, program delivery, special studies, and market transformation.

On January 1, 2020, the EE Program carried an under-collected deferral balance of \$442,385. As of December 31, 2020, the EE Program had a \$1,318,197 over-collected deferral balance.

The Company believes customers will begin taking advantage of new EE Program offerings and that increased participation will reduce the over-collected deferral balance for the EE Program. The Company does not plan to adjust the per therm amount it collects from customers to fund the EE Program.¹

THE COMMENTS

1. Staff Comments

Staff audited the Company's EE Program expenses, including a review of the Company's EE incentives, marketing campaign, program administration and labor expenses, and verified that expenses were well documented and that internal controls appeared to be in place to prevent improper payment of incentives and to properly record expenses. Staff examined the Company's Application, workpapers, 2020 Energy Efficiency Annual Report ("EE Report"), EE Report Supplement, and additional information provided by the Company. Staff recommended the Commission approve the Company's EE Program expenses of \$3,656,158 in 2020 as prudently incurred.

Staff's financial review looked at the tariff rider ("Rider") balance, revenues, and program expenditures including labor expenses. Staff noted the program revenues were \$5,416,740. The Rider balance increased by \$1,760,582 in 2020. The primary drivers of this increase resulted from a Commission-approved increase to the Rider (*See* Case No. INT-G-19-05; Order No. 34454) and increased customer usage due to customers spending more time at home in 2020 because of the worldwide pandemic. The Rider began 2020 underfunded by \$442,385 and ended the year overfunded by \$1,318,197. Staff believed that new and existing program offerings would help reduce the overfunded balance over time and did not recommend altering the Rider. Staff noted that total labor expenses represented 17.57% of the Company's EE Program expenses in 2020, down slightly from the previous year. Staff stated it would continue to monitor labor expenses and encouraged the Company to directly assign labor expenses whenever possible.

Staff's comments discussed demand side management ("DSM") cost-effectiveness and how the Company analyzed the overall effectiveness. Staff noted that the Company used the Utility Cost Test ("UCT") to measure the benefit-to-cost ratio, analyzing the benefits using the simulation

¹ The Commission authorized the Company to increase the amount it collects from customers to fund the EE Program beginning October 1, 2019. *See* Order No. 34454. The increase changed the per therm amount collected from residential customers from \$0.00367 per therm to \$0.02093 per therm.

analysis and billing analysis. Under the simulation analysis, the Company's EE Program UCT was 1.5, making it cost effective, however, under the billing analysis, the EE Program has a UCT of 0.5, making it cost-ineffective. Additionally, the simulation analysis and the billing analysis show large differences in total therm savings. Staff noted the Company has made program revisions recently that should help the Company accurately evaluate its EE Program performance.

Staff's comments discussed the Whole Home rebate and the furnace rebate which were both cost-effective under the simulation analysis and cost-ineffective under the billing analysis. Together these programs account for 98% of the Company's 804,820 therm savings under the simulation analysis and 94% of the Company's 258,552 therm savings under the billing analysis. Staff discussed recent changes to the Company's EE Program and explained that the changes should be visible in the Company's next prudency filing. In Case No. INT-G-20-06; Order No. 34980 the Commission authorized the Company to discontinue certain programs and add new ones beginning in spring 2021. The recent changes to the EE Program are designed to increase cost-effectiveness as well as drive new customer participation.

Staff discussed how the Company allocated its allocable overhead. For each measure, the allocable overhead was allocated "based on the percentage of therm savings of each rebate to total therm savings of the portfolio." Staff Comments at 5 quoting the Company response to Production Request No. 9. Because of the difference in therm savings resulting from the simulation analysis and billing analysis, the allocation method produced vastly different UCT costs for each rebate leading to an even greater difference in the cost-effectiveness results between the two analyses. To help alleviate cost shifts in future cost-effectiveness evaluations, Staff encouraged the Company to directly assign costs to individual rebates and programs whenever possible.

Staff also encouraged the Company to capture key deliverables and results from market transformation work performed that results in EE savings for the Company's ratepayers.

2. Boise City Comments

Boise City recommended approval of the Company's 2020 EE expenses as prudent and that the Commission order the Company to monitor, evaluate, and update its EE Program incentives consistent with Order No. 34980. Boise City commended the Company for continuing to develop and implement new EE Programs and stated it recognized the benefit EE delivers to customers. Boise City was encouraged by the Company's efforts to expand participation in EE Programs in 2020, resulting in a 36% increase compared to 2019.

Boise City explained that increased participation led to savings in both the simulation analysis and billing analysis exceeding estimated DSM and Integrated Resource Plan (“IRP”) targets. Boise City expressed its concerns about the discrepancy in therm savings reported in the simulation analysis and billing analysis. Boise City recommended the Commission continue to evaluate the portfolio-wide and individual measures and provide the Company with clear direction on how to incorporate results from billing and simulation analyses.

Boise City recommended the Company continue to promote its programs using more cost-effective digital marketing and targeted customer outreach. Boise City stated that the Company should evaluate a targeted, behavioral EE program to implement in 2022. Boise City cited Idaho Power’s and Avista’s Home Energy Reports as examples of opportunities for the Company to derive significant savings opportunities without usual overhead expenses and customer costs that come with equipment replacement rebates.

Boise City stated that price volatility is a risk that the Company should be more comprehensively valuing in its avoided cost method. Boise City cited the Company’s recent purchased gas adjustment—INT-G-21-04—where the Company applied to update its rates to account for the variable cost of purchased gas in 2020. Boise City recommended the Company evaluate and incorporate a risk premium in its avoided cost model reflecting the risk of price volatility in future pricing of wholesale energy to more accurately value the role that EE can provide to customers and the Company in a rapidly changing energy market.

COMMISSION DISCUSSION AND FINDINGS

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. The Commission has reviewed the record. Based on that review, the Commission finds the Company prudently incurred \$3,656,158 in EE Program expenses in 2020.

We commend the Company for continuing to adjust its young EE Program to deliver cost effective energy savings to customers. The Company should continue to evaluate the differences between the simulation and billing analyses methods. We commend the work the Company and its EE Stakeholder Committee (“EESC”) are putting into vetting programs that deliver cost-effective savings to customers and implore the continuation of these efforts to ensure

relevant and effective programs are being offered. The Company and its EESC are clearly working to provide a valuable DSM program.

Regarding the overfunded Rider balance, we are comfortable—at this time—to allow the Company to carry its overfunded balance forward to determine if it will decrease due to increased participation as the Company anticipates. Given the number of people who transitioned to working and spending more time in their homes in 2020, we are unsurprised the EE Rider balance increased, but we anticipate it will begin to balance going forward. If the balance does not decrease, then we expect the Company to apply to adjust the EE Charge.

We also expect the Company and its EESC to continue evaluating the portfolio-wide and individual measures available in its EE Program. When the Company has sufficient data to fully evaluate the portfolio-wide and individual measures, the Company should choose the most accurate evaluation method as directed by Order No. 34980. Once the Company chooses the evaluation method it will use, it should provide “a detailed and convincing defense of the method[.]” *See* Order No. 33980 at 8. Last, the gas price volatility continues to be appropriately evaluated in the IRP.

ORDER

IT IS HEREBY ORDERED that the Company’s Application is approved. The Company prudently incurred \$3,656,158 in EE Program expenses in 2020.

IT IS FURTHER ORDERED that the Company may carry forward the overfunded balance of \$1,318,197 to utilize for increased participation in EE Programs. If the anticipated increase in participation does not materialize or reduce the overfunded balance, we expect the Company to seek adjustment to its EE Charge.

IT IS FURTHER ORDERED that the Company immediately and continuously monitor, evaluate, and update its EE Program incentives with the best available data and use the most accurate evaluation method to do so.

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 regarding 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.

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DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 8th day of February 2022.



ERIC ANDERSON, PRESIDENT

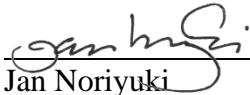


JOHN CHATBURN, COMMISSIONER



JOHN R. HAMMOND, JR., COMMISSIONER

ATTEST:



Jan Noriyuki
Commission Secretary

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