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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE
APPLICATION OF
INTERMOUNTAIN GAS COMPANY
FOR A DETERMINATION OF 2021
ENERGY EFFICIENCY EXPENSES
AS PRUDENTLY**

CASE NO. INT-G-22-03

**INTERMOUNTAIN GAS COMPANY'S
REPLY COMMENTS**

Intermountain Gas Company (“Intermountain” or “Company”) respectfully submits the following Reply Comments in response to Comments filed by the Idaho Public Utilities Commission Staff (“Staff”) and the city of Boise City (“Boise City”).

BACKGROUND

Intermountain filed an application on July 12, 2022, for an order designating \$4,028,174 of Energy Efficiency Program (“EE Program”) expenditures as prudently incurred. On November 10, 2022, Staff and Boise City filed Comments in the case. Pursuant to the Notice of Modified Procedure issued by the Commission in Order No. 35521, Intermountain submits its Reply Comments.

REPLY TO STAFF COMMENTS

Intermountain appreciates Staff's recommendation to approve the Company's EE Program expenses of \$4,028,174 as prudently incurred and all recommendations regarding Avoided Costs. Intermountain provides the following reply to aspects of Staff's comments.

Expense Allocation

As Staff discussed, the 80/20 allocation of expenses between the Residential Program and the Commercial Program was agreed upon as an initial starting point for allocating expenses. This approach was used for program planning and then applied to 2021 expenses and cost-effectiveness testing for continuity and consistency. The 2021 annual report reflects the first nine months of existence of the Commercial Program which was launched April 1, 2021. For 2022 expenses, the Company is working to better identify expenses that can be directly assigned to the requisite program. For the pool of expenses that cannot be directly assigned, such as promotional and educational activities with an audience of both commercial and residential customers and contractors, the Company is investigating a justifiable allocation of expenses between the two Programs based on "factors driving the costs," as recommended by Staff.

Furnace Program

The Company has not proposed to use the EM&V simulation analysis in selecting the furnace therm savings reported in this case. Instead, the Company used the therms savings of 87 therms from the 2019 CPA that was supported by an internal analysis.

The initial design of the furnace rebate began with a therm savings estimate of 112 therms for a high-efficient furnace. This was an agreed upon starting point for the Program prior to the Company conducting its first Conservation Potential Assessment ("CPA").

As Staff Comments point out, in the Company's Evaluation, Measurement, and Verification ("EM&V") study ADM & Associates ("Evaluator") recommended using an

engineering-based evaluation approach. Implementing this particular recommendation into forward planning would have resulted in using a therm savings estimate of 134 therms. The billing analyses that was also performed as part of the EM&V analysis estimated energy savings at 56 therms, which was much lower than the engineering analysis recommended by the evaluators or the therm savings used in the initial program design.

Based on the EM&V analysis, the initial furnace savings estimate of 112 therms appeared to be too high. However, the Evaluator raised concerns that the billing analysis method could not isolate specifically for improved equipment efficiency which likely accounted for the low therm saving indicated by the billing analysis. The data available for the EM&V study also did not include much detailed information on what equipment was being replaced to allow for a more granular analysis.

In 2019, the Company commissioned a CPA. The CPA analysis showed an estimated savings of 87 therms based on upgrading from a code (80% efficiency) furnace to the 95% efficient or greater furnace required by the Company's program. As part of the 2021 program redesign, the Company's updated rebate application also began requiring more information on the furnace model replaced and conditions surrounding replacement to allow for better, more granular analysis in the future. As Staff noted, the Company was able to use this better data to perform an internal analysis on the furnace measure. The Company's analysis showed that customers upgrading from a code-level furnace (80% efficient) to a furnace that met the EE Program requirement of 95% or greater efficiency saw an average therm savings of 81. This is in line with the therm savings estimate found in the Company's 2019 CPA. Intermountain believes it is important to calculate the furnace therm savings relative to code. Until a change is made to code, a customer that currently has a high-efficient furnace installed in their home has the option to install a less efficient (and less costly) model when selecting a replacement furnace. A

customer should not be penalized with a lower incentive for continuing to choose a high-efficient furnace when the cost of the high-efficient model is the same regardless of the model the customer is replacing. The same holds true for new construction. The therm savings should be based on the difference between selecting a code-level 80% efficient furnace and a 95% or higher efficient furnace. Including the entire population of furnace replacements in the internal analysis conducted by the Company would have diluted the therm savings by reflecting limited therm savings for high-efficient to high-efficient furnace replacements.

The Company took all of these factors into consideration when incorporating EM&V results into future EE Program planning. In order to avoid over-estimating or under-estimating energy savings, post EM&V, the Company used the 87 therm savings provided by the 2019 CPA and supported by internal analysis as a savings estimate rather than the 134 therm simulation analysis results recommended by the Evaluator. Intermountain agrees the Staff suggestion to explore other acceptable and vetted bases for deemed savings may be a good solution to this ongoing discussion. The Company also intends to use the data collected in the new required fields on the rebate form to continue with its internal monitoring of therm savings. The Company will research options for deemed therm savings and discuss further with its Energy Efficiency Stakeholder Committee.

In regard to the 761 blank fields identified in the internal analysis, the Company implemented a requirement to provide more data on the rebate application that was rolled out as part of the program re-design on April 1, 2021. The new rebate application captures previous equipment efficiency and identifies installation scenarios like new construction, replace on burn out, and early retirement to provide a more robust energy savings picture as recommended by the Evaluator. It has taken customers and contractors some time to switch to the new form and to learn to provide the efficiency of the equipment being replaced. Implementing changes like this

are one of the reasons establishing and maintaining contractor outreach is vital to EE Program success. Collecting this data, as recommended by the Evaluator, will help to address blank fields as well as Staff’s recommendation to “tighten its rebate measure eligibility requirements.” The Company has made significant progress in this effort since implementing these requirements as outlined in the chart below.



Whole Home Program

Staff Comments note “The Company acknowledged the different results but opted to use an even higher saving value proposed by a calibrated simulation (‘simulation analysis’) for its whole home measure.” Staff Comments at 6. Based on the comments, the Company would like to clarify on the reporting of the Whole Home rebates. Because of the Residential program redesign that was effective on April 1, 2021, the annual report in this case includes rebates that were paid under the old program as well the new program. The Whole Home rebate that uses 274 therm savings was retired in 2021.

As a result of the EM&V recommendation that the Company redesign the Whole Home incentive to target building practices and equipment that would directly impact therm savings, Intermountain completely redesigned the Whole Home rebate to a two tier, Whole Home Tier I and Whole Home Tier II structure. The newly designed two-tier incentives have specific energy performance targets designed to specifically secure natural gas savings. The Whole Home I rebate uses savings of 161 therms, while the Whole Home II uses 128 therms. Because the original Whole Home rebate that used the 274 therm savings has been retired, Intermountain was not defending the therm savings of that particular incentive in this case. The Company included all retired measures in the program analysis for completeness of reporting, however, the Company agrees that the original Whole Home rebate with the 274 therm savings will not be used in the future. Only homes that were permitted before April 1, 2021 were allowed to be rebated under the retired rebate. There will be no Whole Home rebates at the 274 therm savings level in the 2023 Prudency Filing.

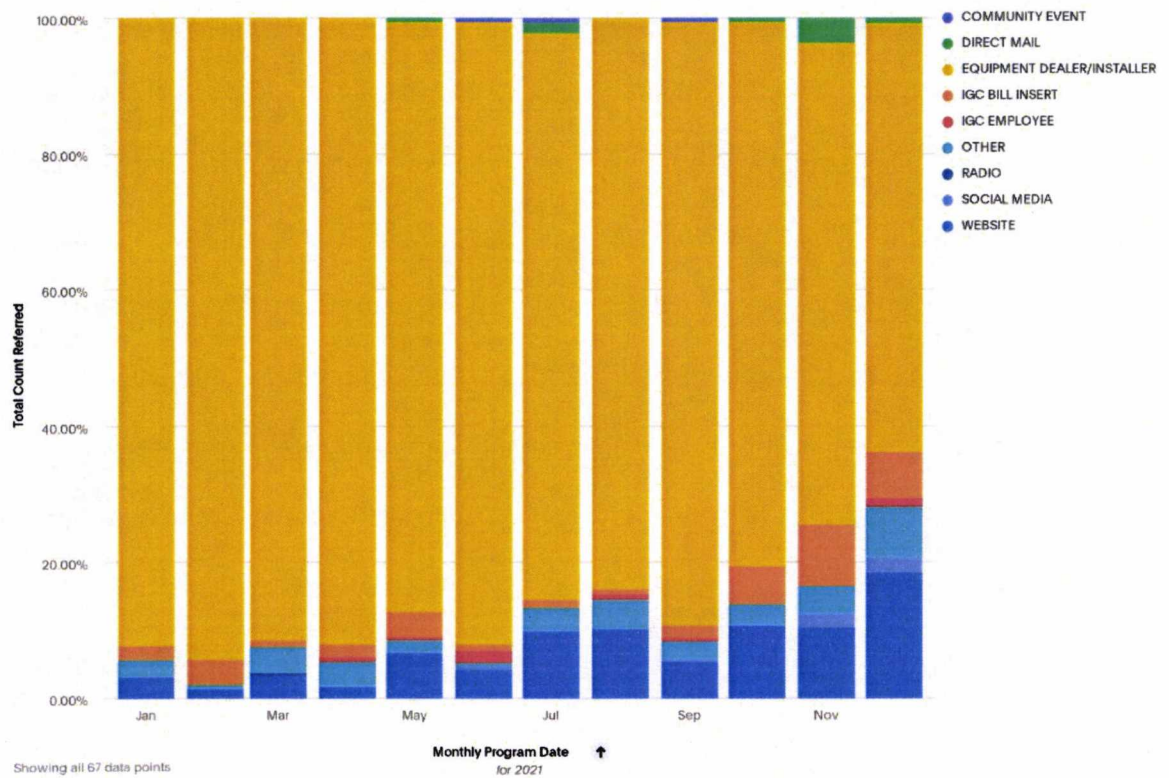
Marketing Program and Effectiveness

The Company agrees it can better measure and communicate how marketing initiatives impact energy efficiency measures, incentives, and programs. Many initiatives are focused on raising awareness, which in and of itself is hard to measure. The Company has experienced continued growth year-over-year in the total numbers of rebates paid to customers, as one indication of effectiveness of marketing and education activities.

Contractors are essential partners in promoting energy efficiency. Contractors have a vital role in helping customers make energy saving decisions when it comes to purchasing equipment. Customers and builders alike view their HVAC contractor as an energy expert, they are present at the time of decision, their recommendations are valued and acted upon, and contractors often even take the additional steps of helping customers complete their rebate applications. Most

people don't think about their furnace or water heater until they don't have one, and the HVAC or plumbing contractor is usually the first on the scene. For these reasons, it is important to make sure contractors are aware of the Program. The Company does attempt to measure awareness building methods by asking customers on the rebate application, "How did you hear about the program?" The following table provides a visual representation of how customers learn about the EE Program. Based on this data, "equipment dealer/installer" is frequently how customers learn about the EE Program.

"How did you hear about the Program?" Equipment Replacement Responses Monthly - 2021



As far as marketing to builders is concerned, new construction offers the best and easiest time to implement energy efficiency measures, avoiding the need for installation of additional pipe or re-piping equipment, sizing, fit and location of equipment. Envelope measures also have some of the longest estimated energy-saving useful lives of approximately 25 years. For these

reasons recruiting energy efficient home builders is a huge energy saving opportunity. Since there is no one governing body over residential home builders, the Company has leveraged existing memberships with the Building Contractors Associations (“BCA”) throughout the Company’s service territory. Recognizing not all home builders belong to a BCA, the Company is working to extend outreach and home energy efficiency education through direct mail to builders who do not belong to an association. This effort has been less effective than the one-to-one interactions facilitated through BCA member-to-member networking.

REPLY TO BOISE CITY COMMENTS

The Company appreciates Boise City’s recognition and support of the Energy Efficiency Programs and the unique and important benefits that energy efficiency delivers to all customers.

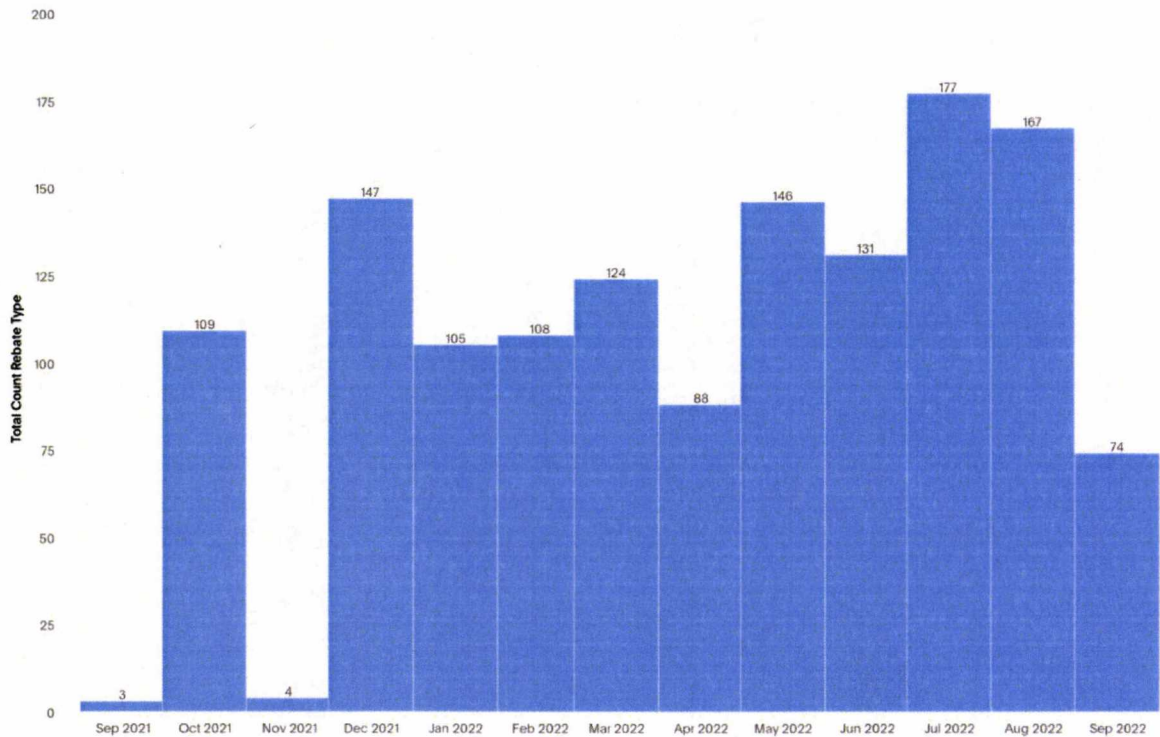
The Company agrees that making a substantial program revision mid-year can be challenging, including reporting on the resulting split year. The Company believes EM&V results were properly incorporated in the forward Program planning. As discussed below, the Company plans to again commission an EM&V study once there is sufficient data, and data over the important winter heating season, to make the study cost effective and the results useful. The Company does not see a benefit to designating the Whole Home I and II rebates as pilot programs. Leaving the rebates in place throughout the service territory will allow for greater uptake, and thus a greater amount of data that will lead to a more robust EM&V study.

REPLY TO COMMENTS REGARDING EM&V

Given the debate among energy efficiency evaluation experts regarding the “best” evaluation methods to be used, it’s no surprise this has been a complicated issue for the EE Program. For future evaluations, the Company will work with the Energy Efficiency Stakeholder Committee (“EESC”) to set evaluation expectations and parameters up front. It will be important to determine the “when,” “what,” and “how” of evaluation; when should measures be evaluated,

what is the best evaluation method for each measure, and how evaluation results should be used, in order to get the most value from these resource-intensive studies. The Company agrees with the Staff recommendation to postpone formal evaluation of the boiler, combination boiler and water heating measures until there is enough participation to justify the cost of an impact evaluation. However, the Company would like to work with the EESC to determine whether or not there is enough history, particularly during the heating season, to conduct meaningful impact evaluations on the following measures: Furnace rebates, and Whole Home I and Whole Home II rebates using April 1, 2021 through Program Year 2022. As Staff points out, “the EM&V studies are expensive and require significant populations of data to make meaningful recommendations for the program.” Staff Comments at 8. The following chart illustrates the distribution of Whole Home Tier II rebates since this rebate went into effect April 1, 2022. As the chart shows, there are a significant number of rebated homes that will not have a history that includes a full heating season. The Company agrees EM&V studies will be direct assigned to the program being evaluated.

Count of Whole Home Rebates Paid Monthly 04/01/21 Through 09/30/22



**Note: there were no Whole Home Tier I or II rebates paid until September 2021, although the rebate was officially effective April 1, 2021*

CONCLUSION

In summary, Intermountain appreciates the recommendations of both Staff and Boise City to approve the 2021 EE Program expenses as prudently incurred, as well as Staff's recommendations regarding Avoided Cost calculation and reporting. In addition, the Company will direct assign EE Program costs when possible or provide explanations why costs are not assignable going forward. Rather than directing the Company to implement a specific EM&V schedule, process and analysis method in this case, the Company requests that the Commission direct the Company to work with the EESC to determine the most appropriate timing and process for EM&V studies of the furnace and whole home incentives. In addition, the Company requests

that the Whole Home I and Whole Home II incentives remain as they are currently included in the EE Program tariff.

Dated: December 9, 2022

GIVENS PURSLEY LLP

A handwritten signature in blue ink, appearing to read "P. N. Carter", is written above a horizontal line.

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CERTIFICATE OF SERVICE

I certify that on December 9, 2022, a true and correct copy of INTERMOUNTAIN GAS COMPANY'S REPLY COMMENTS was served upon all parties of record in this proceeding via the manner indicated below:

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