Office of the Secretary
Service Date
June 27, 2024

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF INTERMOUNTAIN GAS COMPANY'S APPLICATION FOR A DETERMINATION OF 2022 ENERGY EFFICIENCY EXPENSES AS PRUDENTLY INCURRED	)))))))	**CASE NO. INT-G-23-06** **ORDER NO. 36245**

On October 6, 2023, Intermountain Gas Company ("Company"), applied for an order designating $3,364,641 of 2022 Energy Efficiency ("EE") expenditures as prudently incurred. The Company filed its 2022 Energy Efficiency Annual Report concurrently with its Application.

On November 15, 2023, the Commission issued a Notice of Application and Notice of Intervention Deadline. Order No. 36002. Boise City intervened. Order No. 36032.

On January 12, 2024, the Commission issued a Notice of Modified Procedure establishing dates for public comments and the Company's reply. Order No. 36058. Staff and Boise City commented. The Company replied.

Having reviewed the record in this case, we now issue this Order finding the Company's 2022 Energy Efficiency expenditures were prudently incurred.

BACKGROUND

In Case No. INT-G-16-02, the Commission authorized the Company to establish the Energy Efficiency Program ("EE Program") for its residential customers. Order No. 33757. The purpose of the EE Program "is to encourage upgrades to, or use of, high efficiency natural gas equipment." *See* Rate Schedule EE. Later in 2017, the Company requested authority to implement a funding mechanism for the EE Program in Case No. INT-G-17-03. The Commission approved the Company's requested funding mechanism of an Energy Efficiency Charge ("EEC"), and ultimately approved Rate Schedule EE, Rate Schedule EEC, and Rate Schedule EEC-RS. Order No. 33888.

In Case No. INT-G-19-04, the Commission required the Company to conduct a third-party Evaluation, Measurement, and Verification ("EM&V") study. This was meant to "review and update the avoided cost calculation with the Energy Efficiency Stakeholder Committee" ("EESC"). Application at 4. It was also meant to regularly monitor and update the EE Program measures. *See* Order No. 34536.

In Case No. INT-G-20-04, the Commission granted permission for the Company to implement a Commercial EE Program. This established a way to fund EE upgrades under Rate Schedule EEC-GS ("EEC-GS"). The Commission instructed the Company to create an EM&V plan. Additionally, the Company was instructed to submit an Annual Commercial EE Program Report. This report must include representatives from the GS-1 rate class in its EESC. Finally, the Commercial EE program was to be regularly monitored and updated.

In Case No. INT-G-20-06, the Commission authorized modifications to the EE Program including to the Furnace and Whole Home tiers I and II measures. Order No. 34980.

THE APPLICATION

The Company represented that the EE Program expenditures are funded through collections from customers via the EEC. The Company stated that the EEC-RS rate of $0.01564 per therm funds the Residential EE Program and the total Residential EE Program revenues for calendar year 2022 were $5,738,001. The Company represented that the EEC-GS rate of $0.00320 per therm funds the Commercial EE Program which had revenues of $472,346 in 2022.

The Company represented that the combined expenditures for the Residential and Commercial EE Programs for January 1, 2022, through December 31, 2022, were $3,364,641. Approximately $2,608,536 accounts for EE rebates paid out to residential and commercial customers. Additionally, EE Program administration and labor in 2022 accounted for $756,105 and $650,675 of expenditures, respectively. Administration expenses increased 4% and labor expenses increased 2% over 2021 expenses. The Company stated that it has assigned EE costs to each respective EE Program where possible and offered explanations where costs were not assigned in compliance with Order No. 35663. The Company further stated that employees working on both Residential and Commercial EE Programs remained the most cost-effective option until the programs each grow in size.

The Company represented that the Residential EE Program began 2022 over-funded by $2,834,164 and experienced growth of the over-funded balance to $4,893,882 by June of 2022. Due to measures taken in compliance with Order No. 35539 in Case No. INT-G-22-05 (transferring $4.85 million in over-collected funds to the PGA for refund of residential customers), the overfunded rider balance was reduced to $450,521 by the end of 2022.

The Company represented that the Commercial EE Program began 2022 over-funded by $84,589 which increased to $463,938 by the end of 2022.

The Company represented that in 2022 the Residential and Commercial EE Programs saved an estimated 615,806 and 36,844 therms, respectively.

The Company represented that it used the 2021 IRP's Avoided Costs as calculated in Case No. INT-G-21-06.

The Company stated that it has hosted two meetings to address and discuss the parameters of the EESC.

THE COMMENTS

A. Staff's Comments

After reviewing the Company's Application and supporting documents plus responses to discovery, Staff recommended the Commission approve $2,657,836 in 2022 EE Program expenses as prudently incurred. Staff's primary recommendation included a $706,805 disallowance due to Staff's perception that the Company failed to comply with past Commission orders which directed the Company to revisit certain measures offered in its EE Program. Staff's comments included a financial review of the EE Program, discussion regarding Demand Side Management ("DSM") cost-effectiveness, specific evaluations, market transformation efforts, smart thermostats, and commercial energy savings kits.

a. Financial Review

In Staff's review of the Company's EE Program, including the EE Program measures, marketing expenses, administration expenses, and labor expenses, Staff learned the incentives can be paid without receipt of proper documentation. Additionally, Staff cited concerns with the internal control process relied on by the Company.

After discussing the funds collected through the EEC-RS—$5,738,001—and EEC-GS—$472,346—tariffs, Staff noted the increase in residential and commercial participation in 2022. Participation in the residential program increased by 43% in 2022 compared to 2021, and the Company paid almost 8,000 rebates. The Smart Thermostat measure was the most popular residential measure, making up about 35% of the total rebates issued (by number not amount). On the commercial side, participation also increased, but the Commercial EE Program only paid out about 20% of the funds it collected. Staff hypothesized that the reason for the lower than anticipated expenditures could be that measures do not align with the needs of the light commercial sector. Staff noted the Company is still learning the needs of its commercial customers.

The Company's labor cost related to its EE Programs increased by 2% over 2021, to $650,675. Staff noted that in 2022 labor costs represented 19.3% of the total EE Program expenses—which is a greater percentage of EE Program expenditures than any year in the EE Program's existence. Staff's concern was that the labor cost increased despite the total EE Program expenditures decreasing from $4.0 million in 2021 to $3.4 million in 2022. Staff referenced a new rebate application the Company developed in 2023, which it expects to help reduce inefficiencies with the rebate process, in turn reducing labor costs. Ultimately, Staff recommended the Company reduce labor costs wherever possible. Staff also recommends the Company perform an internal audit on how the EE Program is operating.

Staff discussed the tariff rider balances for EEC-RS and EEC-GS, which were both overfunded at the end of 2022 by $450,521 and $463,938, respectively. Staff noted the ending balance of the EEC-RS tariff rider would be $1,157,326 if the Commission agrees with Staff that a significant disallowance is appropriate.

Staff noted its concern that the Company has never done an internal audit of its EE Program and that it does not plan to. Staff's audit revealed that the Company does not have specific controls for verifying proof of purchase and installation prior to paying rebates. Therefore, Staff recommended the Company develop a schedule for regular internal audits of its EE programs.

b. DSM Cost Effectiveness

Staff argued the Company is noncompliant with prior Commission orders directing the Company to use specific analysis for several of its measures. For this reason, Staff recommended the Commission disallow $706,805 associated with the Company's Furnace and Whole Home Tier I and Whole Home Tier II ("tiered Whole Home") measures. To support this recommendation, Staff discussed the regulatory history of the Commission's orders that direct the Company to complete a Billing Analysis of these measures.

Staff argued that since the Company last filed a Billing Analysis in the EM&V in Case No. INT-G-20-06, the Company has made no reasonable efforts to utilize those results. To support this argument, Staff noted that the Company used the simulated savings estimates despite the Commission's directive to use a Billing Analysis for the Furnace and tiered Whole Home measures. Staff believed, as it has argued in the past and here again, that simulation lacks the accuracy the Commission has explicitly required for evaluations. Staff's primary concern is that this method of analysis causes the Company to overvalue the therm savings actually achieved by these measures and in turn leads to overvaluing the rebates paid to participants. The inflation of these savings can lead to the Company continuing to offer measures that are not cost effective, and the subsequent recovery of expenses related to potentially non-cost-effective measures.

Staff noted the 2020 EM&V contained the most up-to-date analysis of actual savings for the tiered Whole Home and Furnace measures, and that no current billing data is available to confirm whether the measures are cost-effective. Relying on the therm savings per unit used in the Billing Analysis from the 2020 EM&V (Furnace 56 therms and Whole Home 58 therms), Staff calculated the revised benefits for each measure in its current form. To account for the changes made to the Whole Home program in 2021,[1] Staff recalculated the 58 therm savings into a 67 therm savings for tier I and 53 therm savings for tier II measures. Using the updated therm savings, Staff input the updated savings into the Company's workpaper spreadsheet which recalculated the proxy benefits it relied on. With the updated benefits using Staff's savings, Staff compared the individual program costs claimed by the Company to the value of the revised benefits calculated by Staff. When accounting for the changes in benefits from the Furnace and tiered Whole Home measures, Staff concluded the actual costs for these programs was $706,805 more than the benefits. Therefore, Staff recommended $706,805 of Residential EE Program costs were not prudently incurred and asked the Commission to disallow certain expenditures.

Using Staff's proxy savings for the three measures (Furnace and tiered Whole Home), Staff updated the Utility Cost Test ("UCT") ratios for the three offerings. The updated Furnace UCT was 0.8 and Whole Home Tier I and Tier II were 0.53. None of these measures are cost effective using Staff's proxy savings. Staff expressed confidence the Company could make minor adjustments to the Furnace measure to achieve cost-effectiveness going forward. For the tiered Whole Home measures, Staff reasoned more significant changes were necessary to achieve cost-effectiveness. Staff offered that the impact evaluation expected with the next prudency filing should include information that can aid the Company in making changes required for cost-effectiveness in the tiered Whole Home offerings. Overall, Staff recommended the Company should provide a completed evaluation, including an overview of each evaluation plus details and explanations of the actions the Company plans to take that will lead to the cost-effectiveness of the Whole Homes and Furnace measures reflecting actual therm savings in its next prudence filing.

[1] In 2021, the Company split the Whole Home measure into two tiers, Whole Home Tier I and Whole Home Tier II.

Alternatively, Staff recommended that if the Company does not believe it can maintain or achieve cost-effectiveness for the tiered Whole Home measures, it should be sunset.

c. Evaluations

Staff shifted its focus to several evaluations that have been directed or recommended for the Company to do. In Case No. INT-G-22-03 the Company was directed to submit a Request for Proposal ("RFP") for an impact evaluation that includes a Billing Analysis for the tiered Whole Home and Furnace measures that would be included in the 2023 prudency docket. The Company included a draft RFP with its Application, but had not issued it yet. There was apparent confusion between the Company's understanding and Staff's expectations regarding the timeline of this RFP. Staff believed the Company was non-compliant with Order No. 35663 but did not recommend any punitive actions due to the misunderstanding. Staff noted the Company issued the RFP after conversations with Staff and anticipated having the evaluation complete for the 2023 prudence filing. In addition to including the Furnace and tiered Whole Home measures, the Company anticipated the evaluation including the Smart Thermostat measure too. Staff recommended the Commission direct the Company to delay its 2023 prudency filing until the impact evaluation that the RFP was issued for is completed.

In Case No. INT-G-22-03, Staff recommended the Company consider the necessity of impact evaluations for measures with low participation rates which may not justify the cost of the evaluation. With its filing in this case, Staff noted the Company included an evaluation schedule for each of its EE Program measures. Specifically, Staff had concerns with inclusion of the Combination Boiler, Boiler, and Tankless Water Heater Tier II measures that have low participation rates being included in the Company's evaluation schedule. Staff reiterated its recommendation for the Company to conduct evaluations of measures that have sufficient participation to justify the expense associated with the evaluations. However, Staff supported the Company's research into small-scale EM&V studies it is exploring with the Idaho Integrated Design Lab. Staff recommended the Company continue to engage the EESC as this opportunity is explored.

d. Market Transformation, Smart Thermostats, and Commercial Kits

Staff registered concern with the Company's market transformation efforts. Specifically, Staff cited the North American Natural Gas Heat Pump Collaborative ("Collaborative") which is funded through the EE Rider. The Collaborative currently has no market transformation product that is commercially available. Staff worried that since the Collaborative has no product there is no way to quantify impacts or benefits of the efforts to transform the market. Staff recommended the Company and stakeholders develop criteria wherein the benefits of the Company's market transformation efforts for Idaho customers can be quantified.

In 2022, the Company's rebates issued for smart thermostats increased by 465%, to 2,769, compared to 2021. Staff mentioned the vast differences in the Expected Useful Life ("EUL") for smart thermostats where the Company used 11 years and other estimates have been about 8 years. Staff noted that as recently as 2019 the Company's CPA stated the life expectancy of a smart thermostat was 8 years. Staff's concern rested in the overestimation of the EUL leading to overstated benefits for the Smart Thermostat measure. Staff expected the EM&V Billing Analysis submitted with the Company's next prudency filing would provide insight into the EUL of smart thermostats.

Staff also recommended the Company monitor its commercial programs and explore alternative ways to market its offerings. Staff cited the Commercial Energy Savings Kits which were distributed to increase awareness of its commercial offerings. Staff referenced the Company's method for tracking the success of its marketing strategy using the Commercial Energy Savings Kits where the Company reported only one recipient participated in another commercial offering. Staff believed this is inefficient marketing and should be monitored for delayed response.

B. Boise City's Comments

Boise City filed comments commending the Company's EE efforts, especially its effort to reach commercial customers. Boise City recommended the Commission direct the Company to: (1) revise its RFP for the 2024 EM&V to also analyze 95% AFUE rebates paid for residential new construction separate from retrofit and replacement projects; and (2) direct the Company to include an evaluation of its tiered Whole Home and Furnace measures using a Billing Analysis with its 2023 prudency case.

Boise City noted the tiered Whole Home and Furnace measures account for 73% of the claimed residential savings in the Company's Residential EE Program. Because of this, Boise City opined that it is imperative the Company complete a Billing Analysis for these measures. Like Staff, Boise City argued the Billing Analysis has a significant impact on the assumptions that determine the therm savings and incentive levels for the Company's EE Program measures. Boise City registered concern that new construction is claiming a significant share of the residential rebates, where about 2/3 of the residential UCT costs support new construction. Of primary concern to Boise City, the current incentives may be misaligned and over incentivizing new construction.

Boise City understood savings assumptions can vary and used an example of the Northwest Power and Conservation Council's Regional Technical Forum's ("RTF") analysis of therm savings in Idaho where it identifies the 90% AFUE gas furnace as the baseline. Comparing this baseline to the 95% AFUE rated furnace using the RTF's analysis yields a savings of 33 therms compared with the Company's claimed savings of 87 therms. This, Boise City implied, possibly contributed to the significant increase in furnace rebates going to new residential construction (7% in 2018, 17% in 2019, and 50% in 2022). To ensure claimed savings from new construction reflect the actual savings provided, Boise City recommended the Company be directed to revise its RFP to "separate new construction from replacement, conversion, or early retirement 95% AFUE furnace rebate…." Boise City Comments at 4. Boise City further recommended that if the EM&V's Billing Analysis suggests it is appropriate, the Company should seek to modify its rebates mid-year for the tiered Whole Home and Furnace measures.

Lastly, Boise City recommended the Company seek to design and implement a behavioral energy efficiency program which could lead to significant energy savings with lower overhead expenses and customer costs compared to traditional offerings.

C. Company Reply Comments

The Company responded to Staff's recommendations, describing in detail the process that is undertaken before an EM&V can be completed and the lack of a foundation for Staff's request to disallow the recovery of $706,805.

The Company strongly disagreed that it has failed to comply with past Commission orders. The Company noted its awareness of the Commission's past directives and is in the process of complying with those requirements. To complete an EM&V with a Billing Analysis as the Commission has ordered, the Company represented it must have actual, not simulated or projected, data. The actual data can only be gathered by offering the measures to be evaluated, and sufficient data must be available to avoid the influence of any number of factors that could bias the data. Specifically, the Company stated there must be at least two years of complete data for a Billing Analysis.

Because the tiered Whole Home and Furnace measures are in the implementation phase, it would have been premature to begin an EM&V according to the Company. The Company argued that these measures were approved in their current state in March 2021 by Order No. 34980 which were offered to customers beginning on April 1, 2021. Accordingly, the three measures Staff argued the Company is non-compliant in evaluating, only recently (April 2023) had enough data collected to perform a Billing Analysis.[2]

In February 2022, the Commission, in its Final Order in Case No. INT-G-21-03, instructed the Company to evaluate the measures it was currently offering "when the Company has sufficient data to fully evaluate portfolio-wide and individual measures." Company Reply at 3 (quoting Order No. 35313).

In July 2022, the Company filed Case No. INT-G-22-03 with evaluations of its offering using both Simulation Analysis and Billing Analysis. The reason for using simulated data was the newness (updated or modified) of some measures, including the Furnace and tiered Whole Home measures. The Company noted that it filed a supplement in that case which included a schedule for evaluations where it described the next EM&V being conducted using year-end 2023 data. In January 2023, the Commission issued Order No. 35663[3], where it directed the Company to submit an RFP for third-party evaluation using specific billing data, including of the tiered Whole Home and Furnace measures, in the 2023 prudency filing. The Company argued that it complied with this requirement by submitting the draft RFP with this filing and subsequently issuing it after discussions with Staff.

The Company noted that while some iteration of the Furnace and tiered Whole Home measures may have existed in the past, the Commission authorized modifications in 2021 which is the appropriate time to begin data collection for future evaluation. Relying on data from past iterations would be contrary to the requirements of the Commission's requirement to use the best available data for evaluations, since this aged or less relevant data would not necessarily be accurate to evaluate the current offerings' savings.

The Company shifted its arguments for rejecting Staff's recommendations to the misapplied foundation it contends Staff relied on. The Company argued that the expenditures it made for the Furnace and tiered Whole Home measures were made consistent with the

[2] The Company filed its Application in this case on October 6, 2023.
[3] The Company's reply Comments incorrectly states January 2022. The actual issuance date was January 13, 2023.

Commission-approved tariff—a fact the Company notes Staff did not dispute. The Company explained that Staff relied on data from the 2020 EM&V, before the Company's Whole Home measures were separated into tier I and tier II. According to the Company, Staff then "assumes that an EM&V Study on the new offerings with data through the end of the year 2022 would result in *the same ratio* of estimated savings when compared to savings measured using billing data, and then applies that ratio to the estimated therm savings in the Commission-approve tariffs." *Id*. at 7 (emphasis in original). The Company argued this treatment lacked the accuracy the Commission directed the Company to include in its EM&V and the Company paid the rebates pursuant to a Commission-approved tariff.

Noting the past iterations of the measures Staff takes issue with the Company stated those measures were revised because they were not cost-effective. Using the billing data from the 2020 EM&V therefore would require a reliance on data that does not reflect the best available or most accurate data. The Company argued this is arbitrary and inconsistent with the Commission's directive since the data needed for the Billing Analysis was not available.

The Company also disagreed with Staff's position on disallowance because the rebates subject to disallowance were paid consistent with the Commission-approved tariff. The Company argued that this means that when the expenditures were made, they were already Commission-approved, and it was obligated to make those payments. Despite Staff's position, the Company argued that Staff's recommendation would punish its past, prudently incurred expenditures based on its mandatory conduct. The Company argued that any disallowance would need to be made on a prospective basis using revised tariffs and Staff's position is more akin to a fine.

The Company stated it is administering the EE Program consistent with the Commission's directive, but that it is open to altering portions of or even sunsetting the EE Program. The Company warned of the difficulty that will occur in administering the EE Program if there is a constant threat of disallowance on expenditures it makes consistent with the approved tariffs.

Regarding Staff's concern with the Company's internal process controls, the Company disagreed that these controls are lacking. Specifically, the Company mentioned past cases where Staff indicated the internal controls were adequate and noted that nothing has changed since those comments were filed. The Company warned that altering the internal control processes could increase labor expenses, which would be contrary to Staff's recommendation to reduce labor costs where possible. However, the Company is open to developing additional capacity for internal controls, despite the likely increase in labor costs. The Company explained that its 2024 EM&V will contain a process analysis, in addition to the impact analysis. The process analysis will review the Company's internal controls among other things.

The Company concluded its comments with a discussion of the EESC and its purpose. Noting that the Commission has supported the EESC in past Orders, the Company asks the Commission to confirm the scope of EESC meetings and whether it is the appropriate forum to discuss concerns with the EE Program and proposed changes participants may wish to see. The Company noted that Staff has participated in the EESC but did not bring the concerns addressed in comments to the attention of the EESC before filing comments.

COMMISSION DECISION 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 and finds the Company prudently incurred $3,364,641 in EE Program expenses in 2022.

Having reviewed the record and all submitted materials, the Commission encourages the Company and its EESC to continue exploring all cost-effective energy efficiency measures. It is important that measures and incentives are properly aligned with the needs of customers. It is equally important that the costs of offering those measures accurately reflect the energy savings derived from the measure. Regarding the purpose of the EESC, we intend the group to evaluate, explore, and discuss cost-effective energy efficiency measures the Company offers to customers. The EESC should provide critical feedback and guidance for the Company's EE Program. Like our direction in Case No. IPC-E-01-13, Order No. 28894 (authorizing certain DSM offerings by Idaho Power), the scope of the EESC can include evaluation, discussion, and recommendation for measures that are or are not working as intended, possible new measures, adjustments to measures, or the termination of measures. We intend for the EESC to actively discuss how to improve the Company's EE Program to ensure that the Company is offering cost-effective EE measures that customers demand. The Company should facilitate open discussions with the EESC about the EE Program and its offerings and adjust them accordingly.

A significant component of any successful EE program is the opportunity to review the measures and adjust them when necessary. While we encourage the Company to adjust incentives anytime it becomes clear they no longer are aligned with the stated savings, analysis based on actual data is the preferred way to determine the proper adjustments. Staff and this Commission have been adamant that results from an EM&V present the information necessary for the Company to accurately review, adjust, add, or discontinue EE measures. We share the same concerns that have been raised by Boise City and Staff: without a Billing Analysis the Company may be overestimating the savings from its EE Program and therefore the Company's true therm savings from its EE Program may be overstated. The lack of analysis supported by actual data potentially allows the Company to recover expenses for non-cost-effective measures or over-incentivize certain measures. This is troubling and can be remedied by including a Billing Analysis in the EM&V. We therefore direct the Company to file an EM&V with its next prudency filing. This must include a Billing Analysis for the Whole Home Tier I and Whole Home Tier II, Furnace, and Smart Thermostat measures. The EM&V must also seek to separate savings for new construction, retrofit, and replacement for the 95% AFUE rebates. This will provide better granularity into the actual savings provided for each type of furnace installation and guide the Company and EESC in their determination of the proper incentive levels for furnaces and other measures.

Staff discussed the difference in EUL for smart thermostats used by the Company and industry over time. We understand that based on the number of rebates issued, the Smart Thermostat measure is increasingly popular with customers. We support the Smart Thermostat measure but direct the Company to explain the discrepancy in the EUL of smart thermostats in the Company's next prudency filing. Determination of the correct EUL will ensure the therm savings for smart thermostats are not overstated. The Company's EM&V analysis should include a review and analysis of a proper EUL for the Smart Thermostat measure.

We share Staff's concern that the Company does not conduct internal audits of its EE Program. We note the importance of regularly reviewing EE Program measures and the mechanisms involved in verifying that rebates are correctly issued to customers and measures are operating as intended. Notably the Company has an opportunity to catch redundancies and inefficiencies through regular internal audits. This creates the ability to more efficiently administer the EE Program and ensure that rebates are paid as intended. We direct the Company to develop and follow a schedule for regular internal audits for its EE Program while remaining mindful of the costs associated.

As with all utilities regulated by this Commission that offer DSM programs, we implore the Company to reduce its labor costs. In 2022, labor represented almost $1 of every $5 spent on offering the Company's EE Programs. Nearly 20% of EE Program expenditures being spent on labor is significant enough to justify the Company monitoring and adjusting its labor inputs. We direct the Company to continuously explore ways to reduce labor costs.

We understand market transformation efforts can be an important part of EE programs, we also understand Staff's concern that the Collaborative the Company has been funding through the EE Rider does not offer any products by which results can be quantified. As we have previously discussed, measurement is critical to any healthy EE program. This rings true for the Company's market transformation efforts. We direct the Company to work with Staff and stakeholders to develop criteria to measure the benefits to Idaho customers from the Company's market transformation activities.

Lastly, we designate $3,364,641 in 2022 Energy Efficiency expenditures incurred as prudently incurred. We recognize and share Staff's frustration with the lack of a Billing Analysis to provide a complete view of the actual savings provided by the Company's tiered Whole Home and Furnace measures. Staff's comments along with Boise City's comments demonstrate the need for the Company to provide more analysis and data to justify its EE expenditures. While we hoped this Billing Analysis would be available, the Company justified its timeline and understanding regarding the Commission's expectations for its next EM&V. Again, we remind the Company that its next prudency filing should not be made until it has completed the EM&V. The EM&V should include a Billing Analysis on the Whole Home Tier I, Whole Home Tier II, Furnace, and Smart Thermostat measures. Our desire is that the Billing Analysis will provide the Company useful data to inform the measures ultimately offered to customers. Failure to include the aforementioned EM&V complete with Billing Analysis will likely result in disallowance of EE expenditures.

ORDER

IT IS HEREBY ORDERED that the Company's Application is approved. The Company prudently incurred $3,364,641 in 2022 Energy Efficiency expenditures.

IT IS FURTHER ORDERED that the Company's next prudency filing shall include an EM&V with a Billing Analysis covering Whole Home Tier I and Whole Home Tier II, Furnace, and Smart Thermostat measures.

IT IS FURTHER ORDERED that the Company shall provide sufficient information to justify the EUL of its Smart Thermostat measure with its next prudency filing.

IT IS FURTHER ORDERED that the Company should explore ways to reduce labor expenses related to offering the EE Programs.

IT IS FURTHER ORDERED that the Company must develop and follow a schedule for regular internal audits.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date upon 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. *Idaho Code* § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 27th day of June 2024.

ERIC ANDERSON, PRESIDENT

JOHN R. HAMMOND JR., COMMISSIONER

EDWARD LODGE, COMMISSIONER

ATTEST:

Monica Barrios-Sanchez
Commission Secretary

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