# BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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| IN THE MATTER OF THE COMMISSION'S INQUIRY INTO THE COST-EFFECTIVENESS AND FUNDING OF LOW-INCOME WEATHERIZATION PROGRAMS AND ENERGY CONSERVATION PROGRAMS FOR ELECTRIC UTILITIES | ) | **CASE NO. GNR-E-12-01**<br><br>**ORDER NO. 32788** |

Idaho Power Company, Avista Utilities, and Rocky Mountain Power Company offer low-income weatherization programs and energy conservation education programs. In recent rate cases, questions surfaced about how to best determine each utility's appropriate level of program funding. In particular, concerns arose about how such programs are to be accurately assessed for cost-effectiveness and overall customer need. The Commission thus issued an Order in each case instructing the companies to participate in public workshops to resolve these issues. *See* Order No. 32371, Case Nos. AVU-E/G-11-01; Order No. 32426, Case No. IPC-E-11-08; Order No. 32432, Case No. PAC-E-11-12; and Order No. 32440, Case No. PAC-E-11-13.

On February 15, 2012, the Commission initiated this generic case and directed Staff to convene the public workshop that was contemplated in the rate case Orders. *See* Notice of Public Workshop issued February 15, 2012. At the workshop, "utilities, interested persons, and Commission Staff [were] to explore in greater detail issues related to the funding, implementation, and evaluation of utility low-income weatherization and energy conservation education programs. Following the workshop, Commission Staff shall prepare and submit a report of its findings and recommendations." *Id.* The workshop occurred, and Staff filed its report on October 23, 2012 (the "Report"). Staff's Report contained 56 pages of analysis and recommendations regarding the three electric utilities' low-income weatherization and energy conservation education programs.

On November 2, 2012, the Commission issued a Notice of Modified Procedure that set deadlines for interested persons to comment on Staff's Report, Staff reply to such comments, and intervenor funding requests. *See* Order No. 32673. Avista, Idaho Power, Rocky Mountain Power, the Snake River Alliance (SRA), the Idaho Conservation League (ICL), and the Community Action Partnership Association of Idaho (CAPAI) filed written comments. Commission Staff filed a written reply, and Avista filed additional comments.

Having thoroughly reviewed the record, the Commission issues this Order directing the utilities to conform their practices to those recommended in Staff's Report, with slight modification.

## STAFF REPORT

Staff's Report makes 18 recommendations. *See* Attachment A to this Order (attaching the recommendations). In general, Staff's Report recommended the three utilities change their cost-effectiveness methodologies to more accurately measure the value of *low-income weatherization programs*. Staff believes these programs can be cost-effective over the medium to long-term, but Staff recommended the program funding remain unchanged until *at least* spring 2013 for Idaho Power and Rocky Mountain Power, and 2014 for Avista. *See* Report at 44.

Staff says standard cost-effectiveness tests do not apply to the utilities' *conservation education programs,* however, and that these programs' success still must be measured and customer benefits identified. Staff recommended maintaining the current annual conservation education program funding level for Avista and Idaho Power, and decreasing Rocky Mountain Power's funding from $50,000 to $25,000 annually. *Id.* Staff also recommended that Avista be ordered to pay up to 100% of the cost per low-income weatherization measure. *See* Reply at 15.

## COMMENTS

After Staff filed its Report and recommendations, Idaho Power, Avista, Rocky Mountain Power, Idaho Conservation League, Snake River Alliance, and CAPAI filed written comments. Based on the comments, there appears to be no disagreement with Staff Recommendation Nos. 1,[1] 2, 5, 9,[2] 14, 15,[3] and 18a and b.[4]

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[1] Staff reports that Rocky Mountain Power and Avista's impact evaluations found that the CAP agencies' modeling software significantly over-predicted the energy savings that the low-income programs actually achieved. When Staff filed its Report, Idaho Power was conducting its first low-income weatherization impact evaluation. Report at 1. Per RP 263.01.c, we take official notice that Idaho Power filed its DSM 2012 Annual Report ("DSM Report") on March 15, 2013. We further note that the DSM Report contains the anticipated impact evaluation. That evaluation indicates that the CAP agencies largely performed their work according to program standards, and that the modeling software over-predicted energy savings primarily because it did not account for the interaction between measures or the cooling load of heat pumps, and double-counted the distribution energy consumption for calculating equipment energy savings. *See* DSM Report, Supplement 2: Residential Programs Impact Evaluation at 48 (Case No. IPC-E-13-08). If any utility believes other significant issues account for the programs' failure to provide predicted savings, then we direct the utility to bring those issues to Staff's attention. If Staff has additional concerns about why the programs failed to perform as predicted, then we expect Staff to address those concerns with the utilities and to file a report with the Commission identifying any unresolved concerns.

The participants' comments raise issues as to Recommendation Nos. 3, 4, 6, 7, 8, 10, 11, 12, 13, 16, 17, and 18c. We discuss these recommendations and the parties' comments below.

***Recommendation No. 3***

Staff Recommendation No. 3 proposes that utilities claim 100% of the energy savings produced by each low-income weatherization project for which they provide funding. Avista and Rocky Mountain Power already implement this practice, and ICL and CAPAI agree with it. Report at 16; ICL Comments at 1; CAPAI Comments at 11.

In response, Idaho Power says to be internally consistent and align with industry standards, a utility should not claim more in project savings than can be allocated based on the funds the utility contributed to the project. In other words, Idaho Power believes that it should claim no more than 70% in project savings if the Company only funds 70% of the project. Idaho Power Comments at 4.

Staff's reply disagrees with Idaho Power. Staff notes that no other Idaho Power demand-side management ("DSM") program claims less than 100% of the savings it generates. For example, if Idaho Power pays a residential customer $50 to buy an ENERGY STAR clothes washer and the customer pays the washer's remaining cost, Idaho Power claims 100% of the savings. Staff says this is consistent with industry standards, and that no other cost-effectiveness calculation at Idaho Power or any other utility includes 100% of the costs, but less than 100% of the energy savings. Reply at 4.

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[2] Staff Recommendation No. 9 proposes that utilities *have the option* to claim one dollar of non-energy benefits for each dollar of federal funds invested in health, safety, and repair measures. Staff stresses that this adjustment "should remain optional since utilities may have difficulty collecting accurate data on federally funded measures and because the cost-effectiveness manuals provide discretion on whether federal funds should be included as a cost in the TRC." *See* Staff Report at 24. The Report notes, however, that Idaho Power and Rocky Mountain Power told Staff they have some reservations about excluding federal costs from the TRC, and that tracking the data could be costly. We do not view these utilities' reservations about exercising the proposed, dollar-for-dollar option to disagree with Staff's recommendation that the utilities should be able to exercise that option if they so choose.

[3] Staff Recommendation No. 15 initially proposed, in part, that Avista pay *no more than 85% of the cost per low-income weatherization project*. Avista and Staff subsequently concurred that this language be removed from Recommendation No. 15. *See* Additional Comments of [Avista] Corporation. In this Order, we treat Recommendation No. 15 as if it lacks the italicized language.

[4] Staff Recommendation No. 18 contains three recommendations. For ease of discussion, this Order denotes these three recommendations as Recommendation Nos. 18a, 18b, and 18c. As noted below, the participants only disagree as to Recommendation No. 18c.

***Commission Findings***: We find Staff's recommendation to be fair, just, and reasonable, and we adopt it. When implemented, the recommendation will align Idaho Power's low-income program cost-effectiveness calculations with how Idaho Power calculates cost-effectiveness for its other programs.

***Recommendation No. 4.***

Staff Recommendation No. 4 proposes that Idaho Power's low-income program cost-effectiveness calculations include *indirect* administrative costs for regulatory, managerial, and financial oversight in low-income program cost-effectiveness in a way that approximates how these costs are assigned to supply-side resources. Avista and Rocky Mountain Power already implement this practice, and ICL agrees with it. Report at 17; ICL Comments at 1.

CAPAI also agrees with this recommendation. But CAPAI notes that if a program *directly* causes the utility to incur a higher administrative cost on a "but-for" basis, the utility should include that incremental cost increase in the program's cost-effectiveness calculation. CAPAI Comments at 11-12.

In reply, Staff clarifies that *direct* administrative costs (e.g., program manager's salary) are already included in the cost-effectiveness analysis. Reply at 8-9.

***Commission Findings***: With Staff's clarification, we find that Staff's recommendation is fair, just, and reasonable, and we adopt it.

***Recommendation No. 6***

Staff's Report notes that Rocky Mountain Power and Avista use a 10% conservation adder when calculating the cost-effectiveness of all their DSM programs, including their low-income weatherization programs. In Recommendation No. 6, Staff says it *does not oppose* this practice. Further, Staff says it *would not oppose* Idaho Power engaging in this practice if it chose to do so. *See* Report at 18. ICL and CAPAI agree with this recommendation (although CAPAI believes the adder only should include environmental non-energy benefits and not other non-energy benefits). ICL Comments at 1; CAPAI Comments at 13.

In response, Idaho Power says it does not use an adder when calculating whether its other energy efficiency programs are cost-effective and it asks for clarification on whether the recommendation would apply to all of its programs or only to the low-income weatherization assistance program. Idaho Power Comments at 4.

In reply, Staff clarifies that it merely recommended that utilities *have the option* to use a 10% adder; the utilities may include or exclude the adder as they see fit. Reply at 4.

***Commission Findings***: With Staff's clarification, we find that Staff's recommendation is fair, just, and reasonable, and we adopt it. A utility may, but need not, include a 10% conservation preference adder for their low-income weatherization programs. If Idaho Power believes using the adder would make its cost-effectiveness calculations inconsistent, then the Company need not use the adder.

***Recommendation No. 7***

Staff Recommendation No. 7 proposes that cost-effectiveness analyses *include* quantifiable, payment-related non-energy benefits (e.g., reductions in utility arrearages and bad debt, and collection, disconnection, and reconnection expenses) *when possible*. But such analyses should *exclude* economic non-energy benefits and non-energy benefits that accrue to program participants (e.g., increased property values, extended lives of weatherized dwellings, health impacts, take back, and increased comfort), because such benefits have not yet been rigorously quantified. Rocky Mountain Power already engages in this practice. *See* Report at 20-21.

In response, ICL stresses that there should be "a clear and attainable standard" for including non-energy benefits in cost-effectiveness analyses. ICL Comments at 1. Idaho Power says that cost-effectiveness analyses *should not* include payment-related non-energy benefits because those benefits are hard to quantify. Idaho Power Comments at 5. SRA and CAPAI, on the other hand, say the analyses *should* include payment-related non-energy benefits as suggested by Staff. Further, and contrary to Staff's recommendation, the analyses also should include economic non-energy benefits and non-energy benefits that accrue to participants. SRA suggests the Commission order Staff to further investigate the matter to ease any misgivings it may have about including these other types of benefits. For its part, CAPAI likens non-energy benefits to other avoided costs, and stresses that such benefits have been documented for years. CAPAI says the concept of "cost-effectiveness without non-energy benefits" should not be considered further. Further, Staff should modify its list of non-energy benefits to include working capital savings associated with avoided billings resulting from reduced consumption. CAPAI recommended that a 25% multiplier be adopted to reflect the cumulative impact on non-environmental non-energy benefits. *See* SRA Comments at 3; CAPAI Comments at 13-19.

In reply, Staff says it has invested considerable time investigating non-energy benefits for the past year, and that it has now recommended a mechanism for including non-energy benefits in cost-effectiveness analyses. Reply at 7. Staff says it has proposed a clear standard for including non-energy benefits: a dollar-for-dollar valuation of cost versus benefit for health, safety, and repair measures, as proposed in Recommendation No. 8. *Id.* at 6. Staff acknowledged that its proposed methodology captures some, but not all, non energy benefits produced by low-income programs. *Id.* at 9. But Staff remains "uncomfortable including *all* non-energy benefits as they have been quantified thus far. *Id.* at 7. Staff thus welcomes further discussion of any alternate methods for estimating non-energy benefits. *Id.* at 6. As for CAPAI's recommendation that a 25% multiplier be used, Staff stated: "Since health and safety measures can be 15% of a weatherization program's budget and Staff has supported using a 10% adder, Staff has in effect supported a 25% non-energy benefits adder as recommended by CAPAI." *Id.* at 10.

***Commission Findings***: We find Staff Recommendation No. 7 to be fair, just, and reasonable, and we adopt it. Staff acknowledges that its recommended methodology does not capture all non-energy benefits produced by low-income programs, and Staff says it will continue to evaluate these benefits for possible future inclusion. We find Staff's position to be appropriate. We do not consider this issue to be fully resolved. But we decline to direct Staff to conduct specific, further investigation on non-energy benefits at this time.

Regarding Idaho Power's objection, we note that Rocky Mountain Power already quantifies and includes payment-related benefits in its cost-effectiveness calculations. *See* Report at 20. Further, Staff's recommendation merely is that a utility include payment-related non-energy benefits *when possible.* If Idaho Power believes its payment-related non-energy benefits are too hard to quantify, then it need not include those benefits in its cost-effectiveness analyses.

***Recommendation No. 8***

Staff Recommendation No. 8 proposes that Avista continue quantifying utility-funded health, safety, and repair measures as a dollar of non-energy benefits for each dollar of cost, and that Idaho Power and Rocky Mountain Power also use this methodology. Report at 23. ICL and CAPAI agree with this recommendation. ICL Comments at 1; CAPAI Comments at 20.

Idaho Power objects that Staff's recommendation deviates from industry standards. The Company asks whether the recommendation would apply to all energy efficiency programs, and which cost-effectiveness tests would include these benefits. Idaho Power Comments at 5.

Staff replies that the list of non-energy benefits that are quantified and monetized by utilities across the country is long, diverse, and undefined. Reply at 4-5. But since Staff's proposed method likely *underestimates* the value of the health, safety, and repair measures and provides a transparent one-to-one ratio of benefits to investments, Staff is comfortable recommending its use. *Id.* at 5. Staff also observes that Idaho Power uses internal program-manager estimates—a much less rigorous method than proposed by Staff—to estimate that its irrigation efficiency program produces generous non-energy benefits. *Id.* Staff clarifies that this quantification of non-energy benefits should be restricted to Idaho Power's two low-income weatherization programs and that, consistent with industry practices, the non-energy benefits should only be included in the TRC.[5] *Id.*

***Commission Findings***: With Staff's clarification, we find this recommendation to be fair, just, and reasonable, and we adopt it.

### *Recommendation No. 11*

Staff's Report says that some stakeholders claim traditional cost-effectiveness tests do not adequately represent the unique benefits produced by low-income weatherization programs. Report at 27. Staff thus explored creating a low-income weatherization specific cost-effectiveness test that would include a broader range of non-energy benefits, such as participant savings from fewer moves, fewer lost sick days, improved comfort, reduction in fire losses, and participant value from fewer calls to the utility. *Id.* Staff found, however, that these types of benefits have not yet been quantified with adequate rigor or transparency for Staff to recommend their inclusion. Accordingly, Staff Recommendation No. 11 recommended against "constructing a specific cost-effectiveness test for low income programs." Report at 28. ICL agrees with Staff's recommendation. ICL Comments at 1.

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[5] Utilities measure cost-effectiveness using several widely accepted cost-effectiveness tests: the Total Resource Cost Test (TRC), the Utility Cost Test (UCT), the Participant Cost Test (PCT), and the Ratepayer Impact Measure (RIM). The TRC and the UCT are the two most important cost-effectiveness tests for a utility-funded DSM program. The TRC compares a DSM program's benefits and costs from the perspective of all utility customers, participants and non-participants, in the utility service territory. The UCT analyzes the program from the "perspective of the utility implementing the program". Report at 10.

CAPAI and SRA disagree with Staff. CAPAI recommended a "hybrid" approach to accounting for the special benefits of low-income weatherization. CAPAI Comments at 23-24. SRA sees no reason to take creation of a specific low-income cost-effectiveness test "off the table." SRA thus asked Staff to "more fully explain" its recommendation. SRA Comments at 4.

In reply, Staff explained that low-income specific tests are often predicated on extremely generous and weakly quantified non-energy benefits. Because Staff has not found sufficient evidence to include many non-energy benefits as they are currently quantified, Staff cannot support a specific test that unduly emphasizes them. Reply at 7-8. Further, Staff explained that its low-income recommendations are, in fact, a hybrid approach as endorsed by CAPAI; Staff's recommendations combine the more readily quantifiable non-energy benefits (such as health, safety, and repair measures) with a 10% adder (for hard to measure non-energy benefits). *Id.* at 11.

***Commission Findings***: We find Staff's explanation to be reasonable. Accordingly, while we will continue to review low-income weatherization programs for cost-effectiveness (*See* Order No. 32426 at 16), we decline to construct a specific cost-effectiveness test for low-income programs *at this time*. We encourage further discussions between Staff and SRA, CAPAI, or any other party regarding rigorous quantification and monetization of non-energy benefits.

***Recommendation No. 12***

Staff Recommendation No. 12 proposes, in part, that utilities vary the independent contractors they use to evaluate their low-income programs. Report at 30. CAPAI and ICL agree with this recommendation. CAPAI Comments at 22; ICL Comments at 1.

Rocky Mountain Power, however, disagrees with Staff's recommendation. The Company says that rotating evaluators regardless of cost may increase evaluation costs and decrease the portfolio's benefit-to-cost ratio, raising risks associated with prudency. Rocky Mountain Power Comments at 3.

Staff had two replies. First, Staff does not support ignoring cost as a consideration. There are more evaluators than evaluation work, and competition between these evaluators for that work will likely contain evaluation costs. Second, Rocky Mountain Power's recent practice of including evaluation costs at the portfolio level, instead of at the program level, will mitigate the cost-effectiveness consequences of rotating evaluators. Reply at 5-6.

***Commission Findings***: With Staff's clarification, we find this recommendation to be just, fair, and reasonable, and we adopt it. We believe that periodically changing evaluators will result in better, more independent third-party evaluations.

***Recommendation No. 13.***

Staff Recommendation No. 13 recommends that Idaho Power should continue to comply with Order No. 29505, which directs the Company to carryover unspent low-income weatherization funding from base rates into the following year.[6] Staff also recommended that Avista and Rocky Mountain Power continue to use any unspent low-income funds for other DSM programs, consistent with current practice for all programs funded through DSM tariff riders. Report at 31.

CAPAI and ICL support continuing to carryover unspent low-income weatherization funding, but they oppose allowing utilities to spend those funds on DSM programs besides low-income programs. Rather, the unspent funds should be reserved for low-income programs because demand for low-income programs will also carryover. Further, collecting such funds for low-income programs is done based on different cost-effectiveness determinations and for different reasons than funds collected for non-low-income programs. CAPAI Comments at 26-28; ICL Comments at 2.

In reply, Staff stresses that utilities should be allowed to use unspent *tariff rider-funded* low-income weatherization funds to fund other DSM programs. Staff explains that low-income programs are funded by tariff riders that are collected from customers for energy efficiency purposes, not just to fund low-income programs. Accordingly, utilities should be allowed to use unspent portions of the low-income funds to support the broader, energy efficiency purposes for which those funds were collected. Staff also says the existence of unspent funds probably will not be a significant problem because need exceeds funding and the deluge of ARRA funding has passed. Reply at 12-13; *see also,* Report at 39.[7]

***Commission Findings***: We find Staff's recommendation to be fair, just, and reasonable, and we adopt it. Staff's position supports longstanding Commission policy. We note that low-income weatherization program funding already receives preferential treatment when compared

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[6] Page 32 of Order No. 29505, Case No. IPC-E-03-13, states "Any unpaid funds shall carry over and be available in the next year."

[7] The American Recovery and Reinvestment Act of 2009.

to other DSM programs, because utilities must provide a minimum amount of low-income funding each year.

***Recommendation No. 16***

Staff Recommendation No. 16 proposes that no program receive a funding increase if it is not cost-effective according to the criteria outlined in this report. After a program is determined to be cost-effective, at least five factors should be analyzed to determine if a funding increase is appropriate. Report at 39. T hese factors and the comments about them are discussed below.

> 1. *Funding could be increased if the list of not-previously weatherized homes waiting for weatherization (as indicated by the LIHEAP data) has increased significantly since the last review.*

ICL agrees with this using this factor. ICL Comments at 2.

CAPAI, on the other hand, disagrees and believes that the term "significantly" should be quantified. Further, CAPAI objects that if low-income programs are not going to be funded to the levels of need, then need is inappropriate to use as a funding mechanism. CAPAI Comments at 30. In reply, Staff says a better case for increasing funding for a cost-effective program can be made if need is demonstrated to be increasing. Reply at 11-12.

Avista notes that an increase in the LIHEAP list of homes waiting to be weatherized only indicates increased need if all other factors remain constant. Avista Comments at 2. Rocky Mountain Power suggests that CAPAI increase the accuracy of its LIHEAP data and provide an annual report on utility-funded programs. RMP Comments at 4. Idaho Power also believes the LIHEAP data should be adjusted for accuracy, and suggests that the data should: (a) exclude previously weatherized homes; (b) include only homes with auditor-verified electric heat with the potential to install qualifying measures; and (c) exclude homes with disconnected accounts or accounts where the original applicant has since moved. *See* Idaho Power Comments at 2-3.

In reply, Staff explains that Idaho Power's first two conditions cannot be verified without sending an auditor to each home, and that confirming the conditions requires undue expense and waste of resources. Staff continues to welcome suggestions on how LIHEAP-participant data might be made to more accurately indicate the need for weatherization. Reply at 3.

2. *Funding could be increased if a utility's program provides significantly less funding on a per-capita basis than the cost-effective program of another utility operating within the State of Idaho with comparable poverty levels in its service territory.*

ICL and CAPAI agree with this recommendation. ICL Comments at 2; CAPAI Comments at 30. Idaho Power, on the other hand, stresses that funding should primarily be based upon qualified customers' weatherization needs. Idaho Power Comments at 2. The Company finds no value in this recommendation because it does not help to quantify customer need. *Id.* at 3.

3. *Funding could be increased if the utility is awarded a significant base rate increase. Rate increases impact low-income customers more adversely than other customers, therefore it could be appropriate to provide increased funding for low-income weatherization when rates increase.*

ICL and CAPAI agree with this recommendation, although CAPAI again believes that "significant" should be quantified. ICL Comments at 2; CAPAI Comments at 30. Idaho Power and Rocky Mountain Power, on the other hand, do not believe this factor is relevant to determining customer weatherization needs. Idaho Power Comments at 3; Rocky Mountain Power Comments at 4.

4. *Funding could be increased if the utility does not have sufficient funds to acquire the annually achievable low-income energy savings potential as indicated by the utility's most recent Conservation Potential Assessment (CPA). This criterion is similar to how utilities fund other DSM programs.*

ICL and CAPAI agree with this recommendation. ICL Comments at 2; CAPAI Comments at 30. Again, Idaho Power says this factor has no value because it does not help to determine customer need. Idaho Power Comments at 3.

5. *Funding should not be increased if a utility's CAP agencies have been unable to spend all of the available utility funding in the previous year.*

Idaho Power agrees with this recommendation. Idaho Power Comments at 3. ICL, CAPAI, and SRA disagree with the recommendation.

ICL objects that Staff's proposed standard is too strict, and that it should be relaxed if funds are allocated to projects that will be completed in the next year, or if the unspent funds are minimal. ICL Comments at 2. In reply, Staff notes that if the adjusted LIHEAP data show a lengthy waiting list for weatherization, then a significant amount of unspent funds from the previous year could arguably be allocated to projects in the following year. Staff says it may be able to support a funding increase if unspent funds in the prior year are minimal. Reply at 7.

SRA says Staff's recommendation is overbroad and may overlook certain extraordinary circumstances beyond a particular CAP's control." SRA Comments at 4. CAPAI believes that funding should not be increased if a utility's CAP agencies have been unable to spend all of the available utility funding *in the previous two years*. CAPAI Comments at 30. In reply, Staff clarified that in issuing the recommendation Staff is not judging any CAP's performance; it merely is proposing another indicator that should be considered in assessing whether or not the need for weatherization justifies a funding increase. Reply at 8.

***Commission Findings***: In Recommendation No. 16, Staff sets forth factors that a utility, CAPAI, or other interested persons should consider when deciding whether a funding increase might be appropriate. We find the recommendation to be fair, just, and reasonable, and we adopt it. We find that the recommended factors are merely a guide for when a funding increase may be in order, and that the absence of one or more factors does not necessarily preclude a funding increase.

***Recommendation No. 17***

Staff Recommendation No. 17 proposes maintaining current funding levels for the three utilities' low-income weatherization programs. But Staff notes that a funding increase for Idaho Power's and Rocky Mountain's programs could be considered after those companies file their annual DSM reports for 2013. Staff says any funding increase for Avista's program should be delayed until *at least* spring 2014 to allow time for program changes to take effect and to determine if they actually improve program cost-effectiveness. Report at 40. ICL agrees with this recommendation. ICL Comments at 1. Rocky Mountain Power stresses that funding should be contingent on cost-effectiveness. Rocky Mountain Power Comments at 4.

SRA objects to waiting until 2014 to review a funding increase for Avista. SRA Comments at 5. In reply, Staff clarified that it recommended a longer delay for Avista's program because Avista's program is much more cost-*ineffective* than the other utilities' low-income programs. Reply at 8.

CAPAI wholly disagrees with Staff Recommendation No. 17 and suggests that the Commission approve a level-service budget for low-income weatherization (i.e., a set number of homes to be weatherized per year) rather than the level funding budget (i.e., set funding amount) proposed by Staff. Further, "Stakeholders (including CAPAI) should be willing to accept the findings of the Department of Energy's [forthcoming Weatherization Assistance Program] evaluation whether that evaluation finds the presence or absence of non-energy benefits." CAPAI Comments at 31-34.

In reply, Staff says it does not necessarily oppose a level service budget but believes that maintaining a level service budget would increase the total annual funding required for each program. Reply at 13. Because the cost-effectiveness of these programs is unclear, Staff cannot support CAPAI's suggestion now. But Staff says it may be beneficial to include the average cost of weatherizing each home as an additional consideration when establishing funding levels for cost-effective programs in the future. *Id.* Staff also noted that it could not support the findings of a Department of Energy evaluation that had not yet been published and which Staff had not, therefore, reviewed. *Id.* at 14.

***Commission Findings***: We find Staff's recommendation to be just, fair, and reasonable, and we adopt it. We find it appropriate to defer considering funding increases for Idaho Power's and Rocky Mountain Power's programs until after those utilities have published their annual DSM reports.[8] Further, given the greater cost-ineffectivess of Avista's program, we find it appropriate to defer considering funding increases for Avista's program until at least spring 2014.

### ***Recommendation No. 18***

In Recommendation No. 18(c), Staff recommended maintaining Avista's and Idaho Power's current, annual conservation education program funding levels. However, Staff recommended the Commission decrease the annual funding for Rocky Mountain Power's conservation education program from $50,000 to $25,000, beginning in June 2013, with the clear

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[8] We have taken official notice that Idaho Power filed its 2012 DSM Report. *See* fn.1. According to the DSM Report, the Company's primary low-income weatherization program, Weatherization Assistance for Qualified Customers (WAQC), had a 0.84 UCT and a 0.71 TRC. The Company's supplemental program, Weatherization Solutions for Eligible Customers (WSEC), reported a 0.43 UCT and a 0.47 TRC. *See* DSM Report, Supplement 1: Cost-Effectiveness at 55-56.

understanding that this amount should be funded annually. Report at 44.[9] Rocky Mountain Power and ICL agree with this recommendation. Rocky Mountain Power Comments at 5; ICL Comments at 1.[10]

By way of background, Staff describes how Rocky Mountain Power budgeted \$50,000 for the two CAP agencies in its service territory to develop an energy conservation program specifically targeted to Rocky Mountain Power's low-income customers. The resulting program provides in-house workshops, distributes energy efficiency kits, and includes one-on-one home visits. Rocky Mountain Power's program was implemented in June 2011 with the goal of serving 500 households, but as of July 1, 2012, only 252 households (51% of the goal) had completed the program. Further, it has taken Rocky Mountain Power's CAPs more than two years to spend the Con-Ed funding amount. Further, Rocky Mountain Power's funding level is the same as Avista's (\$50,000) even though Rocky Mountain Power has about half as many electric residential customers. Staff thus concludes that Rocky Mountain Power's funding amount is excessive and should be reduced to \$25,000 *annually*, which is about \$0.44 per residential customer. Report at 42-43. Staff notes that CAPAI will evaluate Rocky Mountain Power's Conservation Education Program for 2011 and 2012, with a report due by June 2013, and that Staff looks forward to reviewing CAPAI's report. *Id.* at 41.

CAPAI disagrees with reducing funding for Rocky Mountain Power's conservation education program. Rather, CAPAI says Rocky Mountain Power's program should expand to include technical assistance to promote energy efficiency in low-income public and assisted housing developments. CAPAI Comments at 36-37.

In reply, Staff notes that its comments were filed prior to CAPAI's proposal to expand the conservation education program. Staff was, therefore, unable to thoroughly analyze CAPAI's proposal in this case. Accordingly, at this time Staff does not support expanding Rocky Mountain Power's conservation education program as suggested by CAPAI. Reply at 14.

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[9] As noted previously, Recommendation No. 18 contains three recommendations, which we denote as Nos. 18(a), (b), and (c) for ease of discussion. There is no disagreement as to Recommendation Nos. 18(a) and (b).

[10] Rocky Mountain Power's agreement assumes the program proves cost-effective and that all allotted program funds were used. If a CAP agency was unable to fully use all of the program's annually allotted funds by the end of a year, then the next year's contribution would be \$25,000 minus the unspent funds. Rocky Mountain Power Comments at 5.

***Commission Findings***: Based on our review of the record, we find it just, fair, and reasonable to set a $25,000 annual funding level for Rocky Mountain Power's conservation education program. We adopt Recommendation No. 18(c). If CAPAI's forthcoming report suggests that Rocky Mountain Power's funding levels should change, or if CAPAI has specific proposals for expanding Rocky Mountain Power's conservation education program, we invite CAPAI to discuss those proposals with the company and Staff.

**INTERVENOR FUNDING**

On December 21, 2012, CAPAI petitioned the Commission for $16,845.000 (Legal costs – $8,190; Expert witness fees – $8,480; Costs – $175) in intervenor funding award cover the expenses that CAPAI incurred in Case No. PAC-E-11-13. *See* CAPAI's Petition for Intervenor Funding. CAPAI filed its Petition pursuant to Commission Order No. 32440, which states: "The Commission notes that it will entertain a timely petition for intervenor funding filed by CAPAI following the conclusion of the public workshops ordered in this case. Because the Commission views this case as a precursor to the generic investigation and public workshops ordered in this case, PAC-E-11-13, and the Company's last general rate case, PAC-E-11-12, CAPAI may submit a request that includes any fees and/or costs incurred by the organization associated with this case."

Intervenor funding is available under *Idaho Code* § 61-617A, which declares it is the "policy of [Idaho] to encourage participation at all stages of all proceedings before this Commission so that all affected customers receive full and fair representation in those proceedings." The statute empowers the Commission to order any regulated utility with intrastate annual revenues exceeding $3.5 million to pay all or a portion of the costs of one or more parties for legal fees, witness fees and reproduction costs not to exceed a total for all intervening parties combined of $40,000. *Id.* The Commission must consider the following factors when deciding whether to award intervenor funding:

(a) A finding that the participation of the intervenor has materially contributed to the decision rendered by the Commission;

(b) A finding that the costs of intervention are reasonable in amount and would be a significant financial hardship for the intervenor;

(c) The recommendation made by the intervenor differed materially from the testimony and exhibits of the Commission Staff; and

(d) The testimony and participation of the intervenor addressed issues of concern to the general body of users or consumers.

*Idaho Code* § 61-617A(2).

To obtain an intervenor funding award, an intervenor must comply with Commission Rules of Procedure 161 through 165. Rule 162 provides the form and content for the petition. IDAPA 31.01.01.162.

The Commission finds that CAPAI's Petition satisfies the intervenor funding requirements. As we noted in Order No. 32440 from Case No. PAC-E-11-13:

> As support and justification for its funding request, CAPAI stated that it participated in this case 'on a level equivalent, equal to or greater than a general rate case." CAPAI asserted that its participation in this case was substantial and included the normal time and effort expended to become a formal party to this case as well as engaging in substantial discovery, participating in a webinar with RMP, Staff, and CADMUS, extensive analysis of data and the compilation of comments and Mr. Colton's analysis." CAPAI noted that there were "material differences" between the position it took in its filed comments and Staff's position in this case. CAPAI did not agree with Staff's recommendation of public workshops following this case but did assent to participation in any workshops ordered by the Commission.

Order No. at 10 (internal citations omitted). Moreover, in the ensuing generic case, CAPAI participated in the workshop and reviewed and provided feedback on Staff's draft report, and some of CAPAI's suggestions resulted in major changes to Staff's position. *See* Staff Reply Comments at 14. CAPAI also filed extensive comments on Staff's final Report and notes that virtually all of the effort expended and expenses incurred by CAPAI in the PAC-E-11-13 case formed the basis of CAPAI's position in this case.

The Commission finds that CAPAI has materially contributed to the Commission's decision. A number of CAPAI's recommendations materially differ from those expressed in Staff's testimony and exhibits, and CAPAI'S participation addressed issues of concern to the general body of customers. Finally, the documentation of the costs and fees incurred by CAPAI establishes that the request is reasonable in amount, and that CAPAI would suffer financial hardship if the request is not approved. Accordingly, we approve an award of intervenor funding to CAPAI in the amount of $16,845. We find it reasonable for Rocky Mountain Power to pay for most of this award, and specifically for the $7,480 in expenses that CAPAI incurred for the services of its expert in PAC-E-11-13, Roger Colton, with the remainder of the award to be paid equally by all three utilities. Thus, the utilities' respective shares of the intervenor funding award shall be: Avista, $3,122; Idaho Power, $3,122; Rocky Mountain Power, $10,601 (i.e., $3,121 + $7480).

## ULTIMATE FINDINGS OF FACT AND CONCLUSIONS OF LAW

The Commission has jurisdiction and authority over electric utilities Avista, Idaho Power, and Rocky Mountain Power under Title 61 of the Idaho Code and the Commission's Rules of Procedure, IDAPA 31.01.01.000, *et seq*. Based on our review of the record, we find it fair, just, and reasonable for these utilities to conform their practices to the recommendations set forth in Staff's Report to the extent they have not already done so. Staff's Report is thorough, and we accept it and expect to use it to guide our decisions in future cases.

We find it fair, just and reasonable that Avista pay up to 100% of the cost per low-income weatherization measure. We also find it fair, just and reasonable that Rocky Mountain Power be required to fund its conservation education program at $25,000 per annum.

## O R D E R

IT IS HEREBY ORDERED that Staff's Report, as modified per the representations in Avista's additional comments, is accepted;

IT IS FURTHER ORDERED that Avista shall pay up to 100% of the cost per low-income weatherization measure;

IT IS FURTHER ORDERED that the amount of funding for Rocky Mountain Power's conservation education program shall be $25,000, with the Company to fund that amount annually;

IT IS FURTHER ORDERED that CAPAI's Petition for Intervenor Funding is granted in the amount of $16,845. Avista, Idaho Power, and Rocky Mountain Power shall promptly pay their respective shares of this award to CAPAI as set forth above.

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.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 12th day of April 2013.

PAUL KJELLANDER, PRESIDENT

MACK A. REDFORD, COMMISSIONER

MARSHA H. SMITH, COMMISSIONER

ATTEST:

Jean D. Jewell
Commission Secretary

O:GNR-E-12-01_kk3

## ATTACHMENT A
## STAFF RECOMMENDATIONS

### Low Income Weatherization Programs

### Utility Cost-effectiveness Calculations

#### *Energy Savings*

*Recommendation 1*: Staff recommends that Idaho Power use its third-party impact evaluation results to inform the savings estimates from the EA5 modeling software. After this adjustment, all three companies will be using verified energy savings estimates in their cost-effectiveness calculations. Many, but not all, impact evaluations find that actual savings are lower than the previous estimates. If this is the case for the energy saving produced by Idaho Power's program, this adjustment will decrease the cost-effectiveness of Idaho Power's program.

#### *Net-to-Gross Ratio*

*Recommendation 2*: Staff agrees that customers who qualify for LIHEAP bill assistance and who are then added to the CAP agency weatherization lists are extremely unlikely to have sufficient funds to weatherize their homes. Staff further agrees that landlords have little incentive to pay for energy efficiency measures when they are not responsible for paying the energy bill. Therefore, Staff recommends that utilities claim 100% net-to-gross for this program. This adjustment will benefit the cost-effectiveness of Idaho Power's program.

#### *Percentage of Energy Savings Claimed per Residence*

*Recommendation 3*: Staff recommends that utilities claim 100% of the energy savings produced by each low-income weatherization project for which they provide funding. This adjustment will increase the cost-effectiveness of Idaho Power's program.

#### *Indirect Administration Costs*

*Recommendation 4:* Staff recommends that Idaho Power develop a method to include indirect administrative overhead costs in its low income program cost-effectiveness in a manner that approximates how these expenses are assigned to supply-side resources. This adjustment may decrease the cost-effectiveness of Idaho Power's program.

#### *Evaluation Costs*

*Recommendation 5*: Requiring low-income programs, which often have smaller budgets and energy savings relative to other DSM programs, to incorporate the full cost of an evaluation in a single year could lead to extremely lean evaluation budgets, and possibly lower quality evaluations. Staff recommends that utilities have the option to incorporate program evaluation costs at the jurisdictional portfolio level rather than the program level. Alternatively, Staff recommends that utilities have the option to amortize evaluation costs over the two to three years between evaluations for program level cost-effectiveness calculations.

***Energy Conservation Adders***

Recommendation 6: Staff does not oppose Rocky Mountain Power and Avista's use of a 10% conservation preference adder in their low income DSM cost-effectiveness calculations. Use of the adder is widely accepted by state utility regulatory commissions on a regional basis and its use is included in the Northwest Power Act. Staff would not oppose Idaho Power's use of this adder in its low income cost-effectiveness calculations. Including a 10% conservation preference adder would increase the cost-effectiveness of Idaho Power's low-income weatherization program.

***Payment-related, Economic, and Participant Non-Energy Benefits***

Recommendation 7: Staff recommends that payment-related non-energy benefits, such as reductions in utilities' arrearages and bad debt, as well as collection, disconnection, and reconnection expenses that may accrue when low income customers' bills are reduced through weatherization, be quantified and included in cost-effectiveness analyses when possible.

Staff recommends excluding economic non-energy benefits and non-energy benefits that accrue to program participants because they have not yet been rigorously quantified. These include increased property values, extended lives of weatherized dwellings, health impacts, take back, and increased comfort.

Including quantifiable payment-related non-energy benefits will increase the cost-effectiveness of low income programs over what they otherwise would have been. However, excluding the economic non-energy benefits already included in Rocky Mountain Power's Cadmus evaluation will decrease that program's cost-effectiveness.

***Utility-Funded Health and Safety Measures and Repairs as Non-Energy Benefits***

Recommendation 8: Staff recommends that Avista continue quantifying utility-funded health, safety, and repair measures as a dollar of non-energy benefits for each dollar of cost. Staff recommends that Idaho Power and Rocky Mountain Power apply this methodology to their cost-effectiveness calculations. This adjustment will increase Idaho Power and Rocky Mountain Power's cost-effectiveness.

***Federally-Funded Health and Safety Measures and Repairs as Non-energy Benefits***

Recommendation 9: Staff recommends that the utilities have the option to claim one dollar of non-energy benefits for each dollar of federal funds invested in health, safety, and repair measures. Staff recommends that this adjustment remain optional since utilities may have difficulty collecting accurate data on federally funded measures and because cost-effectiveness manuals provide discretion on whether federal funds should be included as a cost in the TRC. Staff's recommendation is consistent with the attribution of federal funds in other DSM programs, TRC methodology, and treatment of energy savings. If adopted, this adjustment is likely to increase all three programs' cost-effectiveness, although the exact impact is unknown because the utilities have not previously tracked the amount of federal funds spent on health, safety, and repair measures in utility-funded low income weatherized homes.

***Discount Rate Modification***

Recommendation 10: Staff supports Avista's proposal to use and Idaho Power's current use of a modified discount rate for participant benefits. However, the only type of participant benefits Staff has supported for low-income weatherization programs are health, safety, and repair measures that, using Staff's recommended method, are already valued on a NPV basis. Therefore, applying a modified discount rate to these benefits would have no effect on cost-effectiveness.

***Creating a Low Income Weatherization Specific TRC***

Recommendation 11: Staff does not recommend constructing a specific cost-effectiveness test for low income programs.

**Program Implementation**

***Evaluation Methodology***

Recommendation 12: Staff recommends that the utilities incorporate additional evaluation methods to inform or complement billing analyses for low income programs whenever possible. If non-participants are used as the control group in a billing analysis, Staff recommends rigorous controls between the two groups, which may include but not necessarily be limited to, previously weatherized homes, service disconnections, economic decline and rate increases, and households prioritized for weatherization, including emergencies. Incorporating these controls and/or other evaluation and billing analysis methods may increase all three programs' cost-effectiveness. Staff also recommends that utilities vary the independent contractors hired to evaluate these programs.

***Fixed Annual Funding versus Roll-over of Unspent Funds***

Recommendation 13: Staff believes that Idaho Power should continue to comply with Order No. 29505 which directs the Company to carry over unspent low-income weatherization funding from base rates into the following year. Staff also recommends that Avista and Rocky Mountain Power continue to use any unspent low income funds for other DSM programs, consistent with current practice for all programs funded through DSM tariff riders.

***Capture Project-Level Data to Enable Evaluation and Program Management***

Recommendation 14: Staff recommends that Rocky Mountain Power continue the pending and future upgrades to its low-income weatherization data management system. Staff also recommends that Avista and Rocky Mountain Power consider adopting Idaho Power's scalable approach to paying for measures to allow for more strategic and cost-effective investments, if Idaho Power's impact evaluation demonstrates that this technique was effective.

***Project-Funding Parity***

Recommendation 15: Staff recommends that Avista pay up to 100% of the cost per low-income weatherization measure. This adjustment will increase the cost-effectiveness of Avista's program and facilitate cost-effectiveness comparisons between the three utilities.

**Funding Levels**

***Funding Methodology***

Recommendation 16: Staff recommends that no program should receive a funding increase if it is not cost-effective according to the criteria outlined in this report. After a program is determined to be cost-effective, at least five factors should be analyzed to determine if a funding increase is appropriate.

1. Funding could be increased if the list of not-previously weatherized homes waiting for weatherization (as indicated by the LIHEAP data) has increased significantly since the last review.

2. Funding could be increased if a utility's program provides significantly less funding on a per-capita basis than the cost-effective program of another utility operating within the state of Idaho with comparable poverty levels in its service territory.

3. Funding could be increased if the utility is awarded a significant base rate increase. Rate increases impact low income customers more adversely than other customers, therefore it could be appropriate to provide increased funding for low-income weatherization when rates increase.

4. Funding could be increased if the utility does not have sufficient funds to acquire the annually achievable low income energy savings potential as indicated by the utility's most recent Conservation Potential Assessment (CPA). This criterion is similar to how utilities fund other DSM programs.

5. Funding should not be increased if a utility's CAP agencies have been unable to spend all of the available utility funding in the previous year.

***Continue Funding Low Income Weatherization Programs at Current Levels***

*Recommendation 17*: Staff recommends continued funding for Idaho Power, Avista, and Rocky Mountain Power's low-income weatherization programs at current levels. Staff believes that funding increases requests for Idaho Power and Rocky Mountain Power could be considered after both companies publish their annual DSM reports in spring 2013. Staff recommends that a funding increase request for Avista be delayed until at least spring 2014 to allow time to implement the more extensive program modifications and determine if those modifications succeed and persist in improving cost-effectiveness.

**Low Income Energy Conservation Education Programs**

*Recommendation 18*:

a. Staff recommends that utilities' annual DSM reports separately address their Low Income Energy Conservation Education Programs. At a minimum, Staff expects each report to describe program design, identify target audience(s), gauge the program's success in meeting its goals, indicate how utility funding was used, and describe how the program benefits the utility's customers.

b. As with other education programs in which energy savings are often very difficult to determine, the Con-Ed programs should not be subjected to standard cost-effectiveness tests like the TRC and UCT.

c. Staff recommends maintaining the current annual Con-Ed program funding level for Avista and Idaho Power. Staff recommends adjusting Rocky Mountain Power's funding to $25,000 with the clear understanding that this amount should be funded annually.