

DECISION MEMORANDUM

TO: COMMISSIONER KJELLANDER
COMMISSIONER REDFORD
COMMISSIONER SMITH
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL

FROM: NEIL PRICE
DEPUTY ATTORNEY GENERAL

DATE: APRIL 25, 2014

SUBJECT: IDAHO POWER'S APPLICATION FOR A DETERMINATION OF 2013 DEMAND-SIDE MANAGEMENT (DSM) EXPENSES AS PRUDENTLY INCURRED, CASE NO. IPC-E-14-04

On March 17, 2014, Idaho Power Company ("Idaho Power" or "Company") submitted its Demand-Side Management 2013 Annual Report ("DSM 2013 Annual Report") and makes Application to the Commission for an Order designating Idaho Power's expenditures of \$21,748,331 in Idaho Energy Efficiency Rider ("Rider") funds and \$4,203,155 of demand response ("DR") program incentives included in the 2014 Power Cost Adjustment ("PCA"), for a total of \$25,951,486, as prudently incurred demand-side management ("DSM") expenses.

Thereafter, the Idaho Conservation League ("ICL") and Industrial Customers of Idaho Power ("ICIP") submitted Petitions to Intervene as a party. Both parties were granted leave to intervene as a party in this case.

THE APPLICATION

Pursuant to reporting requirements included in Commission Order No. 29419, and in accordance with agreed-upon guidelines set forth in the Memorandum of Understanding for Prudency Determination of DSM Expenditures ("DSM MOU"), Idaho Power included a copy of its 2013 DSM Annual Report and Supplements 1 and 2. The Company also included with its Application the Direct Testimony of Darlene Nemnich, Senior Regulatory Analyst. According to the Company, the DSM 2013 Annual Report and accompanying Nemnich testimony provide a sufficient basis for the Commission to determine whether Idaho Power's DSM expenses were prudently incurred.

2013 DSM ENERGY SAVINGS AND EXPENDITURES

In 2013, Idaho Power states that it offered 18 energy efficiency programs, 1 active demand response program, several educational initiatives, and savings to customers through market transformation programs. Idaho Power estimates annual energy savings from its energy efficiency activities totaled 107,284 megawatt-hours (“MWh”), which includes 18,346 MWh (preliminary estimate) stemming from the Company’s participation with Northwest Energy Efficiency Alliance in 2013.

The Company says that its overall energy savings is down this year. The DSM 2013 Annual Report explains that this reduction in energy savings in 2013 is due, in part, to Idaho Power and the region’s increased evaluation, measurement, and verification activities.

Idaho Power’s expenditures on DSM-related activities decreased in 2013, largely due to the suspension of two demand response programs. In 2013, the Company’s total system-wide expenditures on DSM-related activities totaled \$26,841,379. The \$26,841,379 of system-wide, DSM-related expenses in 2013 includes expenditures for customers in Oregon and other operations and maintenance expenses that are not before the Commission as part of this prudence request. In this filing, Idaho Power seeks a determination that a total of \$25,951,486 expenditures were prudently incurred in 2013 (\$21,748,331 in Rider expenses and \$4,203,155 in DR program expenses included in the 2014 PCA).

The attached direct testimony describes several adjustments to the total dollar amounts contained in the DSM 2013 Annual Report. The Company requests that the Commission accept the following adjustments:

Custom Efficiency Transfer. In Order No. 32826, the Commission approved the transfer of \$14,200,174 in customer efficiency incentive payments to the Rider account. Of this amount, \$13,037,493 was previously deemed prudent in Order Nos. 32667 and 32953 and therefore is not included in this prudence request. The \$1,162,681 remainder includes Custom Efficiency program incentive payments made from January 1, 2013, through May 31, 2013, with accrued interest. The \$1,162,681 is included in this request for a determination that 2013 DSM expenses were prudently incurred.

Rider-Funded Labor-Related Expenses. According to the Company, the Commission declined to decide the reasonableness of increases in the Company’s Rider-funded labor-related expenses for 2011 and 2012. Order Nos. 32667, 32690, and 32953. Due to these Commission

decisions, Idaho Power has excluded from this filing its 2013 increase in Rider-funded labor-related expenses amounting to \$269,432.

A/C Cool Credit Switch Expenses. In 2012, Idaho Power incurred \$32,090 in costs to install A/C Cool Credit switches after Idaho Power issued a letter to its vendor directing it to halt installation. Idaho Power set aside such amounts in its request for the Commission's prudence review of 2012 DSM expenses. Idaho Power states that the A/C Cool Credit program will be operational for the 2014 program season, and the switches will now add value to the program, and includes these expenses in this request for a prudence determination.

Prior Year-End Adjustments. In 2012, Idaho Power removed \$21,952 from its prudence request and was also removed from the Rider in 2013. In order to avoid a double removal, the Company states, it is necessary to add this amount to this prudence request of the \$21,952.

Current Year-End Adjustments. Idaho Power transferred \$248 to the Idaho Rider account, associated with the Home Energy Audit program, which were initially charged to the Oregon Rider account in error.

In the DSM 2013 Annual Report, Idaho Power calculates cost-effectiveness from the RIM, PCT, UCT, and TRC perspectives at the program level, except for those programs with no customer costs, in which case the PCT is not applicable. This includes DR and low-income weatherization programs which are evaluated at the UCT and TRC perspectives. Idaho Power also evaluates cost-effectiveness using the UCT and TRC tests for each measure within a program where the measures are not interactive.

The DSM 2013 Annual Report, Supplement 1 includes detailed results of the cost-effectiveness tests by program and by measure. The DSM 2013 Annual Report, Appendix 4 shows the historical UCT and TRC results for each of Idaho Power's active DR and energy efficiency programs from a program-life perspective. Results show that of the 15 energy efficiency programs for which the Company claims savings in 2013, 11 programs had benefit/cost ratios greater than 1.0 for both the TRC and UCT.

Two programs had benefit/cost ratios less than 1.0 for the TRC but greater than 1.0 for the UCT, two programs had benefit/cost ratios less than 1.0 for both the TRC and UCT, and one program had a benefit/cost ratio of less than 1.0 for the PCT.

The cost-effectiveness calculation for the FlexPeak Management program shows benefit/cost ratios greater than 1.0 from the TRC and the UCT perspective when evaluated from a five-year life-cycle perspective; cost/benefit analyses were not performed on the A/C Cool Credit and Irrigation Peak Rewards programs because they were suspended in 2013.

Net-to-Gross Adjustments. For the DSM 2013 Annual Report, Idaho Power used these ratios as an input to cost-effectiveness calculations where appropriate.

Program Evaluations. Independent, third-party consultants were used to provide impact and process evaluations to verify that program specifications were met, provided viable recommendations for program improvement, and validated energy savings achieved through Idaho Power's programs. In 2013, these independent third-party consultants conducted process evaluations on six programs and an impact evaluation on one program. In addition, Idaho Power conducted its annual internal analysis and reports for the FlexPeak Management and the Irrigation Peak Rewards programs. Copies of these reports can be found in the DSM 2013 Annual Report, Supplement 2.

Idaho Power states that a technical hearing is unnecessary in this case and requests that the Commission process its Application through Modified Procedure.

COMMISSION DECISION

Does the Commission wish to process Idaho Power's Application through Modified Procedure with a 90-day comment period?



Neil Price
Deputy Attorney General

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