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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	
OF INTERMOUNTAIN GAS COMPANY)	CASE NO. INT-G-19-05
FOR AUTHORITY TO REVISE RATE)	
SCHEDULE EEC – ENERGY EFFICIENCY)	COMMENTS OF THE
CHARGE)	COMMISSION STAFF
)	
)	
)	

The Staff of the Idaho Public Utilities Commission, submits the following comments regarding the above referenced case.

BACKGROUND

On August 15, 2019, Intermountain Gas Company, a subsidiary of MDU Resources Group, Inc. (“Intermountain Gas” or the “Company”) applied to the Commission for an order approving an increase in the Energy Efficiency Charge (the “EEC”), from \$0.00367 per therm to \$0.02093 per therm. Application at 1. The Company asserts the EEC must be increased to recover deferred Residential Energy Efficiency Rebate Program (“EE Program”) expenses and to fund forecasted future EE Program growth. *Id.* 3-4.

The Company requests its Application be processed under Modified Procedure, and that the proposed change to the EEC take effect on October 1, 2019. *Id.* at 5-6.

In Case No. INT-G-16-02, the Commission authorized Intermountain Gas to establish the EE Program for its residential customers. *See* Order No. 33757 at 35-37. The purpose of the EE Program “is to encourage upgrades to, or use of, high efficiency natural gas equipment.” Rate Schedule EE, Intermountain Gas Company I.P.U.C. Gas Tariff, Sheet No. 16 at 1; *see also* *Energy Efficiency 2018 Annual Report* at 1, attached as Exhibit 1 to the Application in Case No. INT-G-19-04. On July 27, 2017, Intermountain Gas requested Commission authority to implement a funding mechanism for the EE Program. *See* Order No. 33888, Case No. INT-G-17-03. In Order No. 33888 the Commission approved this request and authorized the Company to charge its residential customers \$0.00367 per therm to fund the EE Program. *See* Rate Schedule EE, Intermountain Gas Company I.P.U.C. Gas Tariff, Sheet No. 17 at 1; *see also* Application at 3-4 & Order No. 33888 at 3.

Intermountain Gas asserts from October 1, 2017, through June 30, 2019, EE Program expenses exceeded revenues by \$1,097,907, which remains deferred and unrecovered to date. Application at 4. Intermountain Gas asserts that due to the EE Program’s success and anticipated growth, its expenses are forecasted to be \$3,944,642 annually. *Id.* The Company estimates \$3,300,000, or 84% of these future expenses, will be rebates paid to customers participating in the EE Program. *Id.* Intermountain Gas requests Commission authority to increase the EEC to \$0.02093 per therm so the Company can collect \$5,042,549 next year to recover EE Program deferred expenses and to fund its operation and growth. *Id.*

Intermountain Gas requests that the proposed EEC take effect October 1, 2019, to coincide with the effective date of any rate changes resulting from the Company’s annual Purchased Gas Cost Adjustment. *Id.* at 5. Intermountain Gas states the typical residential customer’s monthly bill would increase by \$1.07 if the Commission approves the proposed EEC of \$0.02093 per therm. *Id.*

STAFF ANALYSIS

Staff has reviewed the Application and supports the Company's request to increase the EEC. While the proposed new charge is a significant increase, the Company has reported strong demand for its EE Program. Staff anticipates the new rate will align revenue for efficiency programs with the Company's energy efficiency expenditures. The funds for the EE Program will also be subject to Staff review in future prudency cases. Staff reviewed the Company’s

Application, its forecasted budget for energy efficiency rebate payments, program delivery, and administration costs, as well as its deferral balance for the EE Program.

Most of the Company's \$3.9 million budget for the EE Program is \$3.3 million in rebate payments. The Company reported to Staff that its rebate payments in the first 8 months of 2019 matched its total payments for all of 2018, indicating the EE Program will continue to grow. As stated in the Application, more builders and contractors are eligible for and using the rebates, which would also lead to an increase in EE Program usage. *See* Application at 4-5. The Company projects an 80 percent increase in rebates in 2019, driven mostly by an increase in ENERGY STAR rebates, and then a 39 percent increase in rebates in 2020. The Company also budgeted \$225,000 for new residential efficiency measures in 2020. Those new measures will be identified by the Company's Conservation Potential Assessment study.

The Company's program delivery and administration expense of \$644,642 represents 6.75 Full Time Equivalent employees, assorted travel and overhead expenses, and a \$100,000 estimated expense for an Evaluation, Measurement and Verification (EM&V) study. Ongoing EM&V studies are crucial to showing the efficiency and efficacy of energy efficiency programs. Company officials told Staff they would discuss the scale and scope of EM&V studies with Staff and other stakeholders in the future.

The Company has a \$1,097,907 under collected EEC balance as of December 31, 2018. *See* Exhibit 1. This balance has likely continued to grow in 2019, as EE Program usage has continued to increase while the EEC has remained unchanged. All energy efficiency expenses, including expenses that contributed to this deferral balance, must be prudently incurred by the Company and will be reviewed by Staff in Case No. INT-G-19-04 and future prudence cases.

The Company's proposed increased EEC rate represents a 470 percent increase. The increased EEC would be 4 percent of the Company's per therm charge for residential customers. *See* Exhibit No. 3. Staff believes the Company's calculation for the new charge, calculated by dividing the proposed annual EE Program budget by normalized residential sales volumes, is reasonable. *See* Exhibit No. 2.

The 4 percent per-therm charge, while higher than the Company's initial EEC, is in line with Demand Side Management ("DSM") charges from other utilities operating in Idaho. Avista charges \$0.01818 per therm for its Energy Efficiency Rider surcharge for its gas residential

customers (approximately 3.6%), which is similar to the \$0.02093 proposed by Intermountain Gas. *See* Order No. 33444.

Idaho Power currently charges a 2.75 percent Energy Efficiency Rider. *See* Order No. 34345. Rocky Mountain Power currently charges a 2.25 percent DSM charge. *See* Order No. 34255. Both electric utilities have had rider rates at or above 4 percent as recently as 2010. Avista charges approximately a 4.3 percent energy efficiency charge for most residential electric customers. *See* Order No. 33897.

Well run energy efficiency and DSM programs benefit all of a utility's customers by reducing the need to invest in new utility plant in service and reducing the need to buy natural gas on the open market. The Company's EE Program, launched in 2017, appears to have significant and growing interest from its residential customers and other stakeholders. Staff encourages the Company to pursue all cost-effective DSM measures, regardless of revenues collected through the EEC.

CUSTOMER NOTICE AND PRESS RELEASE

The Company's press release and customer notice were included with its Application. Staff reviewed the documents and determined that both meet the requirements of Rule 125 of the Commission's Rules of Procedure. IDAPA 31.01.01.125. The notice was, or will be, included with bills mailed to customers beginning August 19, and ending September 16, 2019.

For this case, the Commission set a comment deadline of September 13, 2019. Because the last customer notices will not be inserted in bills until September 16, and the final comment date is September 13, some customers in the last billing cycles will not have received their notices and/or had adequate time to submit comments before the deadline. Customers must have the opportunity to file comments and have those comments considered by the Commission. Staff recommends that the Commission accept late-filed comments from customers.


PUBLIC COMMENTS

As of September 12, 2019, the Commission had received one comment, which opposed the proposed rate increase.

STAFF RECOMMENDATIONS

Staff recommends that the Commission approve the Company's Application to increase the Energy Efficiency Charge, Rate Schedule EEC, to \$0.02093 per therm, effective October 1, 2019.

Respectfully submitted this 13th day of September 2019.


For: _____
John R. Hammond, Jr.
Deputy Attorney General

Technical Staff: Brad Iverson-Long
Jolene Bossard
Kevin Keyt

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 13TH DAY OF SEPTEMBER 2019, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. INT-G-19-05, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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