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Comments of the Snake River Alliance
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

Submitted by
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Nov. 16, 2012

The Snake River Alliance ("Alliance") appreciates this opportunity to provide comments relating to the Commission's inquiry into low-income weatherization programs and certain energy conservation programs offered by Idaho's three regulated electric utilities. We are also commenting on the Commission Staff Report in Case No. GNR-E-12-01, which was prepared after a Commission-directed workshop on these issues. These comments are in response to Commission Order No. 32673 in the above-referenced case.

The Alliance has long advocated energy efficiency in the portfolios of all regulated electric utilities in Idaho – Idaho Power, Avista Utilities, and Rocky Mountain Power. As the Commission knows, the Alliance has also long supported robust energy efficiency program development and support through tariff riders and other mechanisms available to Idaho utilities through Commission orders. Alliance Clean Energy Program Director Ken Miller, who prepared these comments, participated in Case No. GNR-U-08-01, the Commission's Inquiry About Energy Affordability Issues and Workshops, in 2008-2009.

The Alliance commends the Commission's decision to open this inquiry. Like other clean energy and low-income advocates, we have been frustrated with the lack of interest in the issues explored in GNR-E-12-01 and GNR-U-08-01 at the Idaho Legislature, and it is dismaying that some of the issues raised four years ago in GNR-U-08-01 remain before the Commission in this docket. Some of the issues aired in the workshop in this docket are beyond the reach of the Legislature and are in the Commission's domain. Others may require legislative attention, and in such cases we urge the Commission to more assertively raise these issues before the Legislature when appropriate.

Cost Effectiveness Questions and Concerns

It is clearer now than before the workshop in this case that there are fundamental issues regarding the calculation of "cost effective" for purposes of inclusion in these programs that must be explored in more detail. Staff's comments at P. 1 portend some of these concerns:

"Staff is primarily concerned about the cost-effectiveness of utility-funded low income weatherization programs in Idaho. Two of the three utilities' programs are not cost-effective without non-energy benefits, and the third program's cost-effectiveness is in

doubt. Despite these concerns, Staff is reluctant to recommend cutting established programs that help low income customers control their energy bills. This is especially true because the Low Income Home Energy Assistance Program (LIHEAP) recipient list shows that the need for these programs far outpaces their funding. Of the three weatherization programs, only Idaho Power's program claims to be cost effective without non-energy benefits. But Staff doubts Idaho Power's program is as cost effective as it appears..."

It is clear from the workshop in this case and from staff's comments that low-income weatherization and energy efficiency programs pose unique challenges in determine whether they are cost effective. For instance, a disproportionate percentage of low-income electricity customers might live in very inefficient modular or mobile homes, which for various reasons are not "cost-effective" to upgrade. That such weatherization or conservation improvements might not survive a cost effectiveness test does not reduce the urgent needs facing this vulnerable group of utility customers.

"Non-Energy Benefits" Must be Further Analyzed

Staff recommends at P. 3 that more utility programs might pass cost effectiveness tests if given greater scrutiny by the respective utilities:

"Besides improving implementation, Staff believes all three utilities could modify their low income cost-effectiveness calculations to improve accuracy and more completely assess program cost-effectiveness. Staff's recommended modifications will decrease some programs' reported cost-effectiveness and likely increase other programs' reported cost-effectiveness. A complete list of Staff's recommendations is included below. One of the main issues discussed during the recent rate cases and the workshop was determining a funding methodology to assess the level of low income weatherization funding. Staff recommends that a combination of factors be considered for funding decisions. Most importantly, Staff believes that in order for a utility's funding to be increased, it must be shown that the program is cost-effective. No program should receive a funding increase if it is not cost effective according to the criteria outlined in this report..."

We tend to agree, up to a point. While we believe various "non-energy benefits" should be considered for *all* energy efficiency investments for purposes of determining cost-effectiveness, these benefits are all the more tangible when analyzing program benefits to low-income consumers. The benefits can vary, but they might include such non-energy benefits as job creation, reductions in bill arrearage, greenhouse gas reductions, and social justice concerns. Whether these kinds of benefits are considered "social programs" or "low income programs" or "energy programs" (and whether utilities bear any responsibility for helping to deliver such benefits) can and should be explored in future proceedings, but they must be explored. For instance, utility support of LIHEAP programs are known to benefit *all* customers in different ways, including some that have little to do with energy savings. We have also seen cases where

some low-income programs are considered “social programs” but funded nonetheless in good economic times, but where utilities have trimmed those programs during more difficult times.

Staff addresses some of these issues in its Recommendation 7 on 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...” However, we question staff’s recommendation that other “economic non-energy benefits” be excluded in cost-effectiveness analyses. We see significant value in such benefits as extending the lives of weatherized structures and helping to safeguard the health and safety of building occupants and such measures as lead and mold remediation, and to the extent staff continues to be uncomfortable considering such benefits, we recommend that the Commission direct staff to more fully explore them if it will help resolve any misgivings. We hope that the Commission does not consider this a resolved issue, as it continues to be a pressing issue for low-income weatherization and conservation program providers.

An effective and holistic “whole-house” weatherization and efficiency improvements have the potential to extend a home’s life for an additional 20 to 30 years, and we believe that is not an insignificant consideration in evaluating these programs. We appreciate staff’s inclusion and description in Appendix 3 of various non-energy (societal, economic, etc.) benefits that might be considered by the Commission in future proceedings.

These are issues that are not confined to regulated investor-owned utilities, some of which do not want to participate in so-called “social welfare” programs such as low-income energy assistance. We have seen similar arguments made by state policy makers resistant to such fundamental policy shifts, including one recommended with futility by this Commission in Case No. GNR-U-08-01 in 2009:

“The Commission supports legislation that would allow utilities to propose for Commission consideration programs, policies, and rates for the benefit of low-income residential customers. The legislation should allow the utilities flexibility in the programs to be proposed, recognizing that each utility has differing circumstances and unique service areas. Details regarding the appropriate rate mechanism to support such programs can be discussed through future cases as they come before the Commission. The proposal of such programs should be voluntary on the part of the utility. The Commission urges all utilities to support such legislation, even if some do not intend to propose programs.” (Order No. 30724, Pp. 2-3)

That same order, also on P. 3, reminded us that: *“Greater energy efficiency is the key to bill reduction. Weatherization and conservation are crucial elements of energy efficiency efforts.”*

In fact, there are many valuable lessons to be learned from the Commission’s 2008-2009 case that translate well here – chief among them is the need for the Commission and the regulated utilities to commit to pursuing and seeking implementation of the recommendations so that those recommendations do not languish unfulfilled.

Staff Recommendations

While we agree with many of staff's recommendations, such as one recommending that conservation education (Con-Ed) programs not be subject to the same standard cost-effectiveness tests as other efficiency programs, we have reservations about some that strike us as overbroad – even if intended as general guidelines. For instance, Item No. 5 on P. 3 suggests 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 year.”* Such recommendations may overlook certain extraordinary circumstances beyond a particular CAP agency's control. We believe Idaho's community action partnerships have proven to be exemplary stewards of ratepayer and other dollars, including but not limited to their heroic efforts to accommodate the deluge of non-utility “stimulus” weatherization dollars in recent years despite a limited capacity to do so.

We agree with concerns raised by staff in Recommendation 2 dealing with the possible lack of motivations by certain landlords to implement some energy efficiency (weatherization) measures if they are not responsible for the utility bill. Staff's recommendation for changes in utility accounting for these measures may well expand the cost-effectiveness of the investments and encourage greater spending on weatherization to benefit low-income customers.

Regarding Recommendation 6 dealing with the possibility of Idaho Power adopting a “conservation adder” similar to those used elsewhere, we lack the needed information to determine how such an adder would be implemented. But we are nonetheless intrigued by the idea so long as it has the potential to increase the cost-effectiveness of some of Idaho Power's low-income conservation programs that might not otherwise pass cost-effectiveness tests.

We recommend that the Commission ask staff to more fully explain its Recommendation 11 (“Staff does not recommend constructing a specific cost effectiveness test for low income programs”). It is unclear to us why such a test should be removed from consideration or further analysis at this point. On this point, we agree with the arguments put forward by NW Energy Coalition – and disagree with staff's position – that developing and implementing a low-income cost effectiveness test should be more closely studied. We see no reason to take this idea off the table at this time.

One of our leading concerns about low-income weatherization programs sponsored by our utilities is that funding levels continue to be inadequate. Consequently, we question staff's 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."

We see no reason why weatherization funding levels should not be revisited at the time of each utility's general rate case, if such case is processed prior to a utility's annual DSM report. In the case of Rocky Mountain Power and Idaho Power, it is likely the DSM reports will be filed prior to review of their next rate case. We do not agree with delaying a funding increase for Avista until 2014: Analysis of whether these program modifications can occur prior to 2014.

In addition, as staff notes on P. 8:

"The CAPs also deliver weatherization services through the federally-funded Weatherization Assistance Program (WAP) under a contract administered by the Idaho Department of Health and Welfare. With one exception, the CAPs also manage LIHEAP."

While true, it is important to acknowledge that CAP funding levels under WAP and LIHEAP continue to be under severe pressure. While utilities have for the most part been reliable supporters of LIHEAP, the same cannot be said for WAP, partly due to the confusion referenced above as to whether the program is a social program, or low-income program or energy program. We urge the Commission to resist assuming that funding levels for both of these programs are adequate for Idaho's CAPs to fully perform their functions, and that the Commission inquire of the CAPS about current and anticipated funding levels.

Utility Cost Effectiveness Tests

We defer to our CAP partners and other low-income advocates to more thoroughly analyze the staff report's assessments of the various cost effectiveness tests employed by the Commission and by the regulated utilities.

Conclusion

The Alliance believes this is a critical time for low-income weatherization and energy conservation programs targeted to out utilities' most vulnerable customers – customers least able to adapt to the kinds of repeated rate increases we are witnessing for all electric utilities in recent years.

We believe staff has well captured much of the information shared at the Commission's workshop, and we appreciate the detail and thoroughness reflected in staff's comments. They can serve as an excellent beginning point for the Commission to delve into some of these

difficult issues in much more detail. We also urge the Commission to take to heart the comments that will be filed by Idaho's low-income advocates, as they are the ones who most closely deal with our utilities' low-income customers and who best understand the enormous challenges confronting these customers as they attempt to pay their bills and as they struggle to provide a comfortable environment for their households.

As always, the Alliance is grateful to the Commission for the opportunity to provide its comments in Case No. GNR-E-12-01 and hopes to participate future discussions as appropriate on the issues raised by this docket.

Respectfully submitted,



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