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HAND DELIVERED

November 23, 2012

Jean Jewell
Secretary, Idaho Public Utilities Commission
472 W. Washington St.
Boise, ID 83702

Re: Case No. GNR-E-12-01: CAPAI comments

Dear Ms. Jewell:

Included herewith is the original and seven (7) copies of Community Action Partnership Association of Idaho's comments in the above-referenced proceeding pursuant to the Commission's Notice of Modified Procedure and Order No. 32673. Thank you for your acceptance of this filing.

Brad M. Purdy

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 AND ENERGY CONSERVATION PROGRAMS FOR ELECTRIC UTILITIES	**CASE NO. GNR-E-12-01** **COMMENTS OF THE COMMUNITY ACTION PARTNERSHIP ASSOC-IATION OF IDAHO**

I. INTRODUCTION

Pursuant to that Notice of Modified Procedure and Order No. 32673 issued by the commission on November 2, 2012, CAPAI hereby submits its comments in response to the Staff Report filed in this case on October 23, 2012. CAPAI notes that it previously addressed and analyzed much of the subject matter at issue in this proceeding, (i.e., how to properly evaluate the cost-effectiveness of low-income weatherization assistance programs, or "LIWA") through comments filed by CAPAI in Case No. PAC-E-11-13 (the "11-13 case") in which Rocky Mountain Power sought to terminate cost-effectiveness evaluations of LIWA on the basis that the program is not cost-effective and the cost of evaluations would only exacerbate matters. Though CAPAI's comments in the 11-13 case were directed toward the CADMUS evaluation of Rocky Mountain's LIWA program, much of the information and rationale contained in CAPAI's comments in the 11-13 case are pertinent to the cost-effectiveness of LIWA programs on the whole and, therefore, relevant to this proceeding.

CAPAI's comments submitted in the 11-13 case are extremely detailed and contain the analysis of a nationally known expert in the field of LIWA evaluation, Mr. Roger Colton. CAPAI will primarily respond to the Staff Report filed in this case on October 23, 2012 and the potential consequences of that Repot. CAPAI agrees in whole or part with certain portions of Staff's Report, and disagrees with others.

II. HISTORY OF LIWA

CAPAI is well aware that the Commission is familiar with the history of LIWA in Idaho, but believes that several key historical facts will serve as useful in order to fully appreciate the scope and nature of the issues presently before this Commission. Though CAPAI was

instrumental in collaboratively establishing a LIWA program for Idaho Power in the late 1980s, it did not become a regular, formal party before this Commission on all low-income issues until its intervention and participation in Idaho Power's 2003 general rate case No. IPC-E-03-13. For reasons unknown, the Idaho Power LIWA program established and approved by Commission Order in the late 1980s had not been fully funded resulting in significant underfunding of the program for a period in excess of ten years. Though CAPAI did not believe it possible to recover the considerable sum of money that had failed to be invested in LIWA, it did propose an increase in funding that would put the utility on the right track on a going-forward basis with respect to the substantial need for low-income DSM and the benefits provided by such a resource. In its pursuit of this objective, CAPAI sought input and support from Staff. Though Staff declined to specifically support CAPAI's efforts, it did not oppose them. Ultimately, the Commission increased Idaho Power's LIWA funding from an average of roughly $200,000 annually, to $1.2 million annually.

Believing that other LIWA programs in Idaho were also significantly underfunded when compared to Idaho Power's new funding level and when viewed from a regional perspective and taking into consideration similarly situated utilities in other states, CAPAI subsequently intervened in numerous cases, and has continued to do so, up to the present for a variety of reasons resulting in LIWA increases and program design changes for all three electric utilities, Idaho Power, Rocky Mountain Power and AVISTA. Though there have never existed specific guidelines or principles enunciated by the Commission or any other authoritative entity regarding how to properly design and fund LIWA programs, CAPAI has, over the years, relied on the principles of consistency and fairness when making LIWA funding and program design proposals to the Commission and has always strived to make its proposals relatively equal and fair to the ratepayers of all three of Idaho's large electric IOUs. CAPAI has always provided the Commission with data and rationale justifying the need for LIWA funding increases and has attempted to remain consistent in that regard as well. Prior to 2011, CAPAI was never informed by the Commission or Staff that the rationale and methodologies utilized by CAPAI in making LIWA funding proposals was anything other than appropriate and ultimately proved to satisfy the Commission who has generally granted CAPAI the reasonable LIWA proposals it has made.

CAPAI also believes that it has historically had a cooperative working relationship with Staff and has always sought and welcomed any input Staff has had on matters relevant to LIWA

or CAPAI and its constituents. From the time that CAPAI first intervened in Idaho Power's 2003 rate case to last year the Commission Staff, with one exception, has taken the position of either non-opposition to CAPAI's LIWA funding proposals, or one of subtle support for CAPAI's proposals. The one exception occurred relatively recently in Case No. PAC-E-10-7, when Staff proposed an increase in RMP's LIWA funding from $150,000 to $300,000. CAPAI had only sought an increase to $231,000 in the same proceeding, attempting to follow the concepts of parity between funding of LIWA programs by Idaho's three largest electric IOUs. In Order No. 32196,[1] issued just last year on February 28, 2011, the Commission adopted Staff's position, approving Staff's higher funding proposal to increase LIWA funding to $300,000. Aside from the foregoing exception, Staff has largely allowed CAPAI to formulate and support its own LIWA proposals in contested cases, only weighing in when it felt a specific reason to do so.

Thus, prior to the end of last year, CAPAI has never had reason to believe that any of its significant LIWA-related proposals were anything but fair, just and reasonable. Based on all of the foregoing, as well as Commission Orders mostly approving CAPAI's LIWA funding requests, CAPAI has justifiably assumed that the rationale it has applied and methodologies it has employed to pursue LIWA funding increases have been appropriate and acceptable. Certainly, prior to 2011, Staff, the Commission, nor any non-utility party had argued to the contrary.

Despite nearly 8 years of such intervention and advocacy by CAPAI, and successful results before the Commission, matters came to an abrupt halt last year. As Staff itself notes on page 1 of its comments: "The last year was challenging for Idaho's low income weatherization programs." The year 2011 was certainly unique and based on numerous factors, quite challenging for all parties and certainly the Commission as well. Though CAPAI has largely been confused by precisely what prompted such a sea change in the positions of Staff and the Commission, CAPAI has continued to cooperate with the processes outlined by the Commission to the best of its abilities, to cooperate with Staff and other parties as much as possible, and to be responsive to the concerns and criticisms of all.

Regarding the major turn of events that occurred last year, not only did Staff oppose CAPAI's position regarding the specific amount of LIWA funding levels for all three electric IOUs, Staff also opposed the rationale historically relied upon by CAPAI to support funding

[1] Case No. PAC-E-10-07.

increases and, most importantly, argued for the first time that none of the three electric IOUs LIWA programs were cost-effective, a position, that if adopted by the Commission, would likely result in the complete termination of all LIWA programs and bring to an end the only DSM program realistically available to low-income customers. This was the first time that Staff had ever opposed CAPAI's attempts to increase LIWA on any basis. Ironically, all of this came about just several months after the Commission had approved a LIWA funding increase for Rocky Mountain proposed by Staff and that exceeded the funding level proposed by CAPAI, the only time that such a scenario ever occurred. Coupled with these recommendations to the Commission, Staff proposed that there be a workshop proceeding initiated to address and resolve all related LIWA issues and not alter existing LIWA funding levels until such a workshop case had been completed.

To say the least, Staff's position took CAPAI by surprise and created a procedural conundrum for CAPAI that was quite difficult and costly to respond to. Not only did Staff's position contradict positions it had taken implicitly or explicitly for nearly a decade, it contradicted Staff's position taken earlier in the same year and was not even formally put before the Commission until the latter half of 2011, shortly before four major electric cases, all of which CAPAI was a party to, went to hearing thereby making a thorough response by CAPAI to Staff's new posture very challenging, especially given the nearly simultaneous procedure of the four major electric cases all coming to conclusion at the height of the holiday season. Ultimately, the Commission rejected all of CAPAI's LIWA funding requests and adopted Staff's recommendation to defer future LIWA funding changes, if any there be, to a separate "workshop" proceeding. CAPAI objected to this procedure believing that it would cause needless expense and delay but has fully cooperated in the workshop process ultimately initiated.

In its rulings, the Commission placed a hold on any LIWA funding changes pending the outcome of the newly created workshop proceeding, Case No. GNR-E-12-01. That workshop proceeding is still in the comment phase and it is unknown what, if anything will come of it, let alone when. To say the least, the future of Idaho's LIWA programs hangs in the balance.

Since last year, and despite the sharp differences in opinion as to facts as well as the philosophical considerations behind the policy issues raised by Staff, CAPAI continues to place considerable value on the insight and expertise of Staff and is deeply desirous of addressing any and all concerns Staff has to the greatest extent possible and most certainly to that of the

Commission. In that regard, CAPAI extends its appreciation to Staff for the effort made to address the many complex issues extant in this workshop proceeding.

III. CASE PROCEDURE

This case was initiated by virtue of the Commission's final orders in three 2011 cases, Idaho Power's rate case (IPC-E-11-08), Rocky Mountain Power's rate case (PAC-E-11-12) and what would become the lynchpin proceeding filed by Rocky Mountain, (PAC-E-11-13; the "11-13 case)," seeking authorization to suspend further LIWA cost-effectiveness evaluations of its LIWA program on the basis that the program is not cost-effective and the cost of evaluations, when added to total program costs, only exacerbates the problem. Though Rocky Mountain contended that its LIWA program was not cost-effective, and had previously opposed any attempts to increase LIWA funding over the years, it has not yet proposed terminating the program. In deferring all LIWA decisions to a separate workshop case, the Commission stated its own expectations in each of the aforementioned cases as follows.

First, in the 11-13 case, the Commission ruled:

> [t]here still exists a wide disparity in the evaluation criteria utilized by the three main investor-owned utilities (IOUs), Idaho Power, Avista Corporation, and Rocky Mountain Power, to assess their low-income weatherization programs. Thus, the Commission finds that it is reasonable and appropriate to defer any final decision regarding Rocky Mountain's request to suspend its obligation to perform program evaluations of its Schedule 21 - Low Income Weatherization Services Optional for Income Qualifying Customers Program in order to conduct "public workshops to examine the common issues of need and determine the appropriate mechanisms to measure the cost-effectiveness of low-income weatherization programs. [Quoting Order No. 32432 at 22]. Consistent with our final Order following the Company's last general rate case, PAC-E-11-12, the Commission directs Rocky Mountain to participate in the workshops 'with a goal of determining appropriate criteria for establishing funding levels for the utilities' low-income weatherization programs...and submit a report to the Commission outlining their findings and recommendations.'

Order No. 32440 at 9 [Emphasis added].

In the Rocky Mountain general rate case (PAC-E-11-12), the Commission held:

> Thus, consistent with our ruling in IPC-E-11-08, the Commission finds that it is reasonable to open a separate docket for all stakeholders and interested Parties to participate in public workshops with a goal of determining

> appropriate criteria for establishing funding levels for the utilities' low-income weatherization programs. In the public workshops, the Commission envisions that the Parties will examine and discuss various methodologies and tools to assess program cost-effectiveness, including the appropriate measurement of non-economic benefits associated with the programs, and submit a report to the Commission outlining their findings and recommendations.

Order No. 32432 at 17 [Emphasis added].

In the Idaho Power general rate case (IPC-E-11-08), the Commission held:

> We find it reasonable to open a case and convene public workshops for stakeholders and other interested persons to discuss ways of determining the relative need for low-income weatherization programs. The workshops will also be an effective tool for allowing stakeholders to analyze and evaluate the various cost-effectiveness measures and non-economic benefits derived from low-income weatherization. Consequently, it is our intent to convene public workshops as soon as possible, to discuss and resolve these weatherization issues.

Order No. 32426 at 16 [Emphasis added].

In Case No. AVU-E-11-01, CAPAI joined in the AVISTA rate case global settlement based on CAPAI's perception that AVISTA was already funding its LIWA program at relatively higher levels than Idaho Power or Rocky Mountain and taking into consideration that AVISTA agreed to substantially increase its low-income conservation education funding, a settlement provision that no party, including Staff, opposed.

Regarding the Idaho Power and Rocky Mountain rate cases, the two utilities in question refused to agree to a LIWA funding increase and early in the proceedings, Staff either tacitly or explicitly agreed that such increases were not warranted. Thus, CAPAI chose to not join in the global settlements in those two rate cases and the matters went to hearing in late 2011. Finally, regarding Rocky Mountain's 11-13 case, there was considerable scrutiny by both CAPAI and Staff of the CADMUS evaluation of Rocky Mountain's LIWA program involving teleconferences, the retaining by CAPAI of an expert witness, Mr. Roger Colton, and considerable discovery by Staff and CAPAI. Mr. Roger Colton reviewed the CADMUS study and provided a very detailed report addressing the study and how to properly evaluate Rocky

Mountain's LIWA program and LIWA. Mr. Colton's report was filed with CAPAI's comments in the 11-13 case.

The 11-13 case was presented to the Commission under modified procedure, though CAPAI argued that a hearing would likely become necessary to wade through the morass of complex issues involved. Staff unsuccessfully proposed that the workshop proceeding could be initiated as early as January and resolved expeditiously. CAPAI opposed such a proceeding for a number of reasons, one being that it would lead to needless delay, uncertainty, and was not likely to resolve the major issues in dispute.

On February 15, 2012, a Notice of Public Workshop was issued scheduling the workshop to resolve all LIWA issues as described above for March 19-20, 2012. This Notice did not provide for intervention or establish any particular agenda or schedule for the remainder of the proceeding. The workshop was convened as scheduled and attended by numerous parties including a number of representatives for CAPAI. During the workshop, parties weighed in on numerous issues, concerns, and topics pertinent to their respective interests. In addition, proposals were discussed regarding how to bring the case to a conclusion procedurally and how to provide the Commission with the type of information it had requested. A procedure was informally agreed upon by which Staff would circulate to the workshop participants a draft of its Report by a certain date, the participants would have the opportunity to submit informal feedback to that draft more with the hopes of finding common ground and providing clarity rather than arguing their respective positions. Staff emphasized that while it would take these informal responses into consideration, it was in no way obligated to agree with or even respond to them. It was apparent that Staff had already formulated specific positions on numerous issues. Finally, it was agreed that Staff, would issue its final report by a specified date. This would be followed by responsive formal comments from the participants stating their respective positions, also by a specified date. Staff would have the opportunity to issue reply comments to the participants' comments by a specified date.

The foregoing procedure was effectively adhered to, though the proposed dates/deadlines were pushed back several times and will not be completed until close to year's end. On August 10, 2012, Staff issued its initial draft report via email. On August 10, 2012, CAPAI submitted its informal feedback to Staff's draft report also via email. It is not known if other parties also submitted feedback because there was no intervention, no list of parties and no procedure

established for sharing informal feedback between workshop participants. In addition, the informal feedback provided to Staff was never posted to the Commission's website for this case.

On November 2, 2012, roughly two weeks after the filing of Staff's Report, the Commission issued a Notice of Modified Procedure, and Order No. 32673 in this case requiring that all parties who desired to comment on Staff's Final Report do so by November 23, 2012. Any parties objecting to the use of modified procedure were also directed to file said objection by this date. The Commission further ruled that Staff would file a Reply to any comments filed no later than December 7, 2012. Finally, the Commission ruled that "intervener funding requests, if any, must be filed" by December 21, 2012. It is unclear whether the Commission will entertain requests for intervener funding for work done during the course of this case, given that there are no interveners, but CAPAI notes that the Commission granted it the right to renew its request for intervener funding for expenses incurred in Case No. PAC-E-11-13 in this case.

IV. RESPONSE TO STAFF'S REPORT

CAPAI disputes the Staff's conclusion that the low-income programs are not cost-effective and that non-energy benefits should be excluded from the cost effectiveness test. PUC Staff has concluded that if their suggestions are adopted and implemented, the low-income programs will be cost effective. Most of the staff's recommendations are suggestions to rearrange expenditures the utilities' programs show increased cost-effectiveness. Since historical cost information is available, CAPAI requests that historical program cost data is utilized to test Staff's recommendations prior to adoption and implementation.

The comments below are directed toward the Recommendations set forth in the Staff Report. No discussion of the need for low-income weatherization is presented. This lack is not to be construed as any indication of the merits of such a discussion. A "needs discussion" is simply beyond the scope of these comments.

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.

CAPAI Response: This Staff recommendation is reasonable and should be adopted. Cost-effectiveness evaluations tend to be better-served when supported by appropriate third-party impact evaluations and billing analysis results. This is not to say, of course, that *any* "third-party impact evaluations and billing analysis results" are "appropriate." For example, the Cadmus billing analysis in support of its "evaluation" of the Rocky Mountain Power low-income program was seriously flawed. While the *principle* that savings estimates based on an actual billing analysis is easy to agree to, the presentation of a "billing analysis" does not render the need for a detailed review of the cost-effectiveness analysis unnecessary. The propriety of any particular "billing analysis results" lies in the specific details of the individual analysis.

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.

CAPAI Response: This Staff recommendation is appropriate and should be adopted. CAPAI's expert, Roger Colton, has performed many assessments of the ability of low-income households to pursue energy efficiency investments in the absence of a fully-subsidized direct install program, both for non-profit low-income service providers and for public utilities. Mr. Colton's findings have universally found that low-income households lack the capacity to engage in energy efficiency investments in the absence of a fully-subsidized direct install program such as

the federal Weatherization Assistance Program (WAP) and utility weatherization programs. The barriers to low-income investment include, but are not limited to:

- The lack of investment capital. It matters not how "cost-effective" an energy efficiency investment might be from the perspective of the ratepayer if the customer does not have the funds to make the investment with which to begin;
- The lack of dominion interest over the property. Tenants generally do not have the authority to make decisions (known as "dominion interests") with respect to major energy consuming systems, including space heating/cooling and domestic hot water. Frequently, tenants even lack dominion interest over major appliances such as refrigerators. In the face of this lack of dominion interest, and given the lack of incentive for landlords to make improvements that would reduce bills for which the landlord is not responsible, energy efficiency investments do not occur.
- Frequent mobility. Substantial data exists through the U.S. Census Bureau indicating that low-income households are much more frequently mobile than non-low-income households. Whether measured in terms of the extent to which households have lived in the same housing unit the previous year, or in terms of the median "move-in" date for a household, or in terms of the median number of years a household has lived in the same housing unit, low-income households are found to be more mobile. This frequent mobility impedes low-income investment in energy efficiency in that payback periods tend to exceed the expected length of the tenancy period.
- High hurdle rates. Low-income households tend to have required internal rates of return that exceed the ability of virtually all energy efficiency investments to achieve. Due to the very fact of their lack of money, low-income households do not make long-term investments. Instead, research that Cambridge Systematics performed for the Electric Power Research Institute (EPRI) found that low-income energy efficiency hurdle rates approach 100%, meaning that such households require a return on investment within one-year in order to be inclined to make such an investment (assuming the finance wherewithal and adequate dominion interest to be able to do so in the first place). Few efficiency investments, and virtually no (if any) major weatherization investment, can meet such high hurdle rates to support efficiency investments in the absence of a fully-subsidized direct install program.

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.

CAPAI Response: This Staff recommendation is reasonable and should be adopted. CAPAI agrees that leveraging federal funding is one of the primary purposes that utilities operate and fund their low-income programs through CAP agencies. The use of CAP agencies does not only gain utilities access to the federal *funding*, but also allows the utilities to gain access to the CAP agency experience and expertise largely developed at federal expense.

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.

CAPAI Response: This Staff recommendation is reasonable and should be adopted, with two caveats. To the extent that a low-income weatherization program[2] directly causes a utility to incur an incrementally higher program administrative expense, that administrative expense should be included in the cost-effectiveness calculation. There are two "tests" included in this sentence to be applied to the overhead cost before inclusion in the cost-effectiveness calculation:

1) Incursion of the cost must be directly caused by the low-income program as determined on a "but-for" basis. If, but-for the low-income program, the utility would not have incurred the expense, the cost can be appropriately included in the low-income program's cost-effectiveness calculation. If, however, the overhead cost would have been incurred even in the absence of the program, it would be inappropriate to include it in the cost-effectiveness calculation.

2) Only the additional (or incremental) costs incurred because of the low-income program should be included in the cost-effectiveness calculations. This "incremental cost" test is

[2] This comment would seem to apply to all other programs as well. Those programs are set aside simply because they are not the focus of this proceeding.

based on the same principle as the first test. If a given level of costs would have been incurred even in the absence of the low-income program, no part of those costs should be included in the low-income program's cost-effectiveness calculations, since the low-income program did not cause those costs to be incurred.

Recommendation 1 Supplemental to Staff: For administrative costs to be included in the cost-effectiveness calculation, the utility must demonstrate both that the cost is directly caused by the low-income program as measured on a "but-for" basis and that the level of administrative costs included is incremental to the level of administrative costs that would have been incurred even in the absence of the low-income program.

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.

CAPAI Response: This Staff recommendation is reasonable and should be adopted. The discussion and conclusions presented in the Staff Report appropriately support this recommendation.

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.

CAPAI Response: This Staff recommendation is reasonable and should be adopted with one caveat. The 10% "conservation adder" referenced by Staff in its discussion applies only to environmental non-energy benefits (NEBs). The 10% "conservation adder" does not capture, and is not intended to reflect, other NEBs. So long as the 10% adder is acknowledged as intending to capture only this limited set of NEBs, this Staff recommendation is appropriate.

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, takeback, 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.

CAPAI Response: The Staff recommendation to include all payment-related non-energy benefits in cost effectiveness calculations is appropriate and should be adopted with some explication. The economic non-energy benefits and non-energy benefits that accrue to participants should be included.
First, the inclusion of the identified non-energy benefits should be on the same basis as a consideration of other "avoided costs" by the utility. These avoided utility costs are not a "secondary" consideration, but are equal to avoided energy and capacity costs. The existence of direct financial benefits to utilities arising from energy efficiency programs targeted specifically to low-income households has been recognized for 25 years. The presence of such avoided costs was first postulated in a 1987 article written by Roger Colton and Dr. Michael Sheehan. In that analysis, they stated that targeted energy efficiency programs had advantages that went beyond the traditional energy and capacity savings associated with energy efficiency measures:

The cost-effective reduction of system costs is relevant and important in every part of the business operations of the utility, not simply to the power supply function. Accordingly, a utility should be concerned with the problem of nonpayment, overdue payment, and partial payment of utility bills. Bad debt arises when ratepayers demand power from the system and then do not pay for it on a timely basis. * * * [A] new conservation program [can be proposed] that is justified on an avoided cost basis. The proposal rejects the historical view that avoided costs include only an energy and a capacity component. Instead, it introduces the notion of avoided bad debt. As long as the energy efficiency program costs less than the bad debt it will avoid, the program is cost-justified.[3]

This concern over providing an equal recognition of the identified non-energy benefits is based in the treatment of non-energy benefits in the Staff Report. For example:

- At page 1, Staff states that "Two of the three programs are not cost-effective without non-energy benefits, and the third program's cost-effectiveness is in doubt."
- At page 1, Staff states that "Of the three weatherization programs, only Idaho Power's program claims to be cost-effective without non-energy benefits."
- At page 12, Staff states that "two of the three utility-funded low-income programs were not cost-effective in 2010 and 2011 under the TRC or UCT." At page 12, Staff cites a 2010 cost effectiveness result for Rocky Mountain Power (RMP) of 0.70 (both TRC and UCT) and a 2011 cost-effectiveness result for RMP of 0.81 (TRC) and 0.74 (UCT).

These Staff comments appear to place the consideration of non-energy benefits in a secondary, or ancillary, position. The "cost-effectiveness result" cited for RMP, for example, are the cost-effectiveness results excluding *all* NEBs. These "results" are incomplete and do not reflect the Company's findings. When queried about its cost-effectiveness results, for example, RMP explicitly disclaimed presenting a cost-effectiveness result that did not include non-energy benefits.

The concept of "cost-effectiveness," as Dr. Sheehan and Roger Colton stated in 1987, incorporates the notion that "the cost-effective reduction of system costs is relevant and

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3Roger Colton and Michael Sheehan (1987). "A New Basis for Conservation Programs for the Poor: Expanding the Concept of Avoided Costs," 21 *Clearinghouse Review* 135, 139. It should be noted that this article explicitly notes that "bad debt" was a defined term, defined to include all aspects of costs associated with payment troubles. The term was used to include not only written-off accounts, but credit and collection expenses, working capital expenses, and the like.

important in *every* part of the business operations of the utility, not simply to the power supply function."

Recommendation 2 Supplemental to Staff: Adoption of Staff Recommendation 7(a) should make clear that the concept of "cost-effectiveness without non-energy benefits" is no longer a concept or a result to be presented or considered.

Second, adoption of the principle that the specified non-energy benefits be included in the cost-effectiveness calculation does not address the methodological issues presented by such inclusion. Rocky Mountain Power, for example, assumed that its low-income energy efficiency program would result in only one year of arrearage reductions. If a low-income customer carried a $350 arrears, in other words, according to RMP, weatherization might reduce that arrearage by $x in Year 1, but would have *no* impact at all on arrearages in subsequent years. Similarly, RMP assumed that cost reduction associated with reduced arrearages would arise in Year 1 only, but would not exist in subsequent years. The specified non-energy benefits should be treated on the same plane as reductions in the Company's energy and capacity costs. The multi-year impacts of improved payment patterns should be reflected in the cost-effectiveness calculations that include the specified non-energy benefits.

Finally, the specified non-energy benefits should be specifically modified to include working capital as a non-energy benefit. By definition, working capital is based on the number of dollar-lag days experienced as a result of a utility customer being billed after-the-fact. It is evident on its face that a $100 bill imposes a smaller working capital requirement than does a $150 bill (whether or not that account is ever in arrears).

Moreover, to the extent that low-income bills might go unpaid for some period of time simply expands the dollar-lag days that can be reduced through an investment in energy efficiency measures. It is evident on its face that an account with a $200 arrears imposes a lesser working capital requirement than an account with a $250 arrears.

To the extent, therefore, that energy efficiency investments yield a reduction in customer bills, both those that are timely paid and those that are paid in arrears, there is a corresponding reduction in the number of dollar-lag days and, as a result, by definition, a reduction in utility working capital requirements. To the extent that low-income arrears are reduced by weatherization, the reduction in working capital will be even greater.

Recommendation 3 Supplemental to Staff: The list of specified non-energy benefits should be modified to specifically include an assessment of the working capital savings associated with avoided billings resulting from reduced consumption.

Staff Recommendation 7(b): Staff recommends excluding economic benefits, takeback, and other ancillary non-energy benefits based on the justification provided to date.

CAPAI Response: This Staff recommendation should be rejected. By *excluding* the identified "ancillary non-energy benefits," in effect, Staff is assigning a $0 value to these non-energy benefits, a result that everyone, including Staff, concedes is in error. Importantly, Staff does not deny the existence of these "ancillary non-energy benefits." Instead, Staff merely states that "Staff does not support including non-energy benefits that cannot be valued and calculated with reasonable certainty." (Staff Draft Report, at page 16). Staff has amended that statement to read "Staff recommends excluding economic non-energy benefits and non-energy benefits that accrue to program participants because they have not yet been rigorously quantified." (Staff Report, at page 21).

While Staff acknowledges the seminal Oak Ridge National Laboratory (ORNL) report on low-income weatherization programs performed in 1994 (Staff Draft Report, at note 18, page 15), it fails to take into account the equally seminal ORNL study of non-energy benefits performed in 2002.[4] Oak Ridge found the 2002 study to be particularly compelling. It states:

[4]Martin Schweitzer and Bruce Tonn (2002).*Nonenergy Benefits from the Weatherization Assistance Program: A Summary of Findings from the Recent Literature*, ORNL/CON-484, Oak Ridge National Laboratory: Oak Ridge (TN).

The primary research method used for this study was a comprehensive review of the literature on non-energy benefits written since the national weatherization evaluation was completed in 1993. Many different articles and reports have been written about the non-energy benefits of low income weatherization activities since that time. Some present the findings from primary research conducted on the subject, usually focusing on a weatherization program operated by a given state or utility company (e.g., Magouirk 1995; Blasnik 1997; Hill et al. 1998). Others take a meta-analysis approach and report the findings from a number of studies conducted in different locations (e.g., Riggert et al. 1999; Riggert et al. 2000; Howat and Oppenheim 1999). One set of articles that was especially useful for this study (Skumatz and Dickerson 1997; Skumatz and Dickerson 1998; Skumatz and Dickerson 1999) focused on two low-income weatherization programs operated by Pacific Gas and Electric Company (PG&E), using primary data pertaining to those programs and also making use of important findings from a comprehensive review of studies performed by other researchers elsewhere in the country. Because much of the information analyzed by Skumatz and Dickerson came from a variety of locations, and because the PG&E programs they studied are very similar to other full-scale weatherization efforts undertaken throughout the country, the findings from the Skumatz and Dickerson articles are considered broadly applicable to DOE's Weatherization Assistance Program.[5]

Contrary to the Staff's suggestion that NEBs "cannot be calculated and valued with reasonable certainty," the ORNL study concluded that "nearly all of the non-energy benefits addressed in this report occur everywhere. . ."[6] Even the discount rate applied by ORNL was 3.2%, the same as that recommended in the Staff Report (Staff Report, at19). In sum, the 2002 ORNL Report concluded that the following NEB point estimates could be justified based on the review methodology stated above:

[5]Schweitzer and Tonn, supra, at 1-2.
[6]Schweitzer and Tonn, at 3. ORNL stated further that in those instances where certain NEBs did not apply to certain types of households (e.g., those not receiving public benefits, those with gas heating), the value of the NEBs was adjusted downward to take that into account. Id.

Summary of Benefits for Each Major Category and Subcategory[7]	
Nonenergy Benefit: Category/Subcategory	Point Estimate of Benefits in 2001 $ per participating household: Net Present Value (2001 $s)
Ratepayer Benefits	
Payment-related benefit	$181
Service provision benefit	$150
Total for this category	$331
Household Benefits	
Affordable housing benefit	$783
Safety, health and comfort benefit	$123
Total for this category	$906
Societal Benefits	
Environmental benefits	$869
Social benefits	$117
Economic benefits	$1,123
Total for this category	$2,109
Total for all benefit categories	$3,346

Moreover, contrary to Staff's assertion that the non-energy benefits from low-income programs "cannot be valued and calculated with reasonable certainty" (Staff Report, at 16), is the ORNL conclusion that "more important than the precise dollar figures is *the indisputable fact* that non-energy benefits represent a significant addition to the energy savings benefit achieved by the Weatherization Assistance Program."[8] (emphasis added).

[7]Schweitzer and Tonn, supra, at 23.
[8]Schweitzer and Tonn, supra, at 23-24.

It is inappropriate and unreasonable for Staff to assign a $0 value to a set of non-energy benefits that ORNL reports, in fact, has a dollar value that as "an indisputable fact. . .represent a significant addition to the energy savings benefit. . ."

If Staff believes that Idaho utilities have inadequately documented the non-energy benefits of low-income energy efficiency, the appropriate response would be to use the authoritative figures that have been developed elsewhere rather than assigning a $0 value to a set of benefits that ORNL has found as an "indisputable fact [to] represent a significant addition to the energy savings benefits. . ." The "harm" arising from Staff's approach does not inure to the detriment of the utilities that have failed to develop an appropriate quantification of non-energy benefits. The harm instead falls squarely on the shoulders of those low-income households that cannot be weatherized because of the understatement of the cost-effectiveness of utility investments.

Even should Staff wish to discount the Oak Ridge National Laboratory's findings of non-energy benefits by 50%, the Oak Ridge research would support a multiplier in the range of 25% to 30% as recommended by the Northwest Energy Coalition. Incorporating low-income non-energy benefits through use of a multiplier of 25% to 30% as recommended by the Northwest Energy Coalition is reasonable. It is *far* more reasonable than to assign a $0 value as recommended in the Staff Report.

Recommendation 4 Supplemental to Staff: Rocky Mountain Power, Idaho Power and Avista should adopt a multiplier of at least 25% to reflect the cumulative impact of non-environmental NEBs. The Staff and other stakeholders should closely monitor the evaluation and quantification of NEBs in the national assessment of the federal WAP program, which in part is specifically designed to measure and quantify non-energy benefits from low-income weatherization,[9] the results of which are expected to be published imminently.[10]

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[9]MarkeTernes, et al. (2007).*National Evaluation of the Weatherization Assistance Program: Preliminary Evaluation Plan for Program Year 2006*, Oak Ridge National Laboratory: Oak Ridge (TN). The specific research methodology for identifying and quantifying non-energy benefits is set forth in Section 2.3, pages 37-66.

[10] Publication of the assessment of non-energy benefits is expected in the Fall of 2012. See, Congressional Research Service (January 2012). *DOE Weatherization Program: A Review of Funding, Performance and Cost-Effectiveness Studies*, at 29, CRS: Washington D.C.

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.

CAPAI Response: This Staff recommendation is reasonable and should be adopted. The Staff explanation of its recommendation is adequate and appropriate without further comment.

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.

CAPAI Response: This Staff recommendation is reasonable and should be adopted. The Staff explanation of its recommendation is adequate and appropriate without further comment.

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

CAPAI Response: This Staff recommendation is reasonable and should be adopted. The Staff recommendation is supported by very recent technical reviews. A July 2012 review of the determination of the cost-effectiveness of energy efficiency programs, for example, states quite directly:

The different cost-effectiveness tests require the use of different discount rates because they represent the perspectives of different decision-makers. The Societal Cost test requires the use of a societal discount rate, which is typically very low due to society's (i.e., government's) tolerance for waiting for future benefits, and its ability to access funds at relatively low borrowing costs.[11]

As the Synapse report notes:

The Societal Test, as its name implies, should use a discount rate based on society's preferences. Compared to individuals and firms, society should have a broader tolerance for receiving benefits in the future, and also be better able to access funds at a lower borrowing cost. In this case, the discount rate should be relatively low.

* * *

The social discount rate should reflect the benefit to society as a whole, and should also take into account both the reduced risk of energy efficiency investments, as well as society's reduced time preference for a societal payback. This social discount rate is typically the lowest discount rate that reflects increased value in future savings. The Societal Cost test also includes environmental externality costs, which should arguably be discounted at a very low discount rate, if at all.[12]

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[11] Tim Woolf, et al. (July 23, 2012). *Best Practices in Energy Efficiency Program Screening: How to Ensure that the Value of Energy Efficiency is Properly Accounted For*, at 3, National Home Performance Council, Synapse Energy: Cambridge (MA). The National Home Performance Council is a national non-profit organization created to support whole-house energy efficiency programs through research and stakeholder engagement. NHPC's board of directors includes a wide range of energy efficiency stakeholders including: state energy offices, non-profit organizations, contractors, program implementers, real estate representatives, utilities, and manufacturers. NHPC'smission is to address challenges that prevent the growth and expansion of the whole house energy efficiency sector and communicate these solutions.

[12] *Best Practices in Energy Efficiency Screening*, supra, at 51 – 52.

While this discussion references "societal benefits," and Staff Recommendation 10 references *participant* benefits, Synapse notes that within the low-income context, the two discussions should coincide:

Energy efficiency investments for special groups of customers, particularly low income and at-risk populations could also be viewed with a societal discount rate for several reasons. These customers are generally receiving some degree of support from society at large, so the investment can appropriately be viewed in a societal context. It is society investing in society, and should be analyzed using a discount rate appropriate to society as a whole.[13]

In short, Staff Recommendation 10 is reasonable and should be adopted.

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

CAPAI Response: If a cost effectiveness test it to be used, CAPAI supports having a specific cost-effectiveness test for low-income programs to have a quantifiable standard for the programs to achieve. If a specific cost-effectiveness test is not qualified, a program will never be certain if it is cost effective.

This Staff recommendation should be rejected in the absence of adoption of both (1) Recommendation 2 Supplemental to Staff, and (2) Recommendation 3 Supplemental to Staff presented above. CAPAI appreciates and acknowledges the observation of Staff, when it states that "Staff believes that low income weatherization programs should be viewed as an alternative to supply side investments rather than as public assistance." (Staff Report, at 20). The question is not whether low-income weatherization is to be "viewed as an alternative to supply side

[13] Id.

investments,"[14] but rather whether low-income weatherization is to be viewed *exclusively* as an alternative to supply side investments.[15]

Staff implicitly acknowledges that low-income weatherization programs include purposes *in addition to* developing alternatives to supply side investments. Staff opposes the inclusion of "secondary non-energy benefits" not on principle, but rather "based on the insufficient quantification and justification provided thus far." (Staff Report, at 16).

In the event that Recommendation 2 Supplemental to Staff and Recommendation 4 Supplemental to Staff are both adopted, Staff Recommendation 11 is appropriate. In contrast, if either Recommendation 2 Supplemental to Staff or Recommendation 4 Supplemental to Staff is *not* adopted, Staff Recommendation should be rejected. If the two identified Supplemental Recommendations are not adopted, in effect what Staff proposes is to rely on a cost-effectiveness analysis that includes all the costs but fails to include all the benefits.

In its review of "best practices" of energy efficiency screening for the Home Performance Council, Synapse Energy identified a "hybrid" approach to accounting for the special benefits of low-income weatherization:

Hybrid: A combination of the various options could be employed to create a hybrid approach. For example, a state could include all readily measurable OPIs, and use an adder for hard to measure OPIs.[16] As discussed above, Vermont uses an adder for OPIs in addition to readily measurable OPIs, while Colorado requires an adder but also allows for readily measurable OPIs. Further, a state could include readily measurable OPIs, and conduct a sensitivity analysis for

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[14] Staff appears to assert that the exclusive purpose of low-income weatherization is as a mechanism by which to procure alternatives to supply side investments. See e.g., Staff Report at 7 ("when Idaho utilities fund DSM programs, they are buying a resource to meet customer load. The amount of energy saved through a DSM program is equivalent to a generation resource that does not have to be built or energy that does not need to be bought to meet the load requirement for all customers"). See also, Staff Report, at 8 ("Avoided costs are the costs of resources that the utility did not have to build or buy to meet load because the DSM program produced energy savings").

[15] While Staff focuses on the *energy* that need not be *produced* because of DSM programs, in fact, low-income weatherization should *also* focus on the *dollars* that need not be *collected.* The energy production function, and the revenue production function, of the utility are equally important business functions, the costs of both which can be reduced by low-income weatherization.

[16] Synapse refers to "OPIs" (other program impacts), which are being referred to in these comments as "non-energy benefits."

additional OPIs. This approach is most consistent with the nature of OPIs, whereby some OPIs are easily and readily quantified, while others require a more qualitative analysis on the potential range of impacts that accrue to customers from efficiency programs. Additionally, this method affords regulators flexibility in determining the most appropriate OPI policy for their state. Finally, it allows consideration of all NEIs[17] believed to be most significant, with the choice of methodology used to determine each NEI being made on the basis of available resources.[18]

The bottom line is that the implicit assertion in Staff Recommendation 11 that low-income weatherization is *exclusively* for the purpose of procuring alternatives to supply-side investments is in error. One "purpose" of low-income weatherization is to increase the efficiency and effectiveness of collection efforts. One "purpose" of low-income weatherization is to supplement customer service activities, thus increasing the effectiveness and efficiency of customer service programs such as budget billing, deferred payment arrangements, and the like. One "purpose" of low-income weatherization is to supplement revenue protection activities, thus reducing expenses such as bad debt and working capital.[19] Given that the purposes of low-income weatherization programs extend far beyond the procurement of alternatives to supply-side investments, to apply the same cost-effectiveness analysis to these programs as are applied to programs that *do* have such procurement as their exclusive purpose is inappropriate

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

[17] Synapse also refers to non-energy impacts (NEIs). Synapse makes clear that, in its report, non-energy benefits, NEIs and OPIs are considered to be the same. See, *Best Practices in Energy Efficiency Screening*, supra, at note 1, page 2. Synapse states that the only difference is that "In addition to non-energy impacts, OPIs also include "other fuel savings," which are the savings of fuels that are not provided by the utility that funds the efficiency program." Id.

[18] *Best Practices in Energy Efficiency Screening*, supra, at 38.

[19] These "purposes" are not "social" in nature. They are extensions of a utility's fundamental obligation to provide least-cost service. This obligation to provide least-cost service extends beyond the supply procurement function of the utility. See generally, Colton and Smith (1993). "The Duty of a Public Utility to Mitigate 'Damages' from Nonpayment through the Offer of Conservation Programs." 3 *Boston University Public Interest Law Journal*239; see also, Colton and Sheehan (1987). "A New Basis for Conservation Programs for the Poor: Expanding the Concept of Avoided Costs," 21 *Clearinghouse Review*135.

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.

CAPAI Response: This Staff recommendation is reasonable and should be adopted. As Staff notes, CAPAI found "several places where the Cadmus evaluation [for RMP] failed to adequately control for differences between the participant and non-participant groups," with which Staff agreed with "some" of. (Staff Draft Report, at 21). This Staff recommendation, however, obviously depends for its implementation on the details of each utility's implementation. The principle underlying Staff Recommendation 12, however, should be absolutely emphasized for its appropriateness. Careful attention must be paid to the billing analyses underlying the evaluation of low-income programs. Different factors (e.g., economic declines) affect low-income customers differently than they affect non-low-income customers.

Moreover, Staff is absolutely correct when it "recommends that utilities vary the contractors hired to evaluate these [i.e., low-income] programs." (Staff Draft Report, at 22). Indeed, this is one reason that the Oak Ridge National Laboratory (ORNL) finding that it is "an indisputable fact that non-energy benefits represent a significant addition to the energy savings benefit. . ."[20] is so compelling. As ORNL notes, its conclusion is based on numerous studies by multiple evaluators (e.g., Magouirk; Blasnik; Hill et al.; Riggert et al.; Howat and Oppenheim; Skumatz and Dickerson).[21]ORNL notes that "some present the findings from primary research" while "others take a meta-analysis approach and report the findings from a number studies conducted in different locations."[22] Not only does the Staff recommendation about using a variety of contractors make sense, but in advancing this recommendation, Staff, itself, should abide by the implications of its own recommendations (i.e., that similar findings by multiple evaluators leads to a more robust and trustworthy conclusion) when it comes to the existence and quantifiability of non-energy benefits.

[20]Schweitzer and Tonn, supra, at 1-2.
[21] Citations to these evaluations by these specific evaluators are provided in the 2002 ORNL evaluation.
[22] Id.

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.

CAPAI Response: This Staff recommendation that would allow Avista and Rocky Mountain Power to continue to use any unspent low income funds for other DSM programs is unreasonable and should be disapproved. From a program perspective, the collection of ratepayer funds for low-income programs has been justified on a basis other than the basis used for non-low-income programs. Staff, for example, acknowledges that low-income programs are likely to be justified on a cost-effectiveness determination that includes avoided costs associated with non-energy benefits ("some non-energy benefits clearly accrue to either participants, ratepayers or the utility and can often be quantified with reasonable certainty": (Staff Draft Report, at 15). Moreover, Staff acknowledges that low-income programs are cost-justified using a different net-to-gross ratio than non-low-income programs. (Staff Draft Report, at 11-12).

In addition, as noted above, while non-low-income DSM programs may have the procurement of energy efficiency as their primary, if not exclusive, purpose, low-income programs have multiple additional purposes. As noted above:

One "purpose" of low-income weatherization is to increase the efficiency and effectiveness of collection efforts. One "purpose" of low-income weatherization is to supplement customer service activities, thus increasing the effectiveness and efficiency of customer service programs such as budget billing, deferred payment arrangements, and the like. One "purpose" of low-income weatherization is to supplement revenue protection activities, thus reducing expenses such as bad debt and working capital. Given that the purposes of low-income weatherization programs extend far beyond the procurement of alternatives to supply-side investments, to apply

the same cost-effectiveness analysis to these programs as are applied to programs that *do* have such procurement as their exclusive purpose is inappropriate. [23]

Given that the collection of ratepayer funds for the low-income programs has been justified on a basis different than the collection of ratepayer funds for non-low-income programs, and given further that the purpose of the low-income programs is more multi-faceted than the purpose of non-low-income programs, it would be inappropriate to allow utilities to divert unspent funding from low-income programs to non-low-income initiatives. Instead, unspent funding from one year should be carried over to the next program year.

What Staff has not done in its Recommendation 13 is to explain *why* program funding collected in a particular time period must be matched with expenditures to exactly the same time period. The benefits arising from a low-income weatherization investment are not unique to the time period in which the investment is made; the benefits instead extend over fifteen years or more. There are thus no particular "equity" considerations, therefore, in exactly matching time periods. Moreover, unlike government funding, which may be collected in a lump-sum at the beginning of a particular program year, ratepayer funding is collected incrementally over the course of a program year. Assuming a 12-month January through December program year, there is no equitable requirement that the funds collected in December rates be spent by the end of December the same as funding collected in January rates.

Any number of reasons exist that low-income program funding might be "underspent" in any individual given program year. As would be acknowledged by all, the delivery of low-income weatherization requires an extensive and specific expertise.[24] The loss of a staffperson (or more) would require the recruitment (or finding) of a qualified replacement and the provision of the state-specific, service-territory specific, program-specific training for that replacement staff person. This changing capacity may well affect the ability of a program to fully-utilize its entire program budget in a particular year.

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[23] See, note 19, and accompanying text.

[24] See, Staff Report, at 6 ("community action agencies [are] uniquely qualified to administer utility-funded programs targeting low-income customers").

Moreover, it would be inappropriate to create an incentive for low-income weatherization service providers to "exhaust its program budget" by the end of the year. Too often, to impose a use-it-or-lose-it financial constraint leads private and public sector organizations to find ways to spend its budget by year-end, rather than to continue to spend money in the most efficient, most effective, most purpose-fulfilling manner possible.

Having said that, however, it is reasonable to acknowledge that should a utility experience a *growing* balance in unspent low-income program funding over a multi-year period, it might be reasonable to conclude that those programs are over-funded. Such a conclusion, however, would not be based on findings of cost-effectiveness or other related analytics, but rather because an ever-increasing balance of unspent low-income program funding, experienced over a multi-year basis, would evidence that the budget exceeds the capacity of service providers to deliver. In the absence of such a finding of a lack of long-term capacity, however, unspent low-income program funding should be carried-forward for continued use as low-income weatherization investments

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.

CAPAI Response: This Staff recommendation is reasonable and should be adopted. The Staff explanation of its Recommendation is adequate and appropriate without further comment.

Recommendation 15: Staff recommends that Avista pay no more than *85%* of the cost per project and up to 100% of the cost per measure. This adjustment will increase the cost effectiveness of Avista's program and facilitate cost-effectiveness comparisons between the three utilities.

CAPAI Response: This Staff recommendation is reasonable and should be adopted. The Staff explanation of its Recommendation is adequate and appropriate without further comment.

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.

CAPAI Response: If total program cost-effectiveness is required, there needs to be an achievable, quantifiable cost-effectiveness test that includes program costs and agreed-upon benefits, including energy savings and nationally recognized non-energy benefits.

a. If the 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 recommends that need is used as an indicator that the program should continue to be funded. CAPAI would request a quantitative definition of "significant" should the Commission maintain this metric as written to reduce future interpretation.
b. This Staff recommendation is reasonable and should be adopted. The utilities should provide, at minimum, the same funding on a per-capita basis as other utilities.
c. This Staff recommendation is reasonable and should be adopted. CAPAI would like to note that Staff agrees with CAPAI's assertion that low-income households are disproportionally affected by increased utility rates. CAPAI would request a quantitative definition of "significant" should the Commission maintain this metric as written to reduce future interpretation.
d. This Staff recommendation is reasonable and should be adopted.
e. CAPAI believes that this should be the case if a utility's CAP agencies have been unable to spend all of the available utility funding in the previous 2 years. Please refer to CAPAI's response to Staff's Recommendation 13 for further clarification on unspent low income funds.

Low-income program funding allocations should be informed by the housing stock, the number living in poverty, utility rates, waiting lists, energy assistance applications and Conservation Potential Assessments. PUC staff acknowledges that the need far exceeds the funding. Most agencies have between five-hundred to one thousand people on their waiting lists. If each agency was capable of doing just 100 homes a year, Idaho could have a 10-year rolling waiting list.

CAPAI recognizes that utility funding is not going to be matched to the need, and recommends the current funding level for each program should be considered the minimum level to maintain a healthy Energy services network with automatic adjustments as deemed appropriate by the Commission. For example, a significant event such as changes in unemployment and poverty rates, and utility rate increases. Other funding adjustments could be made for the PUC assessment of low-income need and Conservation Potential assessments.

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.

CAPAI Response: This Staff recommendation should be disapproved. Staff begins its analysis with two concessions:[25] (1) "by any measure," (Staff Draft Report, at 27), the need for low-income weatherization exceeds current funding levels; and (2) "reductions in federal funding and a continuing poor economy further increase the demand for utilities to expand their funding commitments." (Staff Draft Report, at 27). The basis for Staff's Recommendation 16, however, is Staff's assertion that "Staff cannot recommend increases in low-income weatherization funding if these programs cannot reasonably be shown to be cost-effective without the addition of broadly-defined non-energy benefits." (Staff Draft Report, at 27).

Several observations stand in contravention of Staff's implicit assertion that low-income programs cannot reasonably be shown to be cost-effective without the addition of broadly-defined non-energy benefits":

1. Oak Ridge National Laboratory found that it is "indisputable fact [to] that non-energy benefits represent a significant addition to the energy savings benefits. . ." Despite this "indisputable fact," not merely that non-energy benefits exist, but that they represent a "significant addition to the energy savings benefits," in recommending no increase to low-income weatherization funding, Staff assigns a $0 to these non-energy benefits, a conclusion that few, if anyone, agrees with.

[25] "Concession" is a derivative of Staff's own language: "Staff *concedes* that by any measure, the need for low income weatherization exceeds current funding levels." Staff Report, at 27.

2. Staff asserts that it "believes that low income weatherization programs should be viewed as an alternative to supply side investments rather than as public assistance." (Staff Draft Report, at 20). Staff fails to acknowledge that serving as an "alternative to supply side investments" is *one* purpose of low-income weatherization; it is not the *exclusive* purpose of weatherization. As noted above: "One 'purpose' of low-income weatherization is to increase the efficiency and effectiveness of collection efforts. One 'purpose' of low-income weatherization is to supplement customer service activities, thus increasing the effectiveness and efficiency of customer service programs such as budget billing, deferred payment arrangements, and the like. One "purpose" of low-income weatherization is to supplement revenue protection activities, thus reducing expenses such as bad debt and working capital." As noted as early as 1987, "the cost-effective reduction of system costs is relevant and important in every part of the business operations of the utility, not simply to the power supply function. . ."[26]

3. Staff's proposal to neither increase nor decrease low-income weatherization funding is not even consistent with Staff's own funding decision-rule. Staff recommended that for purposes of determining parity of funding among the utilities that funding levels be established "taking into consideration county level poverty rates and CAP production capacity in each utility's service territory." (Staff Draft Report, at 27). Staff's recommendation that funding in this proceeding be neither increased nor decreased take into consideration *neither* of these factors (neither: [1] county level poverty rates; nor [2] CAP production capacity in each utility's service territory). Instead, Staff explicitly sets aside its own finding of a "continuing poor economy." Even aside from observation, the increased poverty and deterioration of economic circumstances for the poor has been recently documented.[27] Moreover, the recent influx of ARRA funding for purposes of low-income weatherization (see, Staff Draft Report, at 7; Staff Draft Report, at 22), has allowed Community Action Agencies to increase their administrative and staff capacity to deliver low-income weatherization investments. Staff's proposal to neither increase

[26] See, note 3, and accompanying text.
[27] Colton (November 2011). Cite. xxx

nor decrease funding, will require these CAP agencies to lay-off fully-trained staff that is currently available to deliver low-income weatherization and to thus decrease the "production capacity in each utility's service territory."

4. Staff's proposal to neither increase nor decrease low-income weatherization funding does not even accomplish what Staff appears to seek to accomplish, i.e., to hold low-income weatherization funding constant. The ability of Idaho CAP agencies to deliver energy efficiency measures will instead deteriorate to the extent that the cost of weatherizing homes has increased since the low-income budget was last increased. At a minimum, if Staff's intent is to maintain a "current level" funding of the low-income weatherization program, funding for the program should be increased to allow CAP agencies to hold constant the number of units that they would have served given the prior year's budget.[28]

5. Finally, Staff's proposal is internally inconsistent. As utility costs increase, utility avoided costs will increase. As utility bills increase, the non-energy benefits associated with addressing payment problems will increase. As Staff's Recommendations are implemented, the cost-effectiveness of low-income programs will increase. All this adds to the Staff observation that, as of today, "Staff. . .believes that all three low income electric weatherization programs will be either cost effective or close to being cost effective" (Staff Report, at 27), even without a consideration of what Staff refers to as "broadly-defined non-energy benefits." In light of its observation about the current status of cost-effectiveness, and in light of increasing costs, and in light of increasing non-energy benefits that Staff *does* accept (Staff Report, at 14-15), to respond by refusing to increase budgets is unreasonable.

Recommendation 5 Supplemental to Staff: Staff Recommendation 16 should be disapproved. For the interim, the Idaho PUC should approve a "level service" budget for low-income weatherization rather than the level-funding budget proposed by Staff. This level-service budget

[28] In the parlance of local government finance, this would represent a "level service" funding budget. See generally, City of Boston, *Budget Organization and Glossary of Terms*, at 5 (Level Service Funding: A budget that describes the funding required for maintaining current levels of service or activity) See also, Sudbury (MA): "What does a level service budget mean: A budget that describes the funding required for maintaining current levels of service or activity." www.sustainsudbury.org (last accessed September 2, 2012).

should be re-visited once the National Evaluation of the federal Weatherization Assistance Program (WAP) is released (expected in Fall 2012).[29] Stakeholders (including CAPAI) should be willing to accept the findings of the Department of Energy's WAP evaluation, whether that evaluation finds the presence or absence of non-energy benefits. No draft report has been released and no insights can be provided at this time of what the results of that National Evaluation might report.

If Staff's recommendation that there be a funding freeze for low-income programs with a re-examination in the spring of 2013 for Idaho Power and Rocky Mountain Power are adopted, specific deadlines should be set for utilities to provide their DMS reports. As stated previously, CAPAI recommends that historical costs be utilized to make the expense adjustments described in this report to determine if the utility programs are cost effective. CAPAI would also like to note that this Recommendation does not list specific dates for completion of the DSM reports by Idaho Power, Rocky Mountain Power or Avista.

CAPAI's understanding is that the workshop was ordered in order for program stakeholders to discuss cost effective metrics and to determine a funding mechanism for the low-income programs. Staff recommendations in this report do move in this direction, but do not provide adequate detail or timelines for implementation.

Recommendation 18: 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. 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. 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

[29] See, note 10, supra, and accompanying text.

amount should be funded annually.

CAPAI Response: The Staff's Recommendation to separately address the Low Income Energy Conservation Education Programs is reasonable and should be approved. However, CAPAI disagrees that Rocky Mountain Power's funding should be cut to $25,000.

Recommendation 6 Supplemental to Staff: Notwithstanding the observations that Staff Recommendation to separately address the Low Income Energy Conservation Education Programs is reasonable, additional comment on the overall topic of the utility Low-Income Conservation Education Program is appropriate. CAPAI recommends that the Low-Income Conservation Education Program be expanded to include technical assistance to public housing authorities to promote energy efficiency in low-income public and assisted housing developments.[30]

As noted above, low-income households face multiple barriers to the investment of their own funds in energy efficiency measures. Quite aside from factors arising because of the mere fact of their poverty (e.g., lack of investment capital, lack of access to financing, high hurdle rates), several of these barriers arise because of the tendency of low-income households to be tenants rather than homeowners (e.g., lack of dominion interest, frequent mobility). Idaho, while not having tremendous numbers of public and assisted housing units, has a substantial number given the size of its overall population. According to the Resident Characteristics Reports (RCRs) published by HUD each month, as of July 31, 2012, Idaho had:

- 828 public housing units. Tenants occupying these housing units had an average income of $12,279, with an average household size of 1.8 persons. In 2012, 100% of Poverty Level for a two-person household is $15,130. On average, in other words, tenants of public housing live at less than 100% of Poverty.

[30] "Public housing" represents housing owned and operated by local Public Housing Authorities. "Assisted housing" represents primarily Section 8 rental housing. It would include, also, affordable rental housing developed through the federal Home Investment Partnership Program (HOME) and the Low-Income Housing Tax Credit (LIHTC) programs amongst others.

- 6,700 tenant-based voucher housing units (i.e., Section 8). Tenants occupying these Section 8 housing units had an average income of $11,181, with an average household size of 2.4 persons. Section 8 tenants in Idaho, in other words, had lower dollar incomes and larger household sizes, meaning that they were, in fact, even poorer than public housing tenants.[31]

In addition, the State of Idaho has, since 1992, spent $98.2 million dollars of federal HOME funds to produce 5,178 "affordable" housing units, while the City of Boise has spent an additional $13.965 million to produce 457 more units. Any number of programs exist that would bring external funding to public and assisted housing These programs include, for example, Energy Efficient Utility Allowances (EEUAs)[32] and the use of Energy Service Companies (ESCOs) to provide performance-based guaranteed savings contracts.

The problem with these Housing Authority (HA) energy efficiency programs is that the local (Boise in the State of Idaho) and state Housing Authorities generally lack the technical expertise to engage the process necessary to introduce the third-party financing of efficiency measures. Just as with the low-income tenants, given the lack of overall resources, the fact that the energy efficiency is likely to be cost-effective from the perspective of the consumer becomes irrelevant if the consumer (in this case, the Housing Authorities) lack the wherewithal to access the third-party funding.

From the perspective of promoting alternatives to supply-side investments by the utility, from the perspective of promoting the use of energy efficiency/usage reduction measures as a mechanism to help control the expenses of nonpayment by Idaho's lowest income consumers, from the perspective of helping to reach tenants that are otherwise often (if not generally) excluded from low-income weatherization programs, a small investment of technical assistance funding through a utility "Conservation Education" program would leverage substantial third-party low-income

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[31] Poverty Level is a measure of how "poor" a household is taking into account household size. For example, a 3-person household with an income of $10,000 is considered to be "poorer" than a 2-person household with an income of $10,000. In Idaho, a 1.8 person household with an income of $12,279 would be "poorer" than a 2.4 person household with an income of $11.181.

[32] Enterprise Green Communities (2011). *Utility Allowance Options for Investments in Energy Efficiency: Resource Guide*, Enterprise Community Partners: Columbia (MD).

weatherization investment.[33] As well, please refer to CAPAI's response to Staff's Recommendation 13 for further clarification on unspent low income funds.

V. POLICY CONSIDERATIONS

In addition to responding to Staff's technical recommendations contained in its final Report, CAPAI has a number of other issues it wishes to put before the Commission for consideration. The purposes of this section are to provide additional context to the technical issues and to discuss what CAPAI believes are important policy considerations. For example, CAPAI wishes to illustrate how quickly attitudes regarding LIWA have changed and issues never even mentioned for many years suddenly became the basis for the indefinite denial of any and all LIWA funding increases and potentially even result in the termination of LIWA in part or in whole, as well as other possible ramifications.

As Staff notes in its Report, "[t]he last year was challenging for Idaho's low income weatherization programs." Indeed, it was and was challenging for all concerned including Staff, other stakeholders and certainly the Commission. For its part, CAPAI has felt caught in a conundrum trying to support Staff's reasonable expectations of periodic evaluations of LIWA while opposing any unnecessary costs that would reduce the cost-effectiveness of LIWA and ensuring that any evaluations of LIWA take into account the unique nature, including system-wide benefits, of that particular DSM program

From CAPAI's perspective, the 11-13 application was ill-conceived and essentially sought relief from the Commission that was legally questionable and was based on an evaluation that was facially deficient. Yet, CAPAI felt it had no choice but to invest considerable resources in the 11-13 case given its potential for widespread and long-term damage. Meanwhile, CAPAI could not afford to forgo the opportunity to seek LIWA funding increases in the three pending rate cases which required prevailing in the 11-13 case. This conundrum, combined with the simultaneous timing of all the pending cases coming to conclusion at the height of the holiday season pushed CAPAI beyond its means. Further compounding the problem was the fact that Staff seemed to have suddenly become highly skeptical of LIWA and was raising new issues late

[33] See generally, Colton (2009). *Energy Efficient Utility Allowances as a Usage Reduction Strategy in Pennsylvania*, prepared for the Pennsylvania Utility Law Project: Harrisburg (PA). In August 2012, Pennsylvania Power and Light Company (PPL) agreed to a proposal advanced by myself, on behalf of the Pennsylvania Office of Consumer Advocate (OCA), the state NASUCA office, to include a component of its "energy education" program directed toward local housing authorities.

in the proceedings and which could have been raised years earlier. Furthermore, the delineation of the issues was unnecessarily blurred (i.e., whether LIWA is cost-effective versus how to properly determine appropriate funding levels).

1. Opposition to CAPAI LIWA Proposals Based on Questionable Grounds

Staff's change of position regarding the viability and justification of continuing to fund LIWA, and to occasionally increase that funding, especially when base rates increase, was sudden, came with little or no warning, and possibly could have been addressed earlier without the need to put a freeze on LIWA funding over the past year and into the indefinite future.

As of early 2011, Staff not only supported LIWA as a viable DSM resource but actually proposed a greater increase in LIWA funding than that proposed by Staff in Case No. PAC-E-10-07 which ended in April, 2011. At roughly the same time, Rocky Mountain filed the 11-13 case (April 29, 2011), which, just months later, seems to have caused Staff to suddenly change its assessment of LIWA concluding that not only is Rocky Mountain's program not cost-effective, but that Idaho Power's and AVISTA's programs are also likely not cost-effective either, even though they haven't yet been evaluated. Meanwhile, CAPAI was expending all of its available resources in intervening in and strategizing its strategy for the Idaho Power, AVISTA and Rocky Mountain rate cases. There is, of course, no reason Staff should maintain a position it ultimately learns is based on erroneous factual beliefs or assumptions, but neither should positions regarding matters of such importance be hastily changed as they seem to have been in 2011.

Throughout the 2011 cases and up to the present, Staff has referred to a Memorandum of Understanding (MOU) signed by Idaho Power, Rocky Mountain and AVISTA agreeing to evaluate all of their DSM programs and periodically provide such evaluations to Staff for review. Because of severe budgetary limitations, and because CAPAI had no reason to believe that LIWA, a program Staff had just shown considerable support for, was anything other than cost-effective, CAPAI did not participate in the case from which the MOU arose. Even had CAPAI intervened or participated in the MOU case, it is doubtful that such participation would have given CAPAI any reason to not continue to pursue LIWA funding increases in 2011, especially for Idaho Power whose program funding hadn't changed for nearly 8 years. The MOU case had concluded by the time Staff proposed a greater LIWA increase for Rocky Mountain than even CAPAI had proposed. The fact that Staff never specified its concerns about the cost-effectiveness of LIWA until later in 2011 illustrates how CAPAI was put into a highly untenable

position quite late in the process. In spite of this, CAPAI did its best to justify its position in all four pending electric cases, though it was met with considerable resistance by Staff and the utilities during the late 2011 hearings and its position was thoroughly rejected by the Commission in subsequent final orders issued in the 2011 cases.

CAPAI submits that the manner and timing in which all of this occurred is fundamentally unfair because although Staff objected to CAPAI's funding proposals primarily on the basis of how CAPAI formulated them, the real reason behind Staff's opposition was that it was reacting to RMP's unfounded claims in the 11-13 case and extending that to other LIWA programs for other utilities. As Staff argues in this case, the threshold issue in assessing LIWA is not how much funding is appropriate, but whether the program is even cost-effective. If the answer to the second part is no, then the issue of funding becomes moot.

Thus, although Ms. Ottens was being heavily criticized through cross-examination on matters such as the perceived versus actual unemployment rates in Idaho, the perceived versus actual number of eligible customers on the LIWA waiting lists, and the calculation of parity for the three electric utilities, all the while, Staff was first and foremost basing its opposition to LIWA based on its perceived failure to be cost-effective while offering no evidence of its own supporting such a perception. Staff's concerns in this regard were first put in writing in rebuttal testimonies in the 2011 cases making it very difficult for CAPAI to even respond. There was little if any cross-examination of Ms. Ottens regarding the cost-effectiveness of the LIWA programs in the rate cases for several reasons including the fact that Staff seems to have still been formulating that position, and it is not CAPAI's responsibility to calculate and ensure the cost-effectiveness of LIWA programs. Though the CAP agencies certainly cooperate with the utilities in terms of providing some of the information necessary to make such evaluations, the CAPs are not even trained to make the highly complex cost-effectiveness evaluations.

In short, CAPAI had been arguing for increased LIWA funding for the better part of a decade using criteria such as LIWA waiting lists and the concept of parity, had received either the implicit or explicit support of Staff and had its positions approved by the Commission in most every case, had consistently utilized the same rationale to demonstrate the need for and otherwise justify increasing LIWA funding, and, for no apparent reason other than that it declined to join in the settlements in the Idaho Power and Rocky Mountain Power rate cases, was

suddenly treated as though it was proposing something novel and in contradiction to utility law and policy.

Incidentally, the Rocky Mountain 11-13 case, the Rocky Mountain general rate case and Idaho Power rate case were filed in April, May and June of 2011. Though CAPAI urged Staff to begin processing the 11-13 case immediately so that it could potentially be resolved prior to the other cases, for reasons unknown to CAPAI, it took a full two months for a Notice of Application to be issued from the date the 11-13 case was filed. Almost immediately upon receiving and reviewing Rocky Mountain's 11-13 case, CAPAI reached an initial conclusion that the application was unfounded and that the CADMUS study filed in support was facially specious at best. CAPAI continues to hold this opinion and even Staff has expressed serious reservations over the technical shortcomings of the CADMUS study. In short, the 11-13 filing certainly did not give CAPAI any legitimate reason to believe that Rocky Mountain's LIWA program was not cost-effective, especially considering that the 11-13 filing followed immediately on the heels of a rate case in which LIWA funding was contentiously disputed.

Had the 11-13 case been initiated sooner, it is possible that CAPAI could have assuaged any concerns Staff had or the parties working together could have reached a compromise with Rocky Mountain regarding its concern about the cost of evaluating its LIWA program, such as was suggested by Staff in its Report in this case, i.e., to spread the costs out over a series of years, increase the interval between evaluations, etc.

2. Confusion of Issues

The failure to cull out the cost-effectiveness issue of Rocky Mountain's program and address it prior to going to hearing on the Idaho Power and Rocky Mountain rate cases resulted in significant confusion during the hearings in late 2011. Specifically, it was often unclear whether Staff was opposing an increase to LIWA funding because of the methodology CAPAI employed to support a proposed LIWA funding level (e.g., "parity" or "waiting lists" for LIWA) as opposed to whether a given program was cost-effective.

Proof of this can be found in the Commission's Final Order 32426, pp. 15-16, in which the Commission rejects CAPAI's request for increased funding to Idaho Power's LIWA ("WAQC") program based on: 1) the shortcomings of CAPAI's parity argument; 2) the implementation of Idaho Power's "Solutions" weatherization program which CAPAI had not been involved with and hadn't even heard of leading up to the Idaho Power rate case hearing, and

which only partially serves Idaho Power's low-income customers, and certainly not the poorest of those customers, yet the Commission attributed the entirety of the $700,000 supposedly invested by Idaho Power in 2011 to low-income weatherization; 3) the fact that AARA provided an infusion of money for low-income weatherization, although that was a one-time resource and Idaho's CAPs were among the first in the nation to fully spend-out their AARA funds; 4) the Commission's rejection of CAPAI's attempt to demonstrate how many otherwise eligible LIWA customers were on Idaho Power's "waiting list," even though Staff fully concedes in its Report that need exceeds resources as far as low-income weatherization is concerned, and; 6) only after all of the foregoing does the Commission express concern about the cost-effectiveness of Idaho Power's LIWA although not a single fact was cited by the Commission suggesting that Idaho Power's LIWA was not cost-effective and the Company itself contended that it was.

3. Procedural Handling of this Proceeding

CAPAI commends Staff for the work it performed in bringing together a disparate group of parties to discuss what are undeniably very complex issues in the hope of reaching some form of recommendation to better enable the Commission to make fully informed decisions. There are several aspects to the manner in which the workshop case was handled procedurally, however, that somewhat diminish the effectiveness and outcome of the proceeding. First, Staff seemed to have come to the workshop with a fairly clear idea of what it intended to propose to the Commission. This sentiment was made known by Staff to all participants early and often. It was not Staff's idea to circulate a version of its initial draft of its report and when this was proposed or supported by the majority of participants, Staff agreed to it but emphasized clearly that it was in no way bound to any of the "informal feedback" it might receive from the participants.

Finally, Staff did not post the informal feedback received to the case webpage and, consequently, the participants had no idea what the others had said and what their positions on any given issue were. This closed-door approach to resolving universal issues is far from conducive to collaboration and compromise. One example of how this manifested is found in the comments filed by Rocky Mountain on November 21, 2012 where Rocky Mountain claims that CAPAI was "unable" and "unwilling" to "provide any data to support their claims" regarding the waiting list of LIWA-eligible customers. *RMP Comments at p. 4.* This is a false statement and,

had CAPAI known that Rocky Mountain would make such an accusatory statement, it would have preemptively responded to such a remark.

Though Rocky Mountain fails to provide a single fact explaining let alone supporting its claim that CAPAI was unable or unwilling to provide information regarding the LIWA waiting list, CAPAI notes that this involved a massive set of discovery requests submitted by Rocky Mountain to CAPAI which amounted to many hundreds of separate requests filed in the midst of all four cases pending at that time. Rocky Mountain's claim that CAPAI was unable or unwilling to provide information is patently false. Attached hereto are the relevant pages of CAPAI's discovery responses involving this issue. Rocky Mountain is referring to its Discovery Request No. 17 and CAPAI's response thereto, the latter provided to Rocky Mountain on approximately November 25, 2011. The request and response are as follows:

> **17. How many Rocky Mountain Power customers are on the weatherization waiting list of EICAP and SEICAA as of December 31, 2010? How many are on the weatherization list of EICAP and SEICAA as of October 31, 2011? Of these homes, how many have an electric heating system, natural gas heating system, or other?**
>
> **RESPONSE:** CAPAI restates its responses and objections to requests Nos. 6 and 11 through 14. Without waiving, CAPAI states as follows:
>
> The number of eligible customers on the waiting list changes constantly. It is not known what the exact number of customers on the waiting list was on December 31, 2010 without unreasonable effort and recalculation of data no longer current.

Rocky Mountain did not file a motion to compel with the Commission regarding this request which would have been the appropriate course of action if Rocky Mountain felt that CAPAI was inappropriately withholding information. As CAPAI's response makes clear, waiting list data changes daily and there is no reason for CAPAI to track it every day of every year. The waiting list information relied upon by CAPAI in the 11-12 case, and in all other cases, was an attempt to provide information regarding waiting lists that are based on an average, not daily fluctuation.

Though Rocky Mountain's false contention in its comments might seem relatively insignificant, it is representative of how badly off course the parties had veered during the 2011 cases and how at least one participant has dragged something not probative to the issues at hand into this proceeding. Much of the cross-examination in the 2011 cases was focused on

unemployment rates, waiting lists and the concept of parity. If the LIWA programs are found to be not cost-effective as Staff suggested in those cases, then these secondary issues become pointless. In any event, CAPAI notes that in the five criteria proposed by Staff on page 3 of its Report to determine LIWA funding levels, the criteria of waiting lists and parity appear in point Nos. 1 and 2, respectively. Thus, although Staff and Rocky Mountain went to considerable effort to criticize Ms. Ottens' use of these criteria during the 2011 cases, after nearly a year long workshop case, Staff is proposing these same criteria, among others

4. Deferral of LIWA Funding Decisions Under Current Economic Conditions is Costly-LIWA is Only DSM Program Available to Low-Income Customers

Because funding levels are also at issue in this case, CAPAI notes that current economic conditions are essentially as CAPAI predicted in the course of the 2011 cases. Federal weatherization funding has been reduced by roughly 70% and there is no reason to believe that this will change anytime soon. AARA funds have long been exhausted and nothing is expected to take their place. Consequently, there is a greater need now than at any time CAPAI has intervened before this Commission regarding utility-sponsored LIWA funding.

CAPAI believes that the utilities are sympathetic to the plights of their low-income customers and well appreciate the considerable benefits that result from providing those customers with the ability to reduce their utility bills, but it is critical to remember that LIWA is the only DSM resource available to low-income customers. While most of us would not consider weatherization measures to be a "luxury" they are typically beyond the financial means of low-income customers to install. Thus, other non-low income, residential DSM programs are, practically speaking, not an option for the poor. LIWA is unique for many reasons, not the least of which is that low-income customers typically live in housing stock that is the least energy-efficient and, therefore, most likely to benefit from weatherization measures.

Even though low income customers cannot avail themselves of any DSM resource other than LIWA, assuming sufficient LIWA resources are even available, they still pay for all other DSM programs like every other customer. CAPAI submits that by deferring any increases in LIWA funding at a time when utilities are filing general rate cases nearly every year and the economy continues to remain stagnant, this effectively results in a relative lowering of LIWA, particularly given the increasing number of LIWA-eligible customers each year.

Though it is unrealistic to think that utilities can satisfy all low-income weatherization needs, the consequences of deferring funding increases until unspecified points in the future are particularly acute based on current economic conditions and governmental budget cuts.

5. Staff Report and Recommendations Raise More Questions than they Address and, if Approved, Will Result In Endless Delays As Backlog of LIWA-Eligible Customers Continues to Mount.

As noted in Section IV of these comments, Staff acknowledges that all three LIWA programs in question are likely cost-effective, especially when non-energy economic benefits are factored in and certain other program adjustments are made. CAPAI is concerned, however, by Staff's recommendation to defer any funding increases until undetermined points in the future.

For instance, Staff recommends that "a possible funding increase for Idaho Power be reviewed after the results of its impact evaluation are published in spring 2013." Report at p. 4. CAPAI notes that utilities have not always met their projected dates for the release of LIWA information, whether evaluations, data compilations, or other information. Regarding Rocky Mountain, Staff states that "a possible funding increase for Rocky Mountain Power be reviewed after its new data collection system is fully implemented and after the 2012 program data has been analyzed for cost-effectiveness under the recommendations in this report. Staff anticipates that both of these requirements will be met when Rocky Mountain Power publishes its annual DSM report in spring 2013." *Id.*

CAPAI notes that Rocky Mountain does not have a track record of meeting projected timelines for LIWA-related tasks as was pointed out in last year's 11-13 and 11-12 cases.

Regarding Avista, Staff recommends that "a funding review for Avista's low income weatherization program be delayed until at least 2014." This is possibly the least definite of all three proposals for considering an increase to LIWA funding. In fact, with respect to all three LIWA programs, Staff declines to recommend the imposition of any particular deadlines preferring to "anticipate" or estimate actions that might be taken by the utilities at some future date and not taking into consideration the amount of time that will be required to review the data for which Staff estimates timing, analyze said data, make recommendations to the Commission accordingly, for the Commission to consider the recommendations and render a ruling and for the ruling to take effect could be far in excess of the time between now and when the aforementioned information will be made available. In other words, if Staff's procedural

proposal is adopted, it could well be many years before there is ever another LIWA funding resource for any of the three LIWA programs.

First, CAPAI questions whether it is necessary to wait a year or more to begin implementing the program evaluation changes proposed by Staff. Regardless, CAPAI respectfully submits that it is dangerous to adopt such an open-ended process. CAPAI submits that there should be hard deadlines established to ensure that LIWA funding decisions do not languish due to the failure of any party or occurrence to happen by the projected date. Furthermore, CAPAI proposes that there be consequences to any utility who unjustifiably fails to meet such deadlines.

VI. CONCLUSION

Though LIWA is clearly a very unique resource, CAPAI questions whether so much scrutiny is applied to other DSM programs as is now being proposed for LIWA, even though that program has a proven track record of providing energy savings to those customers least able to pay their bills and essentially unable to provide weatherization on their own.

Regardless, CAPAI agrees that LIWA, like all other DSM resources, should periodically be evaluated for cost-effectiveness and to identify areas where improvements should be made. CAPAI submits, however, that it is not necessary to wait anywhere from roughly a year to possibly several years before revisiting LIWA funding levels, especially when it has already been deferred a year, Idaho Power's funding has not been increased in roughly ten years the utilities have routinely been filing for and receiving regular general rate increases, and are filing nearly every year. Add to this the fact that federal weatherization funding has nearly evaporated and the economy remains stubbornly stagnant and LIWA is the only means that low-income customers have to reduce their electric bills, it seems unconscionable to freeze LIWA funding indefinitely. At a bare minimum, CAPAI urges the Commission to expedite the completion of the evaluation process and establish firm deadlines to ensure that LIWA funding does not languish indefinitely.

DATED, this 23rd day of November, 2012.

Brad M. Purdy