

Benjamin J. Otto (ISB No. 8292)
710 N 6th Street
Boise, ID 83701
Ph: (208) 345-6933 x 12
Fax: (208) 344-0344
botto@idahoconservation.org

RECEIVED
2014 JUL 29 PM 3:55
IDAHO PUBLIC
UTILITIES COMMISSION

Attorney for the Idaho Conservation League

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE)	CASE NO. IPC-E-14-04
APPLICATION OF IDAHO POWER)	
COMPANY FOR A DETERMINATION)	COMMENTS
OF 2013 DEMAND-SIDE)	OF THE
MANAGEMENT (“DSM”) EXPENSES)	IDAHO CONSERVATION LEAGUE
AS PRUDENTLY INCURRED.)	

The Idaho Conservation League (ICL) recommends the Commission find prudent Idaho Power’s 2013 Demand Side Management (DSM) expenses. The 2013 DSM report shows that most programs past the Total Resource Cost test that weighs the benefits of efficiency against the avoided costs of energy and capacity. All programs passed the more appropriate Utility Cost Test. While the Company did acquire cost-effective savings, ICL recommends the Commission find imprudent Idaho Power’s administration of many programs in 2013, specifically marketing, internal workflows, and acquired savings compared to prior years and identified potential. Prudent management includes both wisely spending customer’s money and effectively administering programs.

ICL’s comments cover five main topics: the calculation of the avoided costs used to compare efficiency benefits; the appropriate cost and benefit test; a review of residential programs; a review of commercial and industrial program; and a review of Idaho Power’s market transformation activities.

I. The Avoided Costs Likely Undervalue Energy Efficiency

To determine the prudence of a utility investment in energy efficiency the Commission must ensure the benefits outweigh the costs. The 2013 DSM Report contains detailed accounting of most of the benefits of energy efficiency. However, the report does not provide a detailed accounting of the avoided costs. In fact, the avoided costs for energy efficiency have never been explicitly reviewed and approved by the Commission. These costs are developed through Idaho Power's Integrated Resource Plan.¹ Upon reviewing the IRP the Commission stated

“our acceptance of the Company's 2013 IRP should not be interpreted as an endorsement of any particular element of the plan . . . [and] we acknowledge only the Company's ongoing planning process, not the conclusions or results reached through that process.”²

Before approving \$25,951,486³ of spending the Commission should ensure this investment is balanced by an accurate and robust accounting of avoided costs. ICL submits the avoided costs for energy efficiency are artificially low because the methodology does not include all relevant avoided costs. The method does account for avoided capacity and energy. For capacity costs, Idaho Power uses the levelized fixed cost of a new simple cycle combustion turbine decremented by the Effective Load Carrying Capacity.⁴ For energy, Idaho Power uses the AURORA model and the Company's preferred mix of IRP resources to forecast the “forward marginal electricity price” in five categories:⁵

- Summer ON-Peak—Average of Idaho Power variable energy and operating costs of a 170 MW SCCT, which is the marginal resource for peak hour load deficits during summertime heavy load hours

¹ Idaho Power 2013 DSM Report Supplement 1 at 3.

² Order No. 32980 at 16, IPC-E-13-15.

³ Idaho Power Application at 1.

⁴ Idaho Power 2013 IRP Appendix C at 75.

⁵ *Id.*

- Summer Mid Peak—Average of heavy load prices from June to August (excluding the Summer On-Peak hours)
- Summer Off-Peak—Average of light load prices from June to August
- Non-Summer Mid-Peak—Average of heavy load prices in January through May and September through December
- Non-Summer Off-Peak—Average of light load prices in January through May and September through December

This method may or may not result in accurate avoided capacity and energy costs. The point is the Commission and other stakeholders have never formally vetted this methodology nor approved the resulting avoided costs. One simple issue is whether the Summer On-Peak time should extend from the current 8:00 pm to 9:00 pm. In 2011 Idaho Power sought and received approval to apply these changes to the Irrigation Peak Rewards program so that “Idaho Power will be able to reduce loads across the entire peak period.”⁶ ICL submits the definition of peak hours should remain consistent across all DSM programs.

Moreover, the current avoided cost methodology excludes other commonly accepted and measurable costs.⁷ Reducing energy demands can avoid environmental compliance costs like chemicals for pollution controls and operations and maintenance expenses at coal plants. To the extent Idaho Power relies on market purchases, reducing customer demands can suppress wholesale market prices. Reducing customer energy demands can avoid transmission and distribution costs, and even enable increased revenues from providing transmission services to

⁶ Idaho Power Application at 4, Order No 322200 at 9-10, IPC-E-10-46

⁷ Synapse Energy Economics, *Best Practices in Energy Efficiency Program Screening* at 4, 22-26. Regulatory Assistance Project, *Recognizing the Full Value of Energy Efficiency* (September 2013). Energy and Environmental Economics, *Methodology and Forecast of Long Term Avoided Costs for the Evaluation of California Energy Efficiency Programs*, at 23 – 24 (October 2004)(providing an overview of California PUC inclusion of avoided energy, capacity, transmission, distribution, and environmental compliance cost in overall avoided cost methodology) (available at: https://ethree.com/CPUC/E3_Avoided_Costs_Final.pdf)

others or increased off-system sales. DSM programs, by reducing customer demands, avoid a larger set of costs than just energy and capacity. The current methodology does not include many of these costs.

To accurately measure the prudence of DSM programs the Commission must have an accurate accounting of these avoided costs. For purposes of the present docket, ICL submits the Commission should review 2013 DSM spending understanding the current method undervalues energy efficiency. Going forward ICL recommends the Commission initiate a process to fully and accurately calculate the avoided costs for DSM programs.

II. Testing for Cost-Effective Energy Efficiency

There are four⁸ commonly accepted tests of whether a utility sponsored efficiency program is cost-effective. These tests complement each other as each one measures the costs and benefits from a unique perspective. The total resource cost test (TRC) “reflects the total benefits and costs to all customers (participants and non-participants) in the [utility] service territory.”⁹ The utility cost test (UCT) “calculates the costs and benefits of the program from the perspective of . . . the utility implementing the program.”¹⁰ The participant cost test (PCT) “assesses the costs and benefits from the perspective of the customer installing the measure.”¹¹ And the ratepayer impact measure (RIM) test “examines the potential impact of the energy efficiency program has on rates overall.”¹² A cost/benefit ratio greater than 1.0 under each of these tests means the program is prudent for the utility and ratepayers, whether participants or not.

⁸ Some commentators describe a fifth, the Societal Cost Test, but this test is really an expanded version of the Total Resource Cost Test.

⁹ National Action Plan for Energy Efficiency, *Understanding Cost-Effectiveness of Energy Efficiency Programs: Best Practices, Technical Methods, and Emerging Issues for Policy-Makers* at 3-7 (November 2008).

¹⁰ *Id.*, at 3-6 (NAPEE calls this test the Program Administrator Cost test in recognition that some DSM programs are run by third parties, not just utilities.).

¹¹ *Id.*, at 3-5.

¹² NAPEE at 3-6.

Idaho has chosen to focus on the first three of these tests. The Staff and Idaho's investor owned utilities entered into the *Memorandum of Understanding for Prudency Determination of DSM Expenditures*.¹³ The Staff, in Attachment 1 of the MOU, expects "that all programs and individual measures should have the goal of cost-effectiveness from the total resource, utility, and participant perspective."¹⁴ While cost-effectiveness from every perspective is a laudable goal, when determining the prudence of utility decisions ICL recommends the Commission primarily focus on one test - the Utility Cost Test.

When considering the prudence of a utility investment the Commission should focus on whether, from the utility perspective, the benefits outweigh the costs. The UCT test factors in the costs (incentives and administration) and benefits (avoided energy and capacity) controlled by the utility. Since these are the costs and benefits the utility can accurately measure, and that remain constant regardless of the individual participant, this is the correct perspective on which to judge the utility's decision to invest in the program. This is particularly important in Idaho because current methodologies do not consider the non-energy benefits that accrue to participants in efficiency programs. According to Synapse Energy Economics, a leading expert in the field,

If regulators choose to not account for [non-energy benefits], the [UCT] test is the best test to use in screening energy efficiency programs. This test is relatively transparent, is limited to the impacts on revenue requirements, and ensures that utility customers on average will experience lower utility costs as a result of the efficiency programs. If the

¹³ *Memorandum of Understanding for Prudency Determination of DSM Expenditures*, Order No. 31039, IPC-E-09-09 (April 14, 2010).

¹⁴ MOU at 9.

[UCT] test is used, regulators must recognize that important benefits are being ignored, particularly low-income benefits and other fuel savings.¹⁵

Often policymakers focus on the Total Resource Cost test. But this test layers on top of the UCT the incremental costs and benefits to the program participant--something the utility has little control over and that have unique values to each participant. For example, consider a hypothetical program offering a \$200 incentive for purchasing an efficient refrigerator. The participant must pay the incremental cost beyond \$200. Some participants pay cash; others need financing. For those financing, the interest rate and repayment term create a unique incremental participant cost. The benefits side is even more unique, as the TRC should include non-utility incentives and non-energy benefits. Individuals may receive unique incentives from the product seller or through tax laws. Also, individual participants may greatly value, or not, the non-energy benefits. A utility has no accurate way to measure these unique costs and benefits that drive individual decisions to participate. More importantly, this case considers whether Idaho Power made a prudent decision to offer efficiency programs, and whether Idaho Power prudently administered those programs. This case does not consider whether a customer made a prudent decision to participate in the program.

Because it uses the most accurate benefits and costs, and measures from the perspective of the utility whether those benefits outweigh the costs, ICL recommends the Commission determine prudence based primarily on the Utility Cost Test results for each program. The results

¹⁵ Synapse Energy Economics, *Best Practices in Energy Efficiency Program Screening* at 7, (July 23, 2012)(available at: <http://www.raonline.org/document/download/id/6149>). The bracketed terms are due to Synapse's use of "other program impacts" to describe non-energy benefits and calling the Utility Cost Test the Program Administrator Cost test.

of the other cost-effectiveness tests help inform whether Idaho Power prudently designed and administered the efficiency program.¹⁶

III. Review of Idaho Power Residential Efficiency Programs

In 2013 Idaho Power's suite of residential efficiency programs delivered cost-effective savings. For this reason, ICL recommends the Commission find prudent Idaho Power's spending. However, while those savings Idaho Power acquired were cost-effective, the 2013 Demand Side Management Report documents a 28% decline¹⁷ in residential energy savings from 2012 to 2013. Changes in deemed savings by the Regional Technical Forum account for a portion of this decline. But the process evaluation reports and nonparticipant survey conducted in 2013 raise significant questions about Idaho Power's administration of these programs in 2013.

For example, the non-participant survey reveals that 60% of Idaho Power's residential customers are not aware the Company offers efficiency programs.¹⁸ This survey also reveals customers desire these programs as 73% of residential customers rank efficiency as highly important.¹⁹ Further, a process evaluation of three residential programs critiqued Idaho Power's marketing efforts and recommended relatively simple improvements like coordinating marketing with retailers and other service providers.²⁰ The evaluator interviewed Idaho Power customer representatives and concluded they "do not appear to use a structured or systematic approach to marketing" and "most marketing appears to be ad hoc and spontaneous."²¹ Overall the evaluator states their "findings indicate a disconnect between the stated marketing strategy for these

¹⁶ For example, a program with a high utility cost test ratio and low total resource cost ratio means the utility could offer a higher incentive for customers while maintaining a cost-effective program.

¹⁷ Data from Idaho Power 2013 DSM Report Appendix 4 showing residential programs, excluding Oregon Residential Weatherization, saving 23,585,379 kwh in 2012 and dropping to 16,990,367 kwh in 2013.

¹⁸ HANSA GSR, *Energy Efficiency Non-participant Survey* at 14, (April 2013). Filed in Idaho Power 2013 DSM Report Supplement 2.

¹⁹ *Id.*

²⁰ TRC Energy Services, *Idaho Power Residential Programs Process Evaluation*, (December 2013). Filed in Idaho Power 2013 DSM Report Supplement 2.

²¹ *Idaho Power Residential Programs Process Evaluation* at 113.

programs, and the actual effects of marketing.”²² Throughout the report, the evaluator notes the customer representatives are knowledgeable and the Company has developed marketing materials for each program. For these reasons ICL submits the problem is a lack of management direction to ensure a coherent, effective, and overarching customer engagement strategy.

Because of these lackluster customer engagement results, ICL recommends the Commission find imprudent Idaho Power’s 2013 marketing and administration of these programs. To resolve this issue ICL recommends the Commission order Idaho Power to engage the Energy Efficiency Advisory Group (EEAG) immediately in an effort to overhaul customer engagement efforts and submit a detailed marketing plan to be implemented in 2015. A very simple part of this plan could be TRC Energy Services’ recommendation to create a portfolio wide “brand” for the Company’s efficiency offerings “to increase customer awareness and to improve customers’ image of the organization.”²³

The remainder of this section discusses the cost-effectiveness results and some administration issues for most residential programs.

A. Ductless Heat Pump Pilot

Now in it’s fourth year, this pilot program continues to deliver cost-effective savings and is the only residential program focused on improving electric heating systems, a notoriously inefficient use of electricity. The cost-effectiveness results for this program show a utility benefit ratio of 2.51, while the total resource ratio is 0.71.²⁴ As explained above, the appropriate focus for determining the prudence of offering the program is the Utility Cost Test result. When the benefits outweigh the costs by more than 2 to 1, the takeaway is that Idaho Power could increase

²² *Id* at 119.

²³ *Id* at 12.

²⁴ *Idaho Power 2013 DSM Report, Supplement 1* at 15.

the incentive offering while maintain a cost-effective program. Increased incentives are one way to entice greater participation and thus energy savings.

The ductless heat pump program is a Northwest Energy Efficiency Alliance initiative in which Idaho Power participates. This structure makes it difficult to review the marketing and administration of the program. Idaho Power's 2013 efforts leading to higher participation and savings appear reasonable.

B. Energy Efficiency Lighting

This program is shockingly cost-effective; so much so ICL submits it is imprudent to not expand customer participation substantially. The results for this program show a utility benefit ratio of 4.79, a total resource benefit ratio of 2.61, and a participant cost ratio of 2.96.²⁵ This program delivers the vast majority of residential savings. And while participation increased, overall savings dropped by nearly half.²⁶ ICL recommends the Commission direct Idaho Power to use the results of the cost-effectiveness tests to increase customer incentives as one part of a strategy to increase energy savings.

Administration of this program is a joint effort by Idaho Power, Bonneville Power and Fluid Strategies designed to incent retailers to stock and promote efficient lighting. The process review of this program reports that Idaho Power's requirement for a program specialist to preform a line-by-line review of invoices "seems onerous and cumbersome."²⁷ The evaluator recommends streamlining this process to enable more time spent on recruiting and supporting retailers. Shifting Idaho Power efforts and spending in this direction is important because the evaluator notes marketing efforts are constrained by conflicts with retailer signage policies, and

²⁵ *Idaho Power 2013 DSM Report, Supplement 1* at 17. While the Ratepayer Impact Measure result is less than one, this test is not covered by the DSM MOU. Further, a RIM score less than one is not necessarily a bad thing since, while rates might increase, customer bills can decline due to reduced consumption. The proper policy is to focus on reducing ratepayer bills, not utility rates, since the bill is where ratepayers feel the pain.

²⁶ *Idaho Power 2013 DSM Report* at 34.

²⁷ TRC Energy Services *Idaho Power Residential Programs Process Evaluation* at 31.

lack of engagement with grocery and independently owned hardware stores.²⁸ Prudent administration of this program should include actively and quickly resolving conflicts with retailers and expanding this cost-effective program to all places customers purchase light bulbs.

C. Energy House Calls

This program provides free duct sealing and efficiency measures to electrically heated manufactured and mobile homes.²⁹ This is another highly cost-effective program, with utility and total resource ratios of 3.95.³⁰ When benefits outweigh the costs by nearly 4 to 1, the prudent utility decision is to increase the customer incentives, or expand the offering to additional housing types that may incur slightly higher costs. Unfortunately, despite a 38% decline in participation from 2012 to 2013, Idaho Power's 2013 activities retained the same marketing efforts and did not include enhancing the financial incentives or expanding the offering to other housing stock.³¹ Idaho Power implemented the current marketing strategy of direct mailings, door hangers, program brochures, and customer service representatives in 2011.³² Since then, participation has steady declined from a high point in 2010 of 1,602 homes to just 411 homes in 2013.³³ Despite declining results in a known cost-effective program, Idaho Power has not improved marketing strategies since then. And, although Idaho Power's Energy Efficiency Potential Study results, delivered in January of 2013, show duct sealing is cost-effective for existing and new single family and mobile homes, the Company has not expanded the program to additional housing types.³⁴ For these reasons ICL recommends the Commission find Idaho Power's 2013 administration imprudent; the Company maintained a failing marketing strategy and did not act on known information to expand this cost-effective program.

²⁸ *Id* at 46.

²⁹ Idaho Power 2013 DSM Report at 38.

³⁰ Idaho Power 2013 DSM Report Supplement 1 at 21.

³¹ Idaho Power 2013 DSM Report at 39.

³² Idaho Power 2011 DSM Report at 35.

³³ Idaho Power 2011 DSM Report at 35, 2013 DSM Report at 38.

³⁴ ENERNoc Utility Solutions, *Idaho Power Energy Efficiency Potential Study* at Table B-15 -16, 19 – 22.

D. ENERGY STAR Homes Northwest

This program incentivizes builders to construct new homes that go beyond the baseline building code standards. Constructing efficient housing stock is critically important, as retrofitting homes is both more expensive and harder to elicit customer participation. As the housing market in the Treasure Valley regains momentum, this program is becoming even more important. The program is cost-effective for Idaho Power with a utility benefit ratio of 1.61.³⁵ And while the total resource result is 0.95, this could tip beyond 1.0 by adding simple non-energy benefits such as savings in water or gas due to efficient appliances, as Idaho Power currently does for the Home Products program.³⁶ Regardless, because the appropriate focus is on the results of the utility cost test, ICL recommends the Commission find prudent Idaho Power's offering of the program.

As for administering the program, ICL submits that Idaho Power fell short in 2013. Increasing participation in this program is important due to an almost 35% drop in participation and 32% drop in savings from 2012 while the local housing market begins to rebound. The 2013 DSM Report summarizes a process evaluation conducted by TRC Energy Services.³⁷ The full evaluation notes several shortcomings in Idaho Power's administration of the program during 2013. For instance, the evaluator noted Idaho Power's website "has outdated contractor information" and noted "limited direct communication between builders and Idaho Power."³⁸ The evaluation also notes builders question the value of meeting ENERGYSTAR standards.³⁹ As the experts in energy consumption and the value of efficiency, Idaho Power is uniquely suited to educate builders and buyers on the value of efficient housing stock. This could begin with simply

³⁵ Idaho Power 2013 DSM Supplement 1 at 25.

³⁶ Idaho Power 2013 DSM Report Supplement 1 at 47.

³⁷ Idaho Power 2013 DSM Report at 42 – 44; Supplement 2.

³⁸ TRC Energy Services *Idaho Power Residential Programs Process Evaluation* at 17.

³⁹ *Id* at 18.

using the participant benefit ratio of 1.46⁴⁰ to prove to builders and buyers ENERGYSTAR homes are a good deal. An important part of prudently administering a program is providing timely and accurate support to customers and trade allies.

E. Heating and Cooling Efficiency Program

This highly cost-effective program saw a large increase in participation and energy savings in 2013.⁴¹ The cost-effectiveness results of 3.87 for the utility, 2.54 for participants, and 1.93 for the total resource align to show Idaho Power could increase incentives levels or expand the program to additional participants.⁴² ICL applauds Idaho Power for doing so for customers replacing electric resistance heat with air-source heat pumps.⁴³ Idaho Power also explains how reinstating a federal tax credit encouraged program growth.⁴⁴ However, ICL notes the Idaho state tax code provides a deduction only for fluid to air heat pumps.⁴⁵ An important part of prudently administering efficiency programs is to ensure other state incentives and programs align with Idaho Power offerings.

F. Home Improvement Program

This program incents improved insulation and windows in electrically heated homes and provided the third largest share of portfolio savings. Cost-effectiveness results here indicate another opportunity to adjust incentive levels or expand offerings to additional housing stock in order to increase program participation. The utility benefit ratio of 3.58 and total resource benefit ratio of 1.18 indicate that Idaho Power can prudently increase the incentive levels while maintaining a cost-effective program.⁴⁶ Increasing incentives will reduce the utility benefit ratio

⁴⁰ Idaho Power 2013 DSM Supplement at 25.

⁴¹ Idaho Power 2013 DSM Report at 45.

⁴² Idaho Power 2013 DSM Report Supplement 1 at 27.

⁴³ Idaho Power 2013 DSM Report at 46.

⁴⁴ *Id.*

⁴⁵ Idaho Code 63 – 3022C(3).

⁴⁶ Idaho Power 2013 DSM Report Supplement 2 at 31.

and increase the total resource benefit ratio. Meanwhile a participant benefit ratio of 1.43 provides solid evidence to support improved marketing to increase participation.

As for administering the program, the 2013 DSM report shows that since 2012, savings increased by almost 35% while participation declined by more than 56%.⁴⁷ However, compared to the first year of the program in 2010, savings are 85% lower and participation plummeted by 90%.⁴⁸ Based on these results Idaho Power does not appear to be prudently administering this cost-effective program. Prudent administration requires maintaining effective marketing techniques or, understanding and explaining the causes of the precipitous drop in participation.

G. Home Products Program

This program incents the purchase of ENERGYSTAR appliances and returned a rare result of being more cost-effective for customers than for Idaho Power, with a utility benefit ratio of 1.69, total resource benefit ratio of 2.24, and participant ratio of 3.42.⁴⁹ This unusual result comes from the non-energy benefits added to the later two tests from savings of gas, water, and detergent.⁵⁰ While ICL maintains the Utility Cost Test, which excludes non-energy benefits, is the appropriate test for determining utility prudence, this program is a good example of properly calculating the Total Resource Cost test.

2013 saw a 17% decline in participation, but a negligible drop in energy savings.⁵¹ According to the 2013 DSM report, marketing occurs primarily through retail outlets, similar to the energy efficient lighting program. While the Home Products Program was not part of the residential process evaluation, ICL submits many of the marketing challenges and recommendations may be transferable. For example, the process evaluation of the lighting

⁴⁷ Idaho Power 2013 DSM Report at 51.

⁴⁸ Idaho Power 2010 DSM Report at 44 (showing 3,537 participants and 3,986,199 kwh); 2013 DSM Report at 51 (showing 365 participants and 616,044 kwh).

⁴⁹ Idaho Power 2013 DSM Report at 47.

⁵⁰ *Id.*

⁵¹ Idaho Power 2013 DSM Report at 54.

program notes that signage policies of retailers inhibit effective marketing.⁵² It is not clear from the 2013 DSM Report whether this conflict with retailers is limited to the lighting program or extends to the Home Products program. The DSM report documents what appears to be a cumbersome process for customers to claim rebates; requiring after purchase submission of receipts.⁵³ Prudent administration of DSM programs should continually strive to make the process for customers as simple as possible.

H. Rebate Advantage

This is a very small, but highly cost-effective program to incent the purchase of ENERGYSTAR qualified manufactured homes. The cost-effectiveness results of 5.39 for the utility and 3.80 for the total resource benefits indicate Idaho Power could substantially increase the marketing cost of the program while maintaining a cost-effective program.⁵⁴ With a participant benefit ratio of 6.38, ICL submits the best use of utility efficiency dollars is to increase education and marketing to drive customer participation. This result shows that the incentive is relatively meaningless when compared to the value of the participant's energy savings. And, with results like these, Idaho Power should be expected to entice more than four of the 13 manufactured home retailers to advertise the program.⁵⁵ While participation and savings did increase in 2013, prudently administering this extremely cost-effective program should result in far higher participation levels. One simple action could be to provide specific training, marketing support, and an incentive paid to salespeople for each home sold.

I. See ya later, refrigerator

⁵² *Idaho Power Residential Programs Process Evaluation* at 34.

⁵³ Idaho Power 2013 DSM Report at 55.

⁵⁴ Idaho Power 2013 DSM Report Supplement 1 at 51.

⁵⁵ Idaho Power 2013 DSM Report at 61.

This program to remove extraneous refrigerators continues to be cost-effective and delivers the second most energy savings in the residential portfolio. With a utility and total resource benefit ratio of 1.23, there does not appear to be much room to alter incentives or increase marketing.⁵⁶ However, Idaho Power's Energy Efficiency Potential Study shows a large potential to continue the program, with 85% of the existing housing stock untapped.⁵⁷ ICL recommends Idaho Power continue to explore ways to reduce program overhead while expanding participation.

IV. Review of Commercial and Industrial Programs

Idaho Power's three programs covering this highly diverse sector continue to be the most cost-effective programs in the Company's portfolio for the utility, participants, and non-participating customers alike.⁵⁸ More importantly, these programs pass the stringent Ratepayer Impact Measure that factors in forgone utility revenues. Passing the RIM test indicates that investment in these programs will keep rates low today, and into the future, for all utility customers. Accordingly, under investment in these programs will cause rates to increase unnecessarily.

Unfortunately, in 2013 Idaho Power barely reached the level of achievable efficiency potential in the sector identified in the Company's potential study and only 63% of the Integrated Resource Plan target.⁵⁹ ICL acknowledges "there will be annual variability in achieved energy savings from year to year in this sector."⁶⁰ But the 2013 savings of 53,421 mwh were between 43% and 55% below prior years. Between 2009 and 2012, Idaho Power maintained a

⁵⁶ Idaho Power 2013 DSM Report Supplement 1 at 55.

⁵⁷ Energy Efficiency Potential Study Appendices at B-53 – B-64 (Showing the measure titled "Refrigerator – Remove Second Unit" with a 3% base saturation, 85% applicability and a cost effectiveness ratio of 1.35 for existing single family homes, 1.18 for existing multi family homes, 1.24 for existing mobile homes, and 1.24 for existing low-income homes).

⁵⁸ Idaho Power Response to Staff Production Requests 9 and 10.

⁵⁹ Idaho Power Energy Efficiency Potential Study at 5-11.

⁶⁰ Idaho Power 2013 DSM Report at 78.

comparatively constant annual level with 93,153 mwh, 118,224 mwh, 118,216 mwh, and 116,271 mwh in each of those years.⁶¹ These results indicate a precipitous drop in 2013 that did not seem to occur in prior years.

Similar to the residential programs, a survey of non-participants and process review of one program reveal some issues with Idaho Power's administration of the Commercial and Industrial programs. HansaGCR's non-participant survey of commercial customers reveals 71% are not aware Idaho Power offers efficiency programs, while 90% see efficiency as important.⁶² Combined with the large drop in savings in 2013, this survey result indicates Idaho Power has likely acquired all the "low hanging fruit" type customers. Importantly, Idaho Power received these survey results in April of 2013, providing ample opportunity to revamp outreach efforts during this program year.

The process evaluation of the Easy Upgrades provides a more detailed insight into Idaho Power's administration of this program during 2013. The evaluator notes "programs similar to Easy Upgrades typically spend about 3 - 10% of their budgets on marketing."⁶³ Meanwhile Idaho Power spent only a fraction of this amount, \$50,000 compared to a target budget of \$159,000 to \$530,000.⁶⁴ Beyond budgets, the evaluator describes several problems with the tasks and workflow. For example, while partnering with contractors is an effective way to reach customers, the "Easy Upgrades program does not have outreach staff dedicated to working with contractors."⁶⁵ The evaluator also describes flaws in the workflow, with program staff not having access to project applications or potential leads. Most glaringly, the evaluator notes, "much of the information transfer between staff is done through paper files and 'sticky notes'" leading to confusion for

⁶¹ Sum of annual savings for the Building Efficiency, Easy Upgrades, and Custom Efficiency programs in 2009, 2010, 2011, and 2012. All data available in Idaho Power 2013 DSM Report Appendix 4.

⁶² HANSA GCR Idaho Power Non-Participant Survey at 9.

⁶³ Opinion Dynamics, *Easy Upgrades Program Process Evaluation* at 1. Filed in Idaho Power 2013 DSM Report, Supplement 2.

⁶⁴ *Id.*

⁶⁵ *Id.* at 2.

customers and inhibiting “making accurate forecasts and adjusting tactics to meet goals.”⁶⁶ This is particularly unfortunate because Easy Upgrades is highly cost-effective with a utility benefit ratio of 4.71 and total resource benefit ratio of 2.61. Idaho Power could invest substantially more in administration while maintain a cost-effective program. Because of the lack of marketing support and cumbersome program management, the Commission should find Idaho Power’s administration of this program imprudent.

The other two programs in this sector, Building Efficiency and Custom Efficiency, are also highly cost-effective programs. These results indicate Idaho Power could substantially increase the marketing and administration cost while maintaining cost-effective programs. Doing so could assist the Company in meeting the energy savings targets they self-imposed in the 2013 IRP. ICL recommends the Commission encourage Idaho Power to invest more resources in growing program participation and energy savings.

V. Market Transformation

Idaho Power’s primary efforts to transform the marketplace for energy efficiency occur through the Company’s participation in the Northwest Energy Efficiency Alliance (NEEA). In 2013 Idaho Power reports they paid \$3.1 million into NEEA for the Idaho jurisdiction and received 18,347 MWh of energy savings in return.⁶⁷ The Company states this was a cost-effective program and ICL has no reason to doubt this. Therefore, ICL recommends the Commission deem prudent Idaho Power’s 2013 investment in NEEA.

However, ICL has serious concerns about Idaho Power’s management of the relationship with NEEA in 2013. Since 2012, the Company has attempted to withdraw from this cost-effective and unique program to deliver energy savings.⁶⁸ On February 7, the Energy Efficiency Advisory

⁶⁶ *Id* at 33.

⁶⁷ Idaho Power 2013 DSM Report at 116-117

⁶⁸ *See* Order 32953 at 9 – 11.

Group members asked Idaho Power how they planned to replace NEEA activities if the Company were to withdraw; Idaho Power did not respond.⁶⁹ On May 23, the EEAG asked for an explanation of what portions of NEEA efforts the Company values and those they do not; Idaho Power did not respond.⁷⁰ Finally, in September the Company explained they were frustrated with NEEA's marketing and were exploring a new funding model that allowed a more piecemeal approach.⁷¹ However, in November the Company refused to describe to the EEAG where Idaho Power sees value and does not.⁷² More importantly, Idaho Power stated that, while they would like a different funding model, the Company did not provide NEEA with anything beyond "high level options."⁷³ In Order No 32953, the Commission expressed concern the Company does not "proactively and collaboratively involve the EEAG in the DSM-related decisions" including specifically decisions regarding NEEA.⁷⁴ The EEAG meeting minutes described above show that Idaho Power did not work collaboratively with the EEAG on this issue, and appears to have not worked collaboratively with NEEA on this issue in 2013. For this reason, ICL recommends the Commission find imprudent Idaho Power's administration of their relationship with NEEA.

VI. Conclusion

Idaho Power's 2013 DSM investments resulted in cost-effective energy savings. Because it accurately measures the costs and benefits under the control of the utility, ICL recommends the Commission base this determination on the Utility Cost Test results. ICL also recommends the Commission review these results understanding that the avoided costs are artificially low. However ICL recommends the Commission deem imprudent the Company's administration of most of the DSM programs, particularly in regards to marketing efforts and internal workflow

⁶⁹ EEAG meeting minutes for February 7, 2013 at 8, filed in Idaho Power 2013 DSM Report Supplement 2.

⁷⁰ EEAG meeting minutes for May 23 2013 at 3.

⁷¹ EEAG Meeting Minutes for September 18, 2013 at 9.

⁷² EEAG Meeting minutes for November 14, 2013 at 2.

⁷³ *Id.*

⁷⁴ Order No. 32953 at 11.

processes. While this docket focuses on 2013 actions, ICL recommends the Commission provide forward looking guidance to explicitly review avoided cost calculations and prudently administer the Company's relationship with NEEA.

Respectfully submitted this 29th day of July 2014,


Benjamin J. Otto
Idaho Conservation League

CERTIFICATE OF SERVICE

I hereby certify that on this 29th day of July, 2014, I delivered true and correct copies of the foregoing COMMENTS OF THE IDAHO CONSERVATION LEAGUE to the following persons via the method of service noted:

Hand delivery:

Jean Jewell
Commission Secretary (Original and seven copies provided)
Idaho Public Utilities Commission
427 W. Washington St.
Boise, ID 83702-5983

Electronic Mail:

Idaho Power
Julia A. Hilton
Darlene Nemnich
Tami White
Regulatory Dockets
Idaho Power Company
P.O. Box 70
Boise, Idaho 83707
jhilton@idahopower.com
twhite@idahopower.com
dnemnich@idahopower.com
dockets@idahopower.com

Industrial Customers of Idaho Power
Peter J. Richardson
Richardson Adams, PLLC
515 N. 27th St
Boise, ID 83702
peter@richardsonadams.com

Don Reading
6070 Hill Road
Boise, ID 83703
dreading@mindspring.com



Benjamin J. Otto