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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF)	
IDAHO POWER COMPANY FOR AUTHORITY)	CASE NO. IPC-E-14-38
TO FUND ITS CONTINUED PARTICIPATION)	
IN THE NORTHWEST ENERGY EFFICIENCY)	COMMENTS OF THE
ALLIANCE THROUGH THE ENERGY)	COMMISSION STAFF
<u>EFFICIENCY RIDER.</u>)	

The Staff of the Idaho Public Utilities Commission comments as follows on Idaho Power Company's Application requesting authorization to fund the Northwest Energy Efficiency Alliance.

BACKGROUND

On October 29, 2014, Idaho Power Company ("Idaho Power" or the "Company") filed an Application requesting authorization to continue its participation in the Northwest Energy Efficiency Alliance (NEEA) for the period 2015-2019. NEEA is a non-profit organization that encourages energy efficiency in the Northwest by promoting products, services and practices through market transformation.¹ It is funded through Northwest utilities (in Idaho, Montana, Oregon, and Washington), Bonneville Power Administration, and the Energy Trust of Oregon. Application at 1-2. The Company requests that its participation be funded by the Energy Efficiency Tariff Rider ("Rider").

¹ Market transformation is the strategic process of intervening in a market to create lasting change. Application at 2.

The Commission approved Idaho Power's 2010 Application to fund NEEA for 2010-2014. Order No. 31080. In that Order, the Commission noted that its "approval of the Company's continued participation in NEEA, and the use of Rider funds to pay for that participation, is not a determination of prudence." *Id.* at 7. Rather, "when Idaho Power in the future requests a Commission determination that its use of Rider funds was prudent, it must demonstrate that a sufficient benefit to customers resulted from the Company's participation in NEEA." *Id.* at 7.

Idaho Power's current Application describes the NEEA Business Plan for 2015-2019, including funding for its optional programs and activities. Idaho Power identifies the NEEA activities that the Company believes will benefit its customers most, including: (1) activities of the University of Idaho Integrated Design Lab; (2) Top Tier Trade Ally Advanced Training; (3) Commercial Lighting Initiatives, (4) Residential Retail Product Portfolio; and (5) Residential New Construction. *Id.* at 6. According to the Company, its agreement with NEEA helps ensure that the Company's energy efficiency expenditures are prudent – that is, that they are reasonable and effective. *Id.* at 6-7. The Regional Energy Efficiency Initiative Agreement ("Agreement") is attached to Idaho Power's Application. Application, Attachment 3.

Subject to the Commission's approval, Idaho Power has committed to fund NEEA based on a quarterly estimate of expenses. According to the agreement, the five-year total direct funding amount cannot exceed \$13,450,835. *Id.* at 9. This amount is approximately 8.97% of NEEA's "all in" budget of \$169 million for the 2015-2019 funding cycle. The actual funding percentage will vary depending on decisions by Idaho Power and other funders to participate in optional programs and activities.

STAFF ANALYSIS

Staff reviewed the Company's Application, Direct Testimony, and Agreement with NEEA. Staff also reviewed prior NEEA accomplishments, NEEA's current proposal, and the Company's explanation of why it opted out of selected programs and activities. On multiple occasions, the Commission has ordered Idaho Power to pursue all cost-effective demand-side management ("DSM"). Because NEEA provides cost-effective energy savings, Staff recommends the Commission approve Idaho Power's Application to fund NEEA through the Rider for the 2015-2019 funding cycle. However, Staff does have concerns about Idaho Power's decisions to opt out of some programs and activities that could potentially influence its ability to acquire additional cost-effective energy savings.

NORTHWEST ENERGY EFFICIENCY ALLIANCE

NEEA has been successful in identifying and removing market barriers to energy efficiency across the region and leveraging opportunities to advance the adoption of energy efficiency as standard practice. NEEA accomplishes this by:

- Designing and executing strategic market interventions to expand the availability and demand for energy efficient products, services and practices.
- Identifying, developing and advancing emerging opportunities for energy efficiency.
- Building and leveraging relationships by using NEEA's broad market influence to promote energy efficiency initiatives whereas an individual utility such as Idaho Power lacks the influence to do so.

NEEA's market transformation efforts compliment Idaho Power's local energy efficiency programs, particularly in its residential sector. For example, one of NEEA's most notable successes is the Energy Efficient TV initiative. When the initiative began in 2009, NEEA worked with and leveraged the market power of utilities in California to promote "super-efficient" TVs into retailers' showrooms across the West Coast. These "midstream" incentives were provided to national and regional retailers such as Best Buy, Costco, Kmart, Sam's Club, Sears, Target, Walmart, and other independent retailers throughout the Northwest. "[M]ajor brands, manufacturers and retailers would rather interface with a single entity with broad market power" than any one utility. NEEA Presentation to the Idaho Public Utilities Commission, January 9, 2013, at 96. Because NEEA is not bound by a single utility's service territory, but represents a broader market place, it was able to successfully and cost-effectively promote its Energy Efficient TV initiative. *See Id.* NEEA also worked to increase TV energy efficiency standards with ENERGY STAR and state and federal standards. Today, TVs are 55% more efficient than when the pilot program began in 2009.

2015 – 2019 Business Plan

NEEA forecasts 145 aMW² of total regional energy savings by 2019 at a total regional cost of \$145-169 million. However, this is dependent upon funder participation in optional programs. NEEA believes it can deliver the energy savings at a levelized Total Resource Cost test (TRC)³ that is at or below 3.5 cents/kWh, which is significantly less than Idaho Power's 4.7 cents/kWh levelized TRC portfolio cost.

Strategic Markets

For the first time, the NEEA 2015-2019 Business Plan is bifurcated into core strategic markets, and optional programs and activities. The four core strategic markets include: (1) Residential Consumer Products, (2) Residential New Construction, (3) Commercial Lighting, and (4) Commercial New Construction.

1. For Residential Consumer Products, NEEA will work with retailers at the corporate level to change purchasing and stocking practices for lighting, appliances, heating and cooling equipment, and consumer electronics.
2. For Residential New Construction, NEEA will work to increase energy efficiency performance in homes by influencing building codes and the entire supply chain that plans, builds, sells, and inspects new residential buildings.
3. Commercial Lighting targets the supply chain that manufactures, distributes, specifies, designs and installs lighting. This strategic market is rapidly changing due to federal standards and technology advancements. It includes the optional Top Tier Trade Ally Advance Training (TTTA) program, which Idaho Power has opted to fund, that targets commercial lighting contractors, training resources and utility programs to accelerate market adoption of advanced lighting practices.
4. Commercial New Construction includes funding for the Integrated Design Labs.

Even though Strategic Energy Management will continue to be offered for the commercial/industrial sectors, Staff notes that the Business Plan provides a limited

² Of the 145 aMW of total regional energy savings, 75 aMW are considered co-created savings and 55 aMW of net market effects savings. Co-created savings are savings derived from NEEA and its utility partners. Net market effects savings net out utilities' local program activity and only include savings associated with market change.

³ The TRC test reflects the program's total costs and benefits to all customers in the utility's service territory. A benefit/cost ratio greater than 1.0 means that the program is beneficial to the utility and its ratepayers on a total resource cost basis.

industrial/agriculture investment. NEEA will continue to offer its emerging technology⁴ initiative and advocate for improved code and standards.

Optional Programs

For the 2015-2019 funding cycle, NEEA is offering four optional programs: (1) TTTA, (2) Commercial Real Estate and Existing Building Renewal (“CRE/EBR”), (3) Industrial Technical Training, and (4) Marketing and Stakeholder Relations. The energy savings for these programs will not be claimed by NEEA or Idaho Power. While deciding to provide funding for the TTTA program, Idaho Power has opted out of the other three programs. If Idaho Power had opted to fund these three programs, its funding commitment would have increased by \$1,679,320 over the five-year cycle. Staff will discuss the optional programs in greater detail below.

Optional Programs Idaho Power Will Not Fund

1. Commercial Real Estate/Existing Building Renewal (“CRE/EBR”)

The focus of CRE/EBR is to engage and leverage strategic partnerships between property owners and managers. The program also offers tools and strategies to accelerate the adoption of energy efficiency. According to the Company, it has opted out of CRE/EBR because it believes the program focuses on large commercial office buildings that are not as prevalent in Idaho. Staff acknowledges that convincing building owners to invest in energy efficiency projects can be difficult considering that it is the building occupant leasing the space who often pays the energy bill.

Staff believes that the CRE/EBR program has been successful during the current cycle, especially with its 2013 Kilowatt Crackdown program, a local implementation of a national program with the same name. Kilowatt Crackdown was a successful year-long energy efficiency competition between commercial office buildings to save the most energy. The program was put on through a partnership between NEEA, Building Owners and Managers Association (BOMA)⁵ Boise, and Idaho Power. In Boise alone, there were 43 commercial office buildings that

⁴ Emerging Technology has been a core function of NEEA. NEEA evaluates the market to identify, test and advance new, emerging energy efficiency technologies into the market.

⁵ BOMA is a real estate interest group. BOMA Boise represents the interests of Boise professionals who own, manage or support commercial real estate in Idaho.

participated. The competition engaged BOMA Boise and its influential members in a successful energy efficiency awareness campaign, focusing on behavioral change.

NEEA will not offer Kilowatt Crackdown in its 2015-2019 Business Plan, but will transition the program to be implemented by individual utilities. Idaho Power does not plan to offer another competition similar to Kilowatt Crackdown. However, if another competition is offered, the Company believes it should target smaller-sized commercial office buildings to better reflect Boise's commercial real estate. Staff encourages the Company to implement a similar program that extends beyond its typical direct-incentive offerings.

2. Industrial Technical Training

Idaho Power is opting out of Industrial Technical Training because it believes it can offer trainings at a lower cost. Staff understands that NEEA contracts with a third party to offer webinars and in-person industrial technical trainings in Idaho Power's service territory. Consequently, Staff agrees it may be less expensive for the Company to implement these trainings. From 2010-2014, 30 webinars and 44 in-class trainings were offered in Idaho Power's service territory.

The cost to deliver the trainings and webinars from 2010-2014 was estimated to be \$986,658. This cost was shared between NEEA and Idaho Power. To determine the cost in Idaho Power's service territory from 2010-2014, an allocation factor was used because NEEA did not provide historic labor costs by program.

In response to Staff discovery, the Company confirmed plans to offer about the same number of in-class trainings; Idaho Power does not plan to offer webinars. Staff believes it is appropriate for the Company to offer lower cost training, provided that the training is equally cost effective. However, Staff is concerned that webinars are not being offered. Webinars can be a more cost-effective and a convenient way to reach additional customers. Staff will review the success of the Company's Industrial Technical Education programs in its annual DSM prudence review.

3. Marketing and Stakeholder Support

Idaho Power has opted out of Marketing and Stakeholder Support because it believes that NEEA's efforts do not align with Idaho Power's brand and temperament. In Staff Comments in Case No. IPC-E-14-04, Staff was critical of Idaho Power's ineffective marketing practices, insufficient marketing budgets, and failure to adapt its program delivery and expand its program offerings. The 2013 HANSA GCR Non-Participant Survey analyzed non-participants (customers who had not participated in DSM programs) at the sector level and concluded that 71% of commercial, 60% of residential, and 45% of irrigation customers were not aware Idaho Power offers energy efficiency incentives. Furthermore, "Several third party evaluations demonstrated that the lower customer awareness is likely related to uncoordinated and insufficient marketing practices." Staff Comments, Case No. IPC-E-14-04, at 8.

Opting out of NEEA's Marketing and Stakeholder Support leaves Idaho Power responsible for creating all marketing, such as website development, press releases, consumer awareness campaigns, point of purchase design and development, and product display programs for NEEA's downstream programs. These are the same type of marketing tasks that Staff believes the Company needs to improve upon for its own DSM programs. Consequently, Staff is naturally concerned about the Company's ability to effectively promote and market NEEA programs. One solution may be for Idaho Power to use NEEA funding savings (approximately \$800,000 over 5 years), to bolster marketing and customer awareness of all Idaho Power energy efficiency offerings.

REGIONAL ENERGY EFFICIENCY INITIATIVE AGREEMENT

In the current funding cycle, Idaho Power's share of NEEA funding was about 8.6% of the total, or approximately \$3.3 million per year. For the 2015-2019 funding cycle, Idaho Power's total investment has decreased from \$16.5 million to \$13.5 million and represents approximately 8.96% of NEEA's total budget, or an average of \$2.7 million per year. Idaho Power's funding share is based on its share of the total 5-year regional energy savings.

The agreement calls for NEEA to report Idaho Power's share of the total regional savings in proportion to its share of the five-year funding at 8.96%, which will be adjusted for any optional programs that participants do not fund. In addition to Idaho Power's share of the total regional savings, NEEA will deliver an annual savings report including any true-up for the calendar year by July 1 of the following year. Savings will be reported by zip code where feasible, both for

achievements resulting from the 2015-2019 investment, as well as for achievements during 2015-2019 resulting from prior investments in NEEA.

The contract includes three provisions under which Idaho Power may reduce or discontinue funding and terminate the agreement. First, Idaho Power may, at its option, terminate its agreement with sixty days' written notice if its regulatory bodies do not allow recovery of expenses incurred under the Agreement. Second, Idaho Power may elect to reduce or discontinue funding upon the implementation of restructuring legislation or other legislation which eliminates the responsibilities of Idaho Power to provide benefits under a public purpose charge. Third, Idaho Power may discontinue funding with sixty days' notice to NEEA if there is a change to the NEEA Bylaws to which Idaho Power does not agree. Additionally, if at any time the NEEA Board of Directors determines that NEEA's progress versus its Business Plan objectives does not warrant continued investment, or if NEEA does not have sufficient funds to operate, Idaho Power will not be obligated to continue funding.

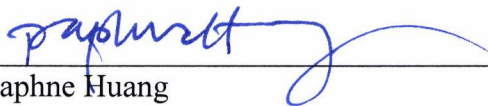
STAFF RECOMMENDATION

Staff recommends the Commission authorize Idaho Power to fund NEEA through the Idaho Energy Efficiency Rider for the 2015-2019 funding cycle. Should the Company conduct further analysis and conclude NEEA is not a cost-effective resource, or if it decides to decrease or discontinue funding NEEA, Staff recommends the Company submit an Application for Commission review.

Respectfully submitted this

22nd

day of December 2014.


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Deputy Attorney General

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Nikki Karpavich

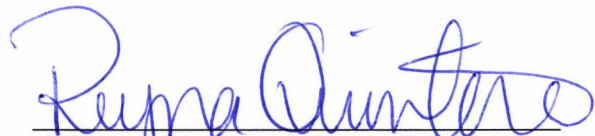
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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 22nd DAY OF DECEMBER 2014, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. IPC-E-14-38, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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