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IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF IDAHO POWER COMPANY FOR A DETERMINATION OF 2014 DEMAND-SIDE MANAGEMENT ("DSM") EXPENSES AS PRUDENTLY INCURRED.	)	CASE NO. IPC-E-15-06 IDAHO POWER COMPANY'S REPLY COMMENTS

Idaho Power Company ("Idaho Power" or "Company") respectfully submits the following Reply Comments in response to comments filed by the Idaho Public Utilities Commission ("Commission") Staff ("Staff"), the Idaho Conservation League ("ICL"), and the Industrial Customer's of Idaho Power ("ICIP"). Idaho Power appreciates the thoughtful comments provided in this case and notes that both Staff and ICL recommend that the Commission find that the Company's 2014 DSM-related expenditures were prudently incurred. In these Reply Comments, the Company merely wishes to clarify or respond to a few of the issues raised in comments.

A. The Idaho Energy Efficiency Rider ("Rider") Ending Balance.

Idaho Power would like to clarify that the correct 2014 Rider ending balance is ($782,231) and not ($781,078) as indicated on page 4 of Staff's comments. The difference between the two is an accounting adjustment of $1,153 related to 2014 activity that was recorded in 2015. The explanation of this adjustment is in Exhibit No. 1 of the Direct Testimony of Darlene Nemnich ("Nemnich Testimony"). This 2015 accounting adjustment will be reflected in the 2015 Rider ending balance. The 2014 Rider ending balance is shown on page 167 of Idaho Power's *Demand-Side Management 2014 Annual Report* ("DSM 2014 Annual Report") and on page 18 of the Nemnich Testimony as "Balance as of December 31, 2014" is ($782,231). While this confusion may have been caused by the addition of a row titled "Adjusted Balance as of December 31, 2014" as ($781,078) in the Nemnich Testimony, page 18, the Company believes the ending balance of ($782,231) is the appropriate number to use as the starting point for next year's DSM expense review.

B. The Ability to Achieve Energy Efficiency Resource Targets is Not Entirely within the Company's Control.

On page 5 of Staff's Comments, Staff stated that the increase in energy efficiency savings in 2014 "demonstrates that the Company's ability to achieve energy-efficiency resource targets is largely within its control and is not determined by outside factors." While the Company appreciates Staff's recognition of the contributions the Company made to achieve these targets, and agrees the Company directly influences energy efficiency achievement, it is important to recognize that many other factors that also directly influence energy efficiency achievement are not within the Company's

control. It would be erroneous to attribute annual increases or decreases in energy efficiency savings solely to the Company's actions.

Many of the more complex projects in the Commercial/Industrial sectors have substantial savings associated with them and can take years to complete. The timing of these projects might have to do with capital budget processes or other internal factors that are unique to each business and not within Idaho Power's control. Other factors, such as changes in codes and standards, successful market transformation, or the state of the local and national economy can also dramatically influence customers' energy efficiency project decisions, which directly affect program savings, applicability, or cost-effectiveness. As discussed more thoroughly on pages 7-10 of the Company's Reply Comments filed in Case No. IPC-E-14-04, these factors are not within Idaho Power's direct control.

C. The Company Has Not Imposed New Documentation Requirements on Participants.

Staff commented on pages 7-8 that Idaho Power's documentation is overly burdensome and referenced page 119 in Idaho Power's DSM 2014 Annual Report to demonstrate that the Company has implemented new documentation requirements. Idaho Power is confused by these assertions as page 119 is in the Easy Upgrades program section; in 2014 there were no new documentation requirements for this program, nor was there any reference to new documentation requirements in this section. In fact, this page of the report describes how the Company continued contracting with a third party to provide trade ally training and support, which includes paperwork submittal by the trade ally contractor. The DSM 2014 Annual Report states

on page 119 that Idaho Power focused on steps "to increase the accuracy and thoroughness of incoming paperwork to the program," not to add to it.

The Company continues to strive toward only requiring documentation that is necessary to: (1) demonstrate proof of purchase and equipment specifications, (2) have documentation available for auditing and evaluation purposes, (3) support internal quality control purposes, and (4) demonstrate prudent use of customer funds.

D. <u>The Company Continues to Investigate, Rather than Move Forward, on Some New Programs</u>.

On page 9 of its Comments, Staff states that in response to discovery, "the Company confirmed that it is moving forward" with several new energy efficiency programs or measures. Idaho Power believes that this statement could be misinterpreted to imply that Idaho Power is moving forward with implementing and offering these new ideas to customers, and would like to clarify the Company's intentions. In response to Staff's discovery requests, Idaho Power provided a list of the new ideas that had been submitted to the Program Planning Group for consideration and investigation. The Company is committed to moving forward with investigating and/or analyzing these ideas; however, some may be viable and some may not. Regardless of the outcome of its due diligence efforts, the Company intends to keep the Energy Efficiency Advisory Group ("EEAG") informed of progress on the items.

E. <u>Idaho Power Disagrees that the Company and/or Commission Should Focus on the Utility Cost Test as a Better Measure of Cost-Effectiveness</u>.

On page 10 of Staff's Comments, Staff suggests that the Utility Cost Test ("UCT") (sometimes called the Program Administrator Cost Test) is a better measure of cost-

effectiveness than the Total Resource Cost ("TRC") test. ICL also recommends that the focus should be on the UCT results to determine prudency. ICL's Comments, page 2.

In Case No. IPC-E-01-13, Commission Order No. 28894 states:

> To screen the cost-effectiveness of potential DSM projects, the advisory group shall use the following tests: total resource cost, utility cost and participant cost. However, these tests are merely guidelines that should not used to exclude projects that may be desirable as good public policy.

Order No. 28894, page 7.

Idaho Power believes each test provides value and that including all tests when evaluating program performance is best practice.[1] Additionally, Idaho Power offers very similar programs in both of its jurisdictions to optimize program administration and minimize customer confusion. The Public Utility Commission of Oregon directed program administrators to use the TRC in determining the cost-effectiveness of energy efficiency measures and programs. Public Utility Commission of Oregon Order No. 94-590, page 14.

Despite the foregoing, Staff and ICL both advocate that the UCT is a better measure of cost-effectiveness. If the Commission believes the above language from Order No. 28894 should be clarified to give greater weight to the UCT, Idaho Power requests the Commission do so in its order in this matter so that Idaho Power is aware that this is the Commission's intent going forward. For instance, the Commission could clarify its language from Order No. 28894 to read as follows:

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[1] "Best Practices in Energy Efficiency Program Screen: How to Ensure that the Value of Energy Efficiency is Properly Accounted For" - July 2012, page 14; "California Standard Practice Manual, Economic Analysis of Demand-Side Programs and Projects" - October 2001, page 6; and "Understanding Cost-Effectiveness of Energy Efficiency Programs: Best Practices, Technical Methods, and Emerging Issues for Policy-Makers. National Action Plan for Energy Efficiency" - November 2008, page ES-2.

> To screen the cost-effectiveness of potential DSM projects, the utility shall use the following tests: total resource cost, utility cost, and participant cost, with more emphasis placed on the utility cost test; however, these tests should not exclude projects or programs that may be desirable as good public policy.

F. <u>Idaho Power has Complied with the Errata to Order No. 33161</u>.

In the errata to Order No. 33161 (Case No. IPC-E-14-04), the Commission found that issues identified in comments warranted "a more in depth review" and directed the parties to do so "in the context of the Company's next Integrated Resource Plan filing." Staff noted on page 11 of its Comments in this case that "because the 'issues raised by Staff and other parties' were largely related to concerns about program delivery, it is not clear how excluding program delivery from the Integrated Resource Plan discussion complies with the Commission's order."

Idaho Power interpreted the Commission's directive as requiring it to consult with its stakeholders -- some of whom advise Idaho Power in both the Integrated Resource Plan Advisory Committee ("IRPAC") and EEAG contexts. Given that the errata was issued relatively late in the preparation of the 2015 Integrated Resource Plan ("IRP"), Idaho Power quickly organized an Energy Efficiency Working Group inviting members of the IRPAC, public participants in the IRP process, and EEAG. As reported on pages 47-48 of the 2015 IRP filed in Case No. IPC-E-15-19, the Energy Efficiency Working Group held two public meetings in December 2014 during which it focused on the treatment of energy efficiency in the resource planning process. Idaho Power recommended that EEAG's more specific expertise should continue to be utilized to provide advice and recommendations to the Company on formulating, implementing, and evaluating energy efficiency and demand response programs and activities. Idaho

Power committed to continuing to discuss the program delivery issues identified by working group participants, by Staff, and by some intervenors in comments filed in Case No. IPC-E-14-04. By consulting with IRPAC and EEAG participants as it developed its 2015 IRP filing, Idaho Power complied with the spirit of the directive and arguably the letter of it as well.

G. Idaho Power has Updated the IRPAC on the Progress of its Investigation of the Value of Deferred Transmission and Distribution for DSM Cost-Effectiveness Calculations.

In the Energy Efficiency Working Group sessions, Idaho Power committed to investigate the extent to which transmission and/or distribution benefits result from energy efficiency measures and programs, as well as the approximate value of such benefits. Idaho Power has not completed this investigation and Staff correctly notes that the Company did not present the results of its analysis at the June 2015 IRPAC meeting. Contrary to Staff's assertion, however, Idaho Power did present a status update of its investigation at the May 7, 2015, IRPAC meeting. At this meeting, Idaho Power indicated the study of transmission and distribution investment deferment is ongoing. Actions to be taken as part of the ongoing study include a review of transmission and distribution investments related to growth, an evaluation of the effectiveness of energy efficiency measures and programs in deferring transmission and distribution investment, and an estimate of the deferral value for those cases with the potential for transmission and/or distribution investment deferment.

H. The Rider Account Balance Does Not Suggest There Are Systematic Problems in Management of Funds.

Idaho Power disagrees with ICIP's contention that there are systematic problems in management of the Rider funds. ICIP's Comments, page 3. Since Idaho Power's

Rider began in 2002, the Rider balance has been surplus in some years and deficit in some years. The balance in the Rider account has never influenced Idaho Power's pursuit of cost-effective energy efficiency nor indicates any mismanagement of customer funds.

CONCLUSION

Idaho Power appreciates this opportunity to respond to comments filed in this case and respectfully requests that the Commission issue an order designating Idaho Power's expenditure of $33,495,385 of Rider funds and demand response incentives in 2014 as prudently incurred expenses. Additionally, if the Commission believes the language from Order No. 28894 should be clarified to put more emphasis on the UCT, Idaho Power requests the Commission do so in its order.

DATED at Boise, Idaho, this 29th day of July 2015.

LISA D. NORDSTROM
Attorney for Idaho Power Company

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 29th day of July 2015 I served a true and correct copy of IDAHO POWER COMPANY'S REPLY COMMENTS upon the following named parties by the method indicated below, and addressed to the following:

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