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Lead Counsel
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August 4, 2016

VIA HAND DELIVERY

Jean D. Jewell, Secretary
Idaho Public Utilities Commission
472 West Washington Street
Boise, Idaho 83702

Re: Case No. IPC-E-16-03
2015 Demand-Side Management Expenses – Idaho Power Company's
Reply Comments

Dear Ms. Jewell:

Enclosed for filing in the above matter please find an original and seven (7) copies of Idaho Power Company's Reply Comments.

Very truly yours,

Lisa D. Nordstrom

LDN:csb
Enclosures

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UTILITIES COMMISSION

Attorney for Idaho Power Company

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	
OF IDAHO POWER COMPANY FOR A)	CASE NO. IPC-E-16-03
DETERMINATION OF 2015 DEMAND-SIDE)	
MANAGEMENT EXPENDITURES AS)	IDAHO POWER COMPANY'S
PRUDENTLY INCURRED)	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") and the Industrial Customers of Idaho Power ("ICIP") on July 14, 2016. Idaho Power appreciates the comments provided in this case and notes that Staff recommends the Commission find that the Company's 2015 demand-side management ("DSM")-related expenditures were prudently incurred, and that ICIP does not suggest any disallowance of 2015 expenditures. In these Reply Comments, the Company responds to and clarifies a few of the issues raised in Staff's and/or ICIP's Comments.

I. IDAHO POWER'S RESPONSE

A. The Idaho Energy Efficiency Rider Ending Balance and Collection Percentage.

In its Comments, Staff recommends that the Commission direct Idaho Power to work with Staff and other interested parties to establish an appropriate Idaho Energy Efficiency Rider ("Rider") collection rate that aligns the Rider revenues with forecasted expenses through 2017, while also refunding any surplus balance.¹ In its Comments, ICIP recommends that the Commission reduce the Rider percentage to 3.5 percent and eliminate any Rider fund dollars being transferred to the Power Cost Adjustment ("PCA") in the future.²

Idaho Power appreciates Staff's willingness to work with the Company and other interested parties to determine if the Rider percentage needs to be adjusted and, if so, the appropriate funding level for the DSM activities the Company pursues. While the Company agrees that it is appropriate to begin working with Staff and other parties to determine if the Rider percentage needs to be adjusted, given the timing of the 2017 Integrated Resource Plan ("IRP") preparation process and other rate adjustments that are likely to occur on June 1, 2017, Idaho Power believes that any change to the Rider percentage should not occur before June 1, 2017, and, ideally, would be timed to coincide with any other rate changes that occur on June 1, 2017.

Idaho Power believes the amount of cost-effective, achievable energy efficiency is an important input in determining the appropriate Rider percentage. During the IRP process, Idaho Power contracts with a third party to conduct an energy efficiency potential study ("Potential Study") that results in a forecast of "achievable" energy

¹ Staff Comments, p. 5.

² ICIP Comments, p. 5.

savings to be used in the 20-year IRP planning period. Although Idaho Power does not consider the amount of energy efficiency that is identified in the Potential Study to be a ceiling, it does inform Idaho Power and others as to the amount of energy efficiency that may be achievable, an important input to determining the Rider collection percentage. The Company expects the next Potential Study will be completed in early 2017 for inclusion in the 2017 IRP.

The Company also recognizes that rate stability is important to its customers and should be considered in determining when any decrease in the Rider percentage or refund of Rider funds may occur. There are two annual rate adjustments associated with the Fixed Cost Adjustment and the PCA rate mechanisms that, with Commission approval, will occur on June 1, 2017. Either or both of these rate adjustments could be an increase for customers. Idaho Power believes that timing any potential adjustment to the Rider collection percentage to correspond with these other typical June 1 rate adjustments will benefit customers by limiting the number of separate rate adjustments they experience and potentially offsetting or mitigating any increases related to those rate mechanisms.

In its Comments, Staff asks the Commission to order Idaho Power and other parties to submit a recommendation regarding the appropriate Rider percentage within 90 days.³ Because the Potential Study will not be available until early 2017, and because timing a Rider collection percentage change to coincide with the typical annual rate adjustments has the potential to provide customers with additional rate stability, Idaho Power does not believe submitting a recommendation to the Commission within 90 days is needed. Rather, Idaho Power asks that if it is determined that the Rider

³ Staff Comments, p. 11.

collection percentage needs to be adjusted, the Commission allow a recommendation to be submitted in the form of a filing by the Company no later than March 15, 2017.

Regarding ICIP's suggestion that all transfers to the PCA should be eliminated, the \$3,970,036 annual transfer from the Rider to the PCA is necessary to ensure that revenue neutrality for customers is maintained between the June 2014 update to the normalized level of net power supply expenses included in base rates and the Company's next general rate case. Staff also pointed out the necessity of the transfer on page 4 of its Comments where it stated, "The \$3,970,036 transfer to the PCA maintains revenue neutrality associated with the June 2014 update to the normalized level of net power supply expenses (NPSE) included in base rates and approved by Order No. 33000." However, should the Commission direct parties to assess the appropriate level of ongoing annual Rider collection, it may be appropriate to also discuss the need for this annual transfer of funds as part of that assessment.

B. The Company is in Compliance with Commission Order No. 32923 Regarding the Marketing of its Demand Response Programs.

Staff recommends that the Company increase marketing of the A/C Cool Credit program because system peaks are growing, there has been a decline in participants, and the Company has what the Staff characterizes as a "stockpile" of inventory of Advanced Metering Infrastructure ("AMI") switches.⁴

The Company has managed all of its demand response ("DR") programs, including the A/C Cool Credit program, in compliance with the settlement agreement entered into by the parties in Idaho Case No. IPC-E-13-14⁵ and Oregon Docket No. UM

⁴ Staff Comments, pp. 6-7.

⁵ Commission Order No. 32923.

1653⁶ (“Settlement Agreement”), which stated in part, “Idaho Power *will not actively promote the A/C Cool Credit program to solicit new participants through marketing tactics*, but will accept new participants in this program who request to participate, regardless of whether they were previously participants in the program.”⁷

In the Settlement Agreement, the Company, Commission Staff, and other parties also agreed that “in order to use existing equipment,” the Company would accept new participants in the A/C Cool Credit program who requested to participate, contact and attempt to recruit customers who move into a home that has a load control device installed, and attempt to recruit participants who change residences to a location that does not have a switch.⁸ Idaho Power has and is prepared to continue to manage the A/C Cool Credit program in accordance with the terms agreed to in the Settlement Agreement until directed otherwise by the Commission.

Regarding Staff’s Comments about Idaho Power’s system peak, the Company agrees that its system peak demand is increasing but for the DR programs; however, it does not believe the magnitude of potentially increasing peak demands warrants increasing spending on DR programs at this time. In each IRP, the Company analyzes the need for peak-hour resources and, in the 2015 IRP, Idaho Power determined that the first peak-hour deficit is in July 2025 and the first significant peak-hour resource deficit is in 2026.⁹ Idaho Power will again analyze its need for peak-hour resources, including DR, in its 2017 IRP. Idaho Power does not believe that acquiring additional

⁶ Public Utility Commission of Oregon Order No. 13-482.

⁷ Settlement Agreement, p. 5 (emphasis added).

⁸ *Id.*, Section 7.a.

⁹ 2015 IRP, Appendix C, Technical Appendix, pp. 60-61.

DR, at an incremental cost to all customers, is warranted given there is no near-term need for additional capacity.

Staff also references rapid attrition in the A/C Cool Credit program as a rationale for marketing the program to new participants. Participation has decreased between 2012 and 2016, but the majority of this decrease (11 percent) occurred between 2012 and 2013 when the program was temporarily suspended and customers only received a one dollar per month continuity incentive payment. Further, in accordance with the Settlement Agreement, customer incentives decreased from \$21 per season pre-suspension to \$15 per season post-suspension. The Company believes the change in the incentive payment, along with the suspension of marketing, contributed to the large decrease in participation, but the current attrition levels are much lower.¹⁰

Lastly, Idaho Power must maintain an inventory of switches for new installations and for replacing switches for existing participants when previous switches are removed or if switches repeatedly fail to communicate. Idaho Power estimates that between the A/C Cool Credit program and Irrigation Peak Rewards program,¹¹ the existing stock of switches will be used within the next year and a half.¹²

Consequently, Idaho Power believes that incurring additional expense for any marketing of the A/C Cool Credit program is unwarranted and would be premature for the immediate future. However, if ordered to do so, the Company stands ready to begin

¹⁰ Attrition between December 2014 and December 2015 was approximately 4 percent, while participation increased approximately 1 percent between December 2015 and June 2016.

¹¹ Idaho Power filed Tariff Advice No. 15-16 seeking authority for the Company to use AMI switches for the Irrigation Peak Rewards program. The Commission authorized the Company's request on January 19, 2016.

¹² In response to Staff's Production Request No. 23, Idaho Power stated, "Idaho Power believes that between the two programs, the existing stock of switches will be used within the next year and a half."

marketing the program, up to 2012 pre-suspension levels, prior to the start of the 2017 DR season.

C. The Information Received by the Company from the Community Action Partnership (“CAP”) Agencies is Adequate to Ensure What Measures are Installed and to Estimate Energy Savings.

The Company disagrees with Staff’s positions that “the Company may not be receiving adequate documentation from CAP agencies” and “sufficiently detailed information about what measures were installed, the cost of each measure and associated labor costs were not properly identified.”¹³

In response to Staff’s Production Request Nos. 17¹⁴ and 18,¹⁵ the Company provided voluminous data in the form of a Job Order Sheet, the *Idaho State WX Energy Analysis ACTUAL* (“EA5”), and the *Community Action Weatherization Program Invoice* for each of the 225 Weatherization Assistance for Qualified Customers (“WAQC”) homes weatherized in 2015. In its response to Staff’s request, the Company pointed Staff to the EA5 where a list of measures installed in each home, the cost of each measure, and the payment source of each measure was broken down for each weatherization job. The Company also provided the Weatherization Solutions Home Audit Tool (“HAT”) for each of the 171 homes weatherized in the Weatherization Solutions (“Solutions”) program. The HAT breaks down funding for every measure by material costs, labor costs, and support costs for a total job production cost of each Solutions home weatherized.

¹³ Staff Comments, p. 8.

¹⁴ “Please provide or make available the EA5 audit reports and Job Order Sheets for each of the 225 Idaho homes completed during the 2015 WAQC program.” Staff Production Request No. 17.

¹⁵ “For each of the 225 Idaho homes completed during the 2015 WAQC program, please provide a list of measures installed at each home; the cost of each measure and the amount Idaho Power paid for each measure.” Staff Production Request No. 18.

Staff also states that it is “concerned that without complete information pertaining to installed measures, the Company cannot adequately estimate energy savings.”¹⁶ As explained in Idaho Power’s WAQC 2015 Annual Report filed with the Commission on April 1, 2016, Idaho Power does not use the savings estimate of each installed measure, but, rather, uses a bill analysis method to estimate energy savings for both the WAQC and Solutions programs. The Company conducts a billing analysis of actual usage data to estimate savings for weatherization programs and monitors realized energy savings through periodic billing analyses.

Idaho Power appreciates Staff’s desire to develop a better understanding of how the weatherization programs are currently administered.¹⁷ Idaho Power is willing to provide assistance to any members of Staff who may be interested in better understanding how Idaho Power’s weatherization programs are administered, what information is received from CAP agencies, and/or how the funding of the programs is managed.

D. Idaho Power Pursues All Cost-Effective Energy Efficiency.

Idaho Power disagrees with ICIP’s assertion that there is significant cost-effective energy efficiency being “left on the table”¹⁸ and Staff’s implication that Idaho Power is not “aggressively and expeditiously pursuing additional cost-effective resources.”¹⁹ As shown on page 7 of Idaho Power’s DSM 2015 Annual Report, and included below, the Company has exceeded the annual cost-effective achievable energy efficiency potential

¹⁶ Staff Comments, p. 8.

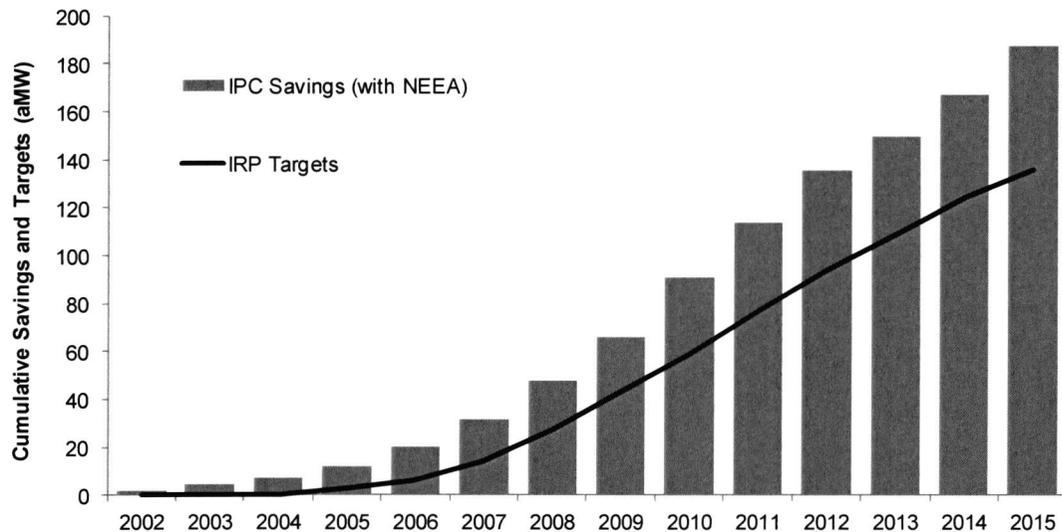
¹⁷ *Id.*

¹⁸ ICIP Comments, p. 2.

¹⁹ Staff Comments, p. 5.

incorporated in its IRP 12 out of the last 13 years and, on a cumulative basis, has exceeded the achievable potential every year.

Annual Cumulative Energy Efficiency Savings (aMW) with IRP Targets (2002-2015)



This achievable potential is identified through Idaho Power's IRP process and, in 2015, Idaho Power exceeded its cost-effective achievable energy efficiency potential, excluding Northwest Energy Efficiency Alliance's estimated savings by 31 percent. Idaho Power is continually adding measures to programs, as well as modifying existing measures and programs based on customer preference, technology, cost-effectiveness, and evaluation results.

Idaho Power also disagrees with ICIP's assertion that a high utility benefit/cost ("B/C") ratio indicates the Company is not pursuing all cost-effective DSM.²⁰ Idaho Power adheres to the guidelines found in the California Standard Practice Manual regarding B/C ratios and compares program cost-effectiveness from all of the recommended economic test perspectives, including the utility ("UCT" or PACT),

²⁰ "[W]hile being very cost effective for the utility, a high cost benefit ratio is a symptom that there are significant conservation kWh being 'left on the table'. It is an indication the program can be expanded and more cost effective energy can be saved." ICIP Comments, p. 3.

participant (PCT), ratepayer (RIM), and total resource perspective (TRC). It is only through a comprehensive review of the results from all of the economic test perspectives that one can make a fully informed conclusion regarding the appropriate level of energy efficiency to be pursued.

The benefits included in the UCT are the avoided marginal supply cost of energy and demand reduction for the periods when there is a load reduction and the costs include the program costs incurred by the administrator (either the utility or a third party) and the incentives are paid to the customer. Idaho Power incentives are usually no more than 70 percent of the total cost of a measure or project; the remaining cost is paid by the customer. A high UCT ratio viewed in isolation simply means that the cost borne by the utility, and ultimately non-participating customers, is relatively low as compared to the energy savings benefits.

E. Idaho Power Offers a Variety of Behavioral Energy Efficiency Programs.

In its Comments, Staff states that Idaho Power “has taken little or no action”²¹ to advance residential behavioral efficiency. However, Idaho Power currently provides a variety of residential behavioral efficiency offerings.

Idaho Power’s residential behavioral offerings include: Kill-A-Watt™ meter lending through the public libraries, Student Energy Efficiency Kits, direct-to-customer Energy Saving Kits, a Drying Rack project, and components of the Home Energy Audit. In each of these offerings, the Company educates and interacts with residential customers to promote behavioral change and affect future decision making. In addition to these offerings, Idaho Power’s myAccount portal provides an opportunity for customers to review their usage in a near real-time environment. The Company’s

²¹ Staff’s Comments, p. 9.

customers can see how their energy use compares to homes of similar size, occupancy, heating source, and other household attributes to assist the customer in developing a personalized home profile and customized home energy plan.

Idaho Power provides educational opportunities to its customers to encourage behavioral changes. The Energy Efficiency Guide is published two times a year (winter and summer) and both publications are distributed in newspapers and on-line throughout Idaho Power's service area. The Company also participates in many events throughout its service area where Idaho Power representatives educate customers on behavior changes they can make in their homes to decrease their energy use and use energy more efficiently.

The Company continues to investigate other residential behavioral based opportunities and will continue to seek input and ideas from the Energy Efficiency Advisory Group ("EEAG") regarding those potential opportunities.

F. The Company Will Present Preliminary Results of the Value of Energy Efficiency on Deferred Transmission and Distribution Investments at the August 30, 2016, EEAG Meeting.

The Company will provide a progress update with preliminary results of the analysis quantifying the value of energy efficiency on deferred transmission and distribution investments at the August 30, 2016, EEAG meeting.

II. CONCLUSION

Idaho Power appreciates the opportunity to respond to comments filed in this case and respectfully requests that the Commission issue an order designating Idaho Power's expenditures of \$28,495,701 in Rider funds and \$6,701,263 of DR program incentives included in the 2016 PCA, for a total of \$35,196,964, as prudently incurred DSM expenses.

If the Commission desires the parties revisit the current Rider collection percentage, Idaho Power recommends that any resulting adjustment to the Rider percentage not become effective prior to June 1, 2017.

DATED at Boise, Idaho, this 4th day of August 2016.



LISA D. NORDSTROM

Attorney for Idaho Power Company

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 4th day of August 2016 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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