Office of the Secretary
Service Date
September 14, 2016

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF IDAHO POWER COMPANY FOR A DETERMINATION OF 2015 DEMAND-SIDE MANAGEMENT EXPENDITURES AS PRUDENTLY INCURRED	))))))	**CASE NO. IPC-E-16-03** **ORDER NO. 33583**

On March 15, 2016, Idaho Power Company applied to the Commission for an Order establishing that the Company prudently incurred $35,196,964 in demand-side management (DSM) expenses in 2015. Subsequently, the Commission issued a Notice of Application, and set deadlines for intervention and the filing of comments. *See* Order Nos. 33504, 33505. The Industrial Customers of Idaho Power (ICIP) and Idaho Conservation League (ICL) intervened as parties. ICIP and Commission Staff filed comments, and the Company filed a timely reply. No other comments were received.

After thoroughly reviewing the record, we issue this Order approving the Company's Application, with direction, as discussed below.

THE APPLICATION

As it has in previous DSM expenditure filings, the Company broke its Application into sections addressing: (A) DSM Savings; (B) DSM Expenses; (C) DSM Cost-Effectiveness and Evaluations; and (D) Stakeholder Input. Each section is summarized below.

A. DSM Savings

The Company stated that in 2015, it offered its customers 19 energy efficiency (EE) programs and 3 demand response (DR) programs. The Company also participated in Northwest Energy Efficiency Alliance (NEEA) market transformation activities and several educational initiatives. The Company reports that these efforts achieved annual energy efficiency savings of 162,533 megawatt hours (MWh) on a system-wide basis, exceeding the savings target in the Company's Integrated Resource Plan (IRP). Broken down, the 2015 savings consist of 24,532 MWh from the residential sector, 102,074 MWh from the commercial/industrial sector, 14,027 MWh from the irrigation sector, and about 21,900 MWh from market transformation initiatives. The Company also enrolled enough participants in DR programs to provide 385 MW of load shedding capacity. These DR programs ultimately reduced demand by 367 MW and saved customers about $6.7 million.

B. DSM Expenditures

The Company reported funding for Idaho DSM programs from several sources. The Company funds its EE and DR programs through the EE Rider, base rates, and the annual Power Cost Adjustment (PCA). In its Application, the Company asks the Commission to find that it prudently spent $35,196,964 in 2015 to develop and run its DSM programs. This amount is comprised of $28,495,701 in EE Rider expenses, and $6,701,263 in DR program incentive payments. The Company noted that its prudency request includes no request for $441,856 in labor-related expenses, and an adjustment relating to $1,153 in Energy House Calls Program incentives that should have been charged to the Oregon Rider and was corrected in 2015 via an accounting entry.

C. DSM Cost-Effectiveness and Evaluations

The Company stated that independent, third-party consultants conducted process evaluations on three programs and impact evaluations on six programs to verify program specifications, recommend improvements, and validate energy savings estimates. The Company also conducted its own cost-effectiveness analyses on each program.

The Company stated that it measured cost-effectiveness under: (1) the total resource cost test (TRC); (2) the utility cost test (UCT); (3) the participant cost test (PCT); and (4) the ratepayer impact measure test (RIM).[1] The Company ultimately concluded that its overall EE portfolio was cost-effective under the TRC and UCT. Of the Company's 16 Idaho-based EE programs, 11 programs passed the TRC and UCT, two programs failed the TRC but passed the UCT, and three programs failed both the TRC and UCT. Further, all of the EE programs with customer costs passed the PCT.

In addition to the Company's EE portfolio, the Company also had a $16.7 million DR portfolio. The Company estimates that its DR programs would have remained cost-effective if fully dispatched.

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[1] These tests examine cost-effectiveness from different perspectives. The TRC compares program administrator costs and customer costs to utility resource savings, and assesses whether the total resource cost of energy in a utility's service territory will decrease. The UCT compares program administrator costs to supply-side resource costs, and assesses whether the utility's resource cost will increase. The PCT compares the costs and benefits of the customer installing the measure, and assesses whether program participants will benefit over the measure's life. The RIM measures the impact to customer rates due to changes in utility revenues and operating costs caused by an energy efficiency program. Under these tests, a program or measure is deemed cost-effective if it has a benefit/cost ratio above 1.0.

D. Stakeholder Input

To assist with the development of DSM activities, the Company consults with its Energy Efficiency Advisory Group (EEAG) and other stakeholders. The Company reported that in 2015, it participated in four meetings and a conference call with EEAG. The Company claimed that EEAG input in 2015 led the Company to increase its marketing efforts for its DSM programs.

JURISDICTION

The Company is an electrical corporation as defined by *Idaho Code* § 61-119, and a public utility subject to the Commission's jurisdiction pursuant to *Idaho Code* § 61-129. The Company's duties and burden in presenting this Application to the Commission are set forth in Title 61 of the Idaho Code, and the Commission's Rules of Procedure, IDAPA 31.01.01.000, *et seq*. In particular, the Commission looks to Chapter Three of Title 61 in reviewing this Application to determine whether the proposed action is "just and reasonable," or should be "prohibited and declared unlawful." *See, e.g., Idaho Code* §§ 61-301 through -315.

DISCUSSION AND FINDINGS

The parties' comments and recommendations, and the Company's reply are summarized by issue below. The Commission's findings and conclusions follow the discussion of each issue.

A. Prudency of DSM Expenditure

As previously stated, the Company asked the Commission to find that it prudently incurred $35,196,964 in DSM expenses, including $28,495,701 in EE Rider expenses, and $6,701,263 in DR program expenses for recovery in the 2016 PCA. Staff supported this request and recommended the Commission find the Company prudently incurred its 2015 DSM expenses. Staff Comments at 3. ICIP did not support or oppose the Company's request, but instead recommended allowing the Company to recover expenses that the Commission deemed were prudently incurred, and not allow the Company to recover those that were imprudently incurred. *See* ICIP Comments at 1-2.

Commission Findings: Based on our review of the record, and the undisputed comments of the parties, we find that the Company prudently incurred $35,196,964 in 2015 DSM-related expenses. Specifically, we find that the recovery of $28,495,701 in DSM Rider account expenses, and $6,701,263 in DR program expenses (included for recovery in the 2016 PCA) is just and reasonable.

B. EE Rider Balance and Surplus

Staff and ICIP both provided comments on the EE Rider balance. Both suggest that the Company work to remedy the mismatch between revenue and expenses associated with the Rider and its large surplus. Staff recommended that the Rider percentage be reduced and the surplus refunded to customers and that the Company work with stakeholders to redesign the Rider percentage and make use of the Rider balance surplus. Staff requested that the Commission direct the Company to work with stakeholders to resolve the surplus issue within 90 days. In addition to advocating for a reduction to the Rider percentage, ICIP recommended that future transfers of Rider funds to the PCA should cease.

Staff calculated the EE Rider account's balance as of December 31, 2015, as follows:

2015 Beginning Rider Balance	$(781,078)
2015 Funding plus Accrued Interest	39,800,889
Total 2015 Funds	39,019,811
2015 Expenses	(28,495,701)
Rider Transfer to PCA	(3,970,036)
2015 Ending Rider Balance per Report	$ 6,554,074

See Staff Comments at 4. Staff has monitored the Rider revenues and expenses since 2013, and reported that the Company has collected, on average, over $13.5 million dollars more each year than it spends through the Rider. Staff Comments at 5. Staff suggests that this pattern will continue absent a rapid deployment of DSM resources or an adjustment of the Rider percentage. Rider revenues from January through May in 2016 have already exceeded expenses by nearly $4 million.

In its reply, the Company agreed that the Rider has consistently created a surplus, and stated that it is willing to work with Staff and other interested parties to adjust the Rider percentage. However, the Company argued that the 90-day timeline advocated by Staff is premature, stating that it is planning to file its Integrated Resource Plan (IRP) in June 2017, and that changes to the Rider should coincide with typical annual rate adjustments after the IRP is filed with the Commission.

Commission Findings: There is no dispute that the collection of DSM rider revenues has exceeded DSM rider expenses by millions of dollars each year over the past four years. It is illogical to continue to allow the Company to recover DSM revenues from customers that far exceed DSM expenses. Consequently, we find it reasonable to direct the Company to examine an adjustment to the Rider percentage. We further find no reasonable basis to wait for the Company's other annual rate adjustments to effectuate a change.

We note Idaho Power's willingness to work with Staff and other stakeholders in adjusting the Rider. Following collaboration, we direct the Company to submit a proposal for revising its Rider percentage to this Commission no later than Friday, December 30, 2016.

ICIP's suggestion that DSM Rider transfers to the PCA be eliminated is misplaced. This annual transfer occurs to ensure revenue neutrality associated with a previously-approved increase in net power supply expenses (NPSE). *See* Order Nos. 33000, 33306, and 33526.

C. Demand Response Programs

Staff reviewed the effectiveness of incentive payments from the Company's 2015 demand response programs. Staff stated that the programs were successful in delaying the need for more expensive peaking generation and that the Company adequately operated the programs. Staff thus recommended the Commission find that the Company prudently paid $6,701,263 in customer incentives from these programs.

Staff also noted the November 2013 settlement agreement regarding the Company's demand response programs, which stated that Idaho Power would not actively market its demand response programs to new customers. *See* Order No. 32923. This proviso was part of the agreement to keep down costs. However, Staff opined that conditions have changed, and recommended that marketing of the programs to new customers is now appropriate. Specifically, Staff pointed out increases in peak loads, rapid attrition from the Company's A/C Cool Credit program, and a large number of A/C switches stockpiled in the Company's inventory.

The Company argued against increasing marketing efforts beyond what is in the 2013 settlement agreement. It recognized the increase in peak loads, but contends that the increase is not to the magnitude that warrants new spending for marketing. Further, the Company stated that attrition in the A/C Cool Credit program is attributable mostly to temporary suspension of the program in 2012-2013, and that current attrition levels are much lower. Finally, the Company claimed that the existing stock of switches is warranted, and will likely be used within the next year and a half.

Commission Findings: After reviewing the comments of Staff and the Company's reply, we find that the Company prudently paid $6,701,263 in customer incentive payments. We further find that the Company's marketing efforts are consistent with the 2013 settlement agreement approved by the Commission in Order No. 32923. We decline to direct the Company to market to new customers. Although demand response programs lost a small number of participants in 2015, participation in 2016 has increased. Instead, we direct the Company to continue to monitor attrition and switch inventory in anticipation of its next DSM prudency filing.

D. Low-Income Weatherization Programs

Idaho Power currently has two low-income programs: Weatherization Assistance for Qualified Customers (WAQC)[2] and Weatherization Solutions.[3] Both programs provide participants in electrically-heated homes with measures aimed at increasing energy efficiency and safety. WAQC program costs are included in base rates, and Weatherization Solutions is funded through the Company's DSM tariff rider. The Company operates its low-income programs through five regional Community Action Partnership (CAP) agencies within Idaho Power's service territory. The CAP agencies both determine if participants are qualified, and if so, install the measures in participants' homes. During the 2015 program year, Idaho Power provided $1,315,032 in WAQC funding for the completion of 243 units. During that same time, the Company provided $1,243,269 in Weatherization Solutions funding for the completion of 171 units. Notably, unlike WAQC, Weatherization Solutions is operated with a larger variety of entities located throughout the Company's service territory, including for-profit affiliates of the regional CAP agencies.

Staff expressed concern that the Company "may not be receiving adequate documentation from CAP agencies." Staff Comments at 8. The insufficient documentation makes it difficult for Staff to determine if funds are being used appropriately. Staff suggested that the Company be directed to work with Staff on both programs to develop better records and improve program administration generally.

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[2] Qualification for WAQC is limited to customers who earn 200% of the federal poverty level or less.

[3] Qualification for Weatherization Solutions is limited to customers who earn between 175% and 250% of the federal poverty level. Participants who qualify for both programs can only receive assistance through one or the other.

The Company disputed Staff's assertion regarding inadequate records. Rather, the Company stated that it provided "voluminous data" for all its weatherization projects including material costs, labor, and support costs. Reply Comments at 7. The Company did commit to working with Staff to develop a better understanding of the programs and recordkeeping.

Commission Findings: The Commission appreciates the Company's efforts to document and support the effectiveness of its low-income weatherization programs. In order to further guard against the potential for waste, fraud and abuse – and noting the willingness of the parties – we direct the Company to work with Staff in determining how to obtain the most usable data from the participating CAP agencies. We encourage the Company to continue to refine its documentation regarding the use of weatherization funds.

E. Program Management and Expansion

The Company rolled out several new programs in 2015, including a multi-family direct install project targeting difficult-to-reach apartment dwellers, Home Energy Audits marketing and education programs. The Company also expanded its Shade Tree program, and maintained or expanded some marketing efforts. Staff reported that it is generally encouraged by the Company's efforts, but is concerned the Company has been slow to move forward on implementing or expanding programs. In particular, Staff pointed to delays in the study of value of deferred transmission and distribution investments, combination of commercial and industrial (C&I) programs, expansion of C&I behavioral programs, and small and medium business programs. In sum, along with its support for the Company's efforts, Staff reported that there are a number of missed opportunities to expand its DSM offerings including typical industry programs such as residential behavioral, small-medium business efficiency programs, and expanded C&I offerings. Staff encouraged the Commission to direct the Company to work with Staff and the EEAG going forward, and evaluate programs by peer utilities in expanding its portfolio.

Notably, ICIP argued that the Company's surplus Rider balances and high cost/benefit test ratios indicate "that there is ample room" to expand C&I programs, add further programs, and reduce the collection percentage going forward. ICIP Comments at 6.

In reply, the Company related to the Commission the variety of its current DSM offerings. The Company emphasized its educational initiatives, the expansion of its myAccount portal, energy savings and efficiency kits, and components of the Home Energy Audits.

Company Reply at 10-11. Nonetheless, the Company commented that it will continue to seek new opportunities in residential behavioral-based opportunities, and work with the EEAG going forward.

Commission Findings: We appreciate the Company's efforts and commitment to investigating other opportunities to implement residential behavioral programs and expanding its EE program offerings overall. We find it reasonable for the Company to work with Staff and the EEAG to develop a DSM portfolio that considers more programs offered by peer utilities in neighboring states. In particular, we encourage the Company to consider residential behavioral programs and small-medium business efficiency programs in expanding its DSM portfolio.

SUMMARY

Based on our review of the record and the discussion above, we find that the Company prudently incurred $35,196,964 in 2015 DSM-related expenses consisting of $28,495,701 in EE Rider expenses, and $6,701,263 in DR program expenses that have been included for recovery in the 2016 PCA. We further find it fair, just, and reasonable for the Company to take such other actions as directed in the body of this Order.

O R D E R

IT IS HEREBY ORDERED that Idaho Power's 2015 DSM expenditures are approved as prudently incurred in the amount of $35,196,964 as described above.

IT IS FURTHER ORDERED that the Company take such actions as directed in the body of this Order.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 14th day of September 2016.

PAUL KJELLANDER, PRESIDENT

KRISTINE RAPER, COMMISSIONER

ERIC ANDERSON, COMMISSIONER

ATTEST:

Jean D. Jewell
Commission Secretary

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