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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER COMPANY'S APPLICATION FOR A DETERMINATION OF 2017 DEMAND-SIDE MANAGEMENT EXPENSES AS PRUDENTLY INCURRED	**CASE NO. IPC-E-18-03** **COMMENTS OF COMMISSION STAFF**

COMES NOW the Staff of the Idaho Public Utilities Commission, by and through its attorney of record, Edith Pacillo, Deputy Attorney General, and in response to the Notice of Application, Notice of Intervention Deadline and Notice of Modified Procedure issued in Order No. 34052 on April 30, 2018, in Case No. IPC-E-18-03, submits the following comments.

BACKGROUND

On March 15, 2018, Idaho Power Company (the Company) applied for a Commission order finding that the utility's demand-side management (DSM) expenses for the year 2017 were prudently incurred. The Company seeks to recover $44,145,316 in deferred costs for its DSM programs, which includes $37,162,002 in Idaho Energy Efficiency (EE) Rider expenses, and $6,983,314 in demand response program incentives. DSM generally refers to utility activities and programs that encourage customers (i.e., on the "demand-side" as opposed to the "generation

side") to use less overall energy or use less energy during peak usage hours. The Commission will allow the utility an opportunity to recover its DSM expenses through rates if the Commission finds the Company prudently incurred them. However, if the Commission finds the Company did not prudently incur DSM expenses, then it will not allow the Company to recover them through rates and the disallowed expenses will be borne by the utility's shareholders and not by customers.

The Company states its 2018 DSM efforts included Northwest Energy Efficiency Alliance (NEEA) market transformation activities, energy efficiency programs, demand response programs, and several educational initiatives. Application at 3. The Company states these efforts increased the Company's annual energy savings by 12% and exceeded the savings target specified in the Company's Integrated Resource Plan. Application at 2. The Company noted its energy efficiency programs saved 191,478 megawatt hours (MWh), comprising 65,506 MWh from the residential sector, 85,425 MWh from the commercial/industrial sector, 16,888 MWh from the irrigation sector, and about 23,652 MWh from the NEEA initiatives. *Id.*

The Company funds its Idaho programs through the Idaho Energy Efficiency Rider, base rates, and the annual Power Cost Adjustment (PCA). Application at 5. It funds its Idaho demand response incentive payments through base rates and the PCA. *Id.* With this Application, the Company asks the Commission to find that the Company prudently incurred $44,145,316 in expenses to develop and run its DSM programs in 2017. *Id.* The Company states these expenses include $37,162,002 in Idaho Energy Efficiency Rider expenses and $6,983,314 in demand response program incentive payments. *Id.* The Company made one accounting adjustment for 2017 of $89,304 relating to labor expenses not recorded as part of the Rider expense prior to disclosure of the 2017 accounting books. *Id.* at 6. The Company made five adjustments for 2016, including a decrease of $56,571 related to the Weatherization Solutions for Eligible Customers Program and four other increases totaling $43,185. *Id.*

The Company's Application describes the Company's evaluation of its DSM programs and whether they were cost-effective in 2017. *Id.* at 7. The DSM Report discusses the cost-effectiveness of the Company's DSM programs and energy savings measures. *Id.* In support of its Application, the Company submitted prefiled testimony of Connie Aschenbrenner, Regulatory Analyst, an annual DSM report, the results of its cost-effectiveness analysis, and the third-party program evaluation reports. *Id.*

The Company explains it used the following benefit/cost tests to determine the cost-effectiveness of its energy efficiency programs and measures: (1) the total resource cost test (TRC); (2) the utility cost test (UCT); and (3) the participant cost test (PCT).[1] *Id.* The Company reports that in 2017 its overall energy efficiency portfolio was cost-effective, passing the TRC, UCT, and PCT, with ratios of 2.50, 2.75, and 3.67, respectively. *Id.* Of the Company's 16 Idaho energy efficiency programs, 11 programs passed the TRC and UCT. Aschenbrenner Direct Testimony at 22. Further, all energy efficiency programs with customer costs passed the PCT with the exception of the Home Improvement Program which was discontinued on June 30, 2017. Application at 8. Due to a lack of cost-effectiveness, the Fridge and Freezer Recycling Program ended on December 31, 2017. Application at 8. The Heating & Cooling Efficiency Program and the Home Improvement Program had a benefit/cost ratio of less than 1.0 for the TRC and PCT, but both had a ratio above 1.0 for the UCT. *Id.* Although they are not cost-effective, Idaho Power intends to continue to work towards greater cost-effectiveness for the Weatherization Assistance for Qualified Customers Program and Weatherization Solutions for Eligible Customers Program, because they offer benefits that are difficult to quantify. *Id.*

When assessing the cost-effectiveness of its demand response programs, the Company did not calculate a benefit/cost ratio. *Id.* at 9. Rather, the Company determined the cost-effectiveness of its demand response programs based on the $16.7 million demand response portfolio value specified in Commission Order No. 32923, and estimated that the programs would have cost approximately 11.1 million on a system-wide basis and are less than the value of the demand, calculated to be $19.8 million. *Id.*

The Company states independent, third-party consultants provide impact and process evaluations to verify that program specifications are met, recommend improvements, and validate program-related energy savings. *Id.* In 2017, two combined program impact evaluations and programs process evaluations were completed. *Id.* at 10.

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[1] The three tests examine a program's cost-effectiveness from different perspectives. The TRC compares program administrator costs and customer costs to the value of the energy and capacity savings, and assesses whether utility costs will increase. The UCT compares program administrator costs to the value of utility energy and capacity savings, and assesses whether utility costs will increase. The PCT compares the costs and benefits of an average customer installing the measure, and assesses whether an average customer will save money over the measure's life. A program or measure is cost-effective if it has a benefit/cost ratio above 1.0.

STAFF ANALYSIS

Staff has reviewed the Company's Application and the accompanying testimony and exhibits of Connie Aschenbrenner, along with the 2017 Annual DSM Report and additional information provided by the Company. Based on its review, Staff generally supports the Company's DSM expenses and programs. In the comments below, Staff addresses the Company's Energy Efficiency Tariff Rider account balance and expenditures, DSM labor expenses, and demand response and energy efficiency program management. Staff notes that the absence of any discussions on other issues presented in the 2017 DSM Annual Report should not be construed as Staff support for the Company's position on those issues.

Financial Review

Staff performed an extensive review of the Company's DSM expenses, including reviewing transactions across all of the Company's programs. Expenses were well documented and controls were designed to eliminate improper payment of incentives. Based upon results of its review, Staff recommends that the Commission issue an order declaring that the Company prudently incurred $44,145,316 in DSM-related expenses during 2017. This amount consists of $37,162,002 in Idaho Energy Efficiency Tariff Rider expenses and $6,983,314 in Demand Response incentives that have been included for recovery in the 2017 Power Cost Adjustment.

Staff calculated the DSM Rider account balance as of December 31, 2017 as follows:

Table 1: Tariff Rider Reconciliation

2017 Beginning Rider Balance (Overfunded)	**$10,730,151**
2017 Funding plus Accrued Interest	39,763,536
Total 2017 Funds	50,493,687
2017 Reported Expenses	(37,162,002)
Prior Year Adjustments	16,897
Weatherization Solutions Correction	(56,571)
Fridge and Freezer Recycling Correction	22,022
Residential EE Education Correction	4,266
Labor Correction	89,304
Transfer to PCA (Order No. 33736)	(13,000,000)
Balance as of December 31, 2017	**$407,603**

In the Company's previous DSM prudency request, Case No. IPC-E-17-03, the Commission reduced the Company's request by $16,897 to account for a vehicle charge error and expenses associated with the Boise Metro Chamber of Commerce and Rotary Club in 2016.

See Order No. 33908. The Company adjusted its books in 2017 as directed in Order No. 33908. This amount is added back to the Rider in 2017 to avoid understating actual 2017 expenses and reflected in the table above as Prior Year Adjustments.

The Weatherization Solutions Correction accounts for $56,571 that was incorrectly charged to the Oregon Energy Efficiency Rider in 2016 but should have been recorded to the Idaho Rider. The adjustment was made in 2017 after the Commission already issued a prudence determination for expenses in 2016. This amount is removed from the prudency request and reflected in Table 1.

The Fridge and Freezer Correction is an amount that was incorrectly charged twice to the Rider's expenses in 2016. The adjustment correcting the error was made during 2017. This amount is added back to the Rider to avoid understating the program's 2017 expenses.

The Residential EE Education Correction amount was incorrectly charged to the Rider in 2016, when it should have been charged to non-Rider operations and maintenance expense. The correction was made during 2017, and thus is added back to the Rider to avoid understating expenses.

In Case No. IPC-E-16-33, which was initiated after last year's DSM prudency request to address the continual over-funding of the Tariff Rider, the Commission ordered the refund of $13 million in previously collected Rider funds to customers through the Company's annual PCA mechanism. See Order No. 33736. This amount reduces the Tariff Rider balance as reflected in Table No. 1.

DSM Labor Expenses

In Order No. 33908, the Commission adopted a process for DSM labor expense that attempted to remove the examination of incremental labor expense from the DSM prudency case by allowing the Company "to include actual wage increases up to a 2% cap in the DSM Rider." During 2017, the Company classified $89,304 of Rider-funded labor to non-Rider funded O&M expense because it believed that 2017 Rider-funded labor had exceeded the 2% annual cap authorized by the Commission. When preparing the current filing, the Company stated that Rider-funded labor in 2017 was below the 2% cap, thus the Company made an accounting adjustment in 2018 to reverse the $89,304 that had been initially classified as non-Rider funded O&M. This adjustment is listed as a Labor Correction in Table 1 above.

In 2017, the Company incurred $3,296,704 in Rider-funded labor expense, which is an increase of 6.44% over 2016 labor expense. When calculating the 2017 maximum allowable labor expense, the Company applied the 2% cap to the average labor expense per full-time equivalent employee ("FTE")[2] instead of applying it to the 2016 total expense as illustrated in Table No. 5 of Aschenbrenner's direct testimony and replicated below:

Table No. 2 – Annual Labor Expense

Column	1	2	3	4	5	6
Year	Total Labor	FTEs	2016 Baseline $/FTE	$/FTE plus Annual 2% Increase	Maximum Allowed Labor Expense	Amount in Excess of 2% Cap
2016	$ 3,097,309	25.36	$ 122,150			
2017	$ 3,296,704	26.82		$ 124,593	$ 3,341,600	$ -

The Company's calculation produces a maximum allowed labor expense for 2017 of $3,341,600, which is 7.9% greater than actual labor expense incurred in 2016. If the 2% cap were applied to Total Labor in 2016, the maximum allowed labor expense for 2017 would be $3,159,255 which is $137,449 less than the amount the Company charged to the Rider in 2017.

The Company's calculation is consistent with the methodology used by Staff when calculating labor adjustments for 2011-2016, however, Staff believes it is inconsistent with the Commission's intent in Order No. 33908 to cap annual labor expense at 2%. Staff is concerned that when the 2% is applied to the average labor expense per FTE, the Company can increase the maximum allowed labor expense above 2% by having employees charge additional time to the Rider, thus increasing the number of FTEs. If the Commission intended for Rider-funded labor expenses to be capped at 2% of total labor each year, the Tariff Rider balance should be adjusted by $137,449 to account for the amount of 2017 labor in excess of the 2% cap. The Rider balance as of December 31, 2017 would then be $545,052.

Demand Response

Idaho Power manages three demand response programs to curtail load at times when system capacity is constrained: A/C Cool Credit, Flex Peak, and Irrigation Peak Rewards.

[2] The Company calculates the number of FTEs by dividing the total number of hours charged to the Energy Efficiency Tariff Rider by a "standard" 1912 hours.

Together, these programs have enrolled capacity of 394 MW of demand reduction. As a result of stakeholder workshops and Order No. 32923, these programs are considered cost-effective if they cost less than $16.7 million annually. In 2017, the Idaho jurisdictional cost of operating the three programs was approximately $8.8 million ($7.4 million of incentives and $1.4 million in other program costs). Aschenbrenner Direct at 25. The Company estimates that if the three programs were dispatched for all of the allowed 60 hours, the total costs would have been approximately $11.1 million on a system-wide basis. *Id.* The Company's demand response programs are well-managed and the Company has become adept at layering in blocks of each program in combination with each other to smoothly flatten system peaks, rather than cause an abrupt decline which causes difficulty for system operators.

With each new program season, the Company updates the data in its A/C Cool Credit predictive analytics software to more accurately understand the amount of demand reduction each demand response event will provide. The Company made several changes to Flex Peak this year to make it more customer friendly: it created an automatic re-enrollment option for customers who participate every season, added text messaging as a notification option, and offered a bill credit option for incentive payments. In Irrigation Peak Rewards, the Company replaced all EnerNOC/M2M communication devices on customer pumps with Company-owned devices. The Company believes this will lower costs by reducing reliance on contractors for device management and communication services.

While the Company's demand response programs are a cost-effective resource to meet system peaks, the size of these program are limited by the terms of the settlement stipulation approved in Order No. 32923 which stated that the Company did not have an immediate capacity deficit. The settlement stipulation was based on the 2013 Integrated Resource Plan (IRP) and the order "encourage[d] the Company to continue evaluating opportunities associated with DR programs on an ongoing basis". Order No. 32923 at 7. IRPs since 2013 have not found near-term capacity deficits, so the Company has continued to maintain that demand response is not needed while simultaneously identifying supply-side resources to meet longer term capacity deficits. Staff is concerned that expanded demand response has been considered after, rather than alongside, supply-side options for future capacity deficits. Staff believes the Company should rigorously examine the potential for expanded demand response in its 2019 IRP.

Energy Efficiency

2017 was a very successful year for the Company's energy efficiency portfolio. The Company's savings increased 12 percent from 2016, which is its second largest energy savings since 2002. Most importantly, the Company exceeded its IRP target. Energy savings were 1.3% of system sales and the portfolio was cost-effective with a 2.75 UCT.

In recent years, the Company launched a very successful Energy-Saving Kits (ESK) initiative for residential customers, greatly improved its marketing, and expanded its cohort training programs for commercial customers. While significant progress has been made, other notable opportunities for expanding programs and marketing also exist. Notwithstanding program successes, Staff remains concerned that the Company cancelled the cost-effective Home Improvement Program.

Achievements

The Company has taken a thoughtful approach to the barriers associated with energy efficiency and developed a series of energy-saving kits for several customer segments to make it very easy for customers to participate in and learn about energy efficiency.

The Company launched a very successful Energy-Saving Kits initiative for its residential customers through its Educational Distributions program in 2016. ESKs containing LED light bulbs, faucet aerators, energy efficiency showerheads, and several other measures were mailed to customers at no charge upon request. The program was a very popular in 2016. In 2017, the Company replaced the standard energy efficient showerheads supplied within each kit with showerheads that included a thermostatic valve in each energy efficient showerhead, which increased the savings generated by each kit. In order to reach beyond early adopters, the Company significantly increased the marketing for this program in 2017 with bill and newspaper inserts, as well as radio ads. The kits were featured on the April 2017 Connections cover and the Company distributed bilingual bookmarks explaining how to order the kits. The Company also advertised the program by direct mail to between 18,000 and 49,000 customers. Savings for this program increased from 15 million kWhs to over 21 million kWhs in 2017 and remained cost effective with a 3.02 UCT.

Building on the success of the residential ESKs, the Company developed energy-saving kits for small commercial customers. This program will launch in 2018 and kits will be tailored for three types of small commercial customers: restaurants, retail, and office spaces. Similar to

the residential ESKs, the commercial kits will be mailed upon request, but the Company will also offering in-person delivery by Idaho Power Staff. In-person delivery could be an opportunity for Idaho Power Staff to help deliver additional energy efficiency programs to this hard to reach customer segment.

The Company's Student Energy Efficiency Kit distribution was also very successful. This program provided energy efficiency education curriculum to fourth, fifth, and sixth grade classes and delivered almost 9,000 kits to students in 112 schools in the Company's service territory. While the Company only claimed savings of about 2,000 kWh for the measures in the kits and did not claim other savings possibly driven by the curriculum, the program implementer believes behavioral savings could be as high as 2.5 million kWh.

Educators and students were very pleased with the program. One hundred percent of teachers who completed surveys would recommend the program to their colleagues and conduct the program again. Sixty-seven percent of student survey respondents said their family changed how they used energy as a result of the program and parents responded that the "program was easy to use, they would like to see it continue in local schools, and they would continue to use kit items at home after completion of the program." DSM Report, page 55. Staff supports the Company's efforts to deepen the understanding of energy efficiency among its customers by educating students.

Beyond mailing kits, the Company also launched Home Energy Reports through its Educational Distributions. The program launched in 2017, but savings will not be claimed or reported until a full year of the program has elapsed in 2018. Staff supports the Company's movement towards behavioral energy efficiency programs.

The Company's long standing residential Energy Efficient Lighting program increased savings in 2017, climbing 79 percent from the previous year to nearly 37 million kWh. This program alone provided almost a quarter of the Company's total portfolio savings. This program provides incentives directly to manufacturers and retailers, which result in discounted prices for customers. The number of bulbs incented through this program increased 20% from 2016 to 2017 as more customers adopted the technology as a result of availability and declining costs.

One of the Company's newer programs, the Multifamily Energy Savings Program had a successful second year in 2017. The program provides free, direct install energy saving measures to the hard-to-reach multi-family housing sector. The program completed three projects in 2016 and 12 projects (totaling 687 apartments) in 2017. Each apartment unit received

LEDs, high efficiency showerheads, kitchen and bathroom faucet aerators, and water heater pipe insulation, installed by a contractor.

Staff supports the expansion of this program because it is cost-effective and reaches a potentially large and under-served customer segment. However, Staff is concerned that the marketing efforts for this program are limited. The Company launched a new webpage for the Multifamily Energy Savings Program and conducted outreach with brochures and at community events, but the webpage only received about 350 unique visits during the year and the Company mailed only 15 brochures. After two years, Staff believes the Company has sufficient experience implementing this program to broadly advertise it.

In addition to its residential programs, the Company's Commercial and Industrial (C&I) Energy Efficiency Program had another impressive year, saving over 85 million kWh. Within this program, the Company provides incentives for large custom projects, smaller customer projects (under its "streamlined" custom offering), new construction, and retrofits. Custom projects are long, complex, and can take years to complete. Despite the long timeline, the Company completed 170 projects in 2017 for over 44 million kWh of savings and received 176 applications for future projects, which has the potential for 48 million kWh of future savings. Staff recognizes the Company's continuing efforts to stock the pipeline with projects.

Within the C&I Program, the Company continued its successful cohort training. In 2017, the Company launched the first full year of the Continuous Energy Improvement Cohort for Schools. Schools often have difficulty funding capital improvements, so these programs help participants identify low cost or no-cost operational improvements by training facility operators in energy management strategies. In addition to driving operational savings, these programs also generate demand for capital projects that can be incented through the Company's custom or retrofit incentives. The Company is adjusting its approach to some aspects of the school cohort to ensure that people with the authority to make operational and budget decisions are sufficiently involved. Staff appreciates the Company's efforts to work with schools and other cost-constrained large electricity customers to find options for improving energy efficiency.

Despite these successes, the Company was forced to cancel its residential Fridge and Freezer Recycling Program. Staff supports this decision because the program did not pass the UCT and the Company had already discussed and implemented adjustments to make the program cost-effective in cooperation with the Energy Efficiency Advisory Group (EEAG).

Staff appreciates the Company's frequent and clear communication about the status and challenges facing this program.

Value of Deferred Transmission and Distribution

In its IPC-E-17-03 comments, Staff raised concern with the Company's use of a 7-year deferred investment stream for transmission and distribution benefits provided by energy efficiency. Idaho Power discussed this issue with parties at the EEAG February 8, 2018 meeting and committed to using a 20-year analysis in the upcoming 2019 IRP process. Staff appreciates this and believes it fulfills the directive in Order No. 33908. The Company is also working with the Northwest Power and Conservation Council to establish a regional methodology for determining the value of deferred transmission and distribution provided by energy efficiency and will keep the EEAG apprised of its progress.

Opportunities for Improvement

Although 2017 was generally a successful year for the Company's DSM programs, there are several areas of concern. The most glaring was the decision to discontinue the Home Improvement Program in June 2017 despite the fact that it was clearly cost-effective from a resource perspective with a UCT of 2.54 in both 2016 and 2017. This program provided 500,000 kWh of savings in 2016 and almost as many savings in 2017, even though it only operated for six months in that year. Staff continues to disagree with the decision to end a cost-effective program.

In addition to ending a cost-effective program, the Company has not implemented a program specifically designed for small business customers. This customer segment is often difficult to reach because they often have limited financial and staff resources to research and participate in energy efficiency programs. However, both Avista and PacifiCorp have implemented cost-effective direct install programs for small business customers. When questioned by the EEAG about the absence of a similar program in its service territory, Idaho Power maintains that the menu retrofit portion of its C&I Efficiency program targets small business customers. Staff disagrees—that program offering is for all C&I customers, it is not designed to overcome barriers specific to small business customers. Staff recommends that the Company examine program design options similar to what Avista and PacifiCorp have implemented.

Lastly, Staff is concerned that the Company's efficiency programs will be very negatively impacted when Phase 2 of the Energy Independence and Security Act (EISA) code – which increases the efficiency of many lightbulbs by 60 or 70 percent – becomes effective in 2020. Because LED lighting has historically been such a large portion of the Company's energy efficiency savings over the past few years (up to 90% of the Company's residential program savings come from lighting), Staff recommends the Company work with the EEAG to ensure that program savings remain healthy beyond 2020. Staff recognizes that customers will continue to benefit from the resource savings provided by efficient lighting after 2020 because energy savings will be in code rather than in utility programs. However, Staff believes it is incumbent on the utility to continue pursuing the significant energy savings potential that will continue to exist into the 2020s due to the high penetration of remaining installed incandescent and halogen lighting as well remaining savings potential in underserved markets such as rural, low-income, and elderly customers.

Staff notes that the Home Improvement Program is one of the few programs that does not derive most of its savings from lighting. As lighting savings become more difficult to acquire after 2020, the insulation and window measures cancelled by Idaho Power in the Home Improvement Program are exactly the kind of measures that will become more important.

Evaluation Schedule

Energy efficiency programs are evaluated using impact and process evaluations. Impact evaluations measure savings and process evaluations examine the program delivery methods. According to industry standards, the savings produced by energy efficiency programs should be evaluated every two to three years. Because savings are only verified during impact evaluations, programs should be subjected to an impact evaluation every two or three years. The Company has been evaluating its programs every two or three years, but only conducting either an impact evaluation or a process evaluation in each cycle. This means that program savings are only evaluated every four to six years rather than every two or three years. Staff believes waiting four to six years between impact evaluations may not be sufficient to verify savings. Staff proposes the Company consider a more frequent schedule and follow the industry norm of two to three years for both impact and process evaluations for each program.

Marketing

The Company's marketing efforts remained very robust in 2017. As it has for the past few years, the Company continued and improved its well-rounded marketing campaign of TV, radio, print, and social media ads to promote individual programs and energy efficiency in general. Monthly energy efficiency segments on TV expanded from Boise into Twin Falls in 2018. A new ad campaign was launched featuring local businesses and recognizable local landscapes that showed how different businesses easily saved money with Idaho Power's programs. The Company continued to help C&I customers publicize energy efficiency projects with optional large format checks and the offer to speak at public events. In addition, the Company added eight customer solution advisors who make out-bound customer service calls to commercial and irrigation customers on a range of issues, including energy efficiency. Staff believes this may help create and sustain participation in energy efficiency programs.

Although the Company has maintained and refreshed its marketing campaign, Staff believes opportunities remain for the Company to tailor its marketing more specifically to customer segments most likely to take action.

For instance, the third party evaluator believes the Company's Rebate Advantage program could benefit from micro-targeting ads "towards manufactured home buyers who bypass dealers and purchase directly via the Internet." DSM Report at 90. This program incents customers to buy new Energy Star-qualified manufactured homes.

In response to that recommendation, Idaho Power stated that it could not market this directly to consumers interested in manufactured homes because the program was designed to be "dealer driven." But the Company's marketing for the program appeared to focus far more on customers than it did on dealers—375,000 mailers were sent directly to customers, 58,000 customers were reached through a Facebook ad, while dealer support consisted primarily of visiting some dealerships and providing marketing material as needed. Since the Company is already marketing the program to customers, Staff recommends that it consider tailoring its efforts to achieve the micro-targeting proposed by the evaluator.

Staff also believes the Company has a significant opportunity to engage customers in energy efficiency when they sign up for myAccount. As customers register, the Company can request permission to email them updates on programs and energy savings news. The benefit of this type of "permission marketing" is its low cost and the ability to target specific customers for relevant programs and measures based on their patterns of use, home size, location, climate zone,

and other indicators. For comparison, banner ads and pop-ups on websites have low click-through rates and cost more than permission marketing.

Customer Surveys

In 2016, the Company created the "empowered community," which is a self-selected group of about 1,400 customers who volunteer to answer online surveys from Idaho Power. Recruiting for the empowered community occurs annually and surveys are sent monthly to test customer interest in program design and marketing approaches related to a range of topics, including energy efficiency.

At several EEAG meetings, the Company has provided survey results from the empowered community as evidence of customer interest in a topic or preference for a particular outreach approach. Staff does not believe it is reasonable to rely primarily or significantly on the opinions of a self-selected group of customers in order to ascertain customer preferences because they do not appear to accurately represent Idaho Power's customers. For example, 41% of the empowered community is made of people who have a college or graduate school education. By comparison, only about 26% of Idahoans have a college degree. Since education is associated with income, Staff is concerned that the empowered community may not reflect the needs or preferences of Idaho Power's customers as a whole. Staff cautions the Company not to over-emphasize the results of its empowered community surveys when designing programs for all of its customers.

RECOMMENDATION

After reviewing the Company's Application, including the accompanying testimony of Connie Ashenbrenner, the 2017 DSM Annual Report and supplements, and other information provided, Staff recommends the Commission find that the Company prudently incurred DSM-related expenditures of $44,145,316. This amount consists of $37,162,002 in Idaho Energy Efficiency Tariff Rider expenses and $6,983,314 in demand response program incentives. However, if the Commission's intent in Order No. 33908 was to implement an annual cap of 2% of total labor expense, the above Tariff Rider expenses will need to be reduced by $137,449.

Respectfully submitted this 19th day of July 2018.

Edith Pacillo
Deputy Attorney General

Technical Staff: Cassie Koerner
Brad Iverson-Long

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 19th DAY OF JULY 2018, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF,** IN CASE NO. IPC-E-18-03, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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