

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)
OF PACIFICORP DBA ROCKY MOUNTAIN) **CASE NO. PAC-E-11-13**
POWER TO SUSPEND FUTURE PROGRAM)
EVALUATIONS OF SCHEDULE 21, LOW)
INCOME WEATHERIZATION SERVICES)
OPTIONAL FOR INCOME QUALIFYING) **ORDER NO. 32440**
CUSTOMERS)
)

On April 29, 2011, PacifiCorp dba Rocky Mountain Power (“Rocky Mountain” or “Company”) filed an Application seeking an Order suspending the Company’s future obligation to perform program evaluations of its Schedule 21 – Low Income Weatherization Services Optional for Income Qualifying Customers Program.

On June 30, 2011, the Commission issued a Notice of Application, Notice of Modified Procedure and Notice of Intervention Deadline with a 90-day comment period. *See* Order No. 32284. Subsequently, the parties agreed to extend the comment deadline to October 28, 2011. *See* Order No. 32363.

On July 1, 2011, the Commission granted the Petition to Intervene filed by Community Action Partnership Association of Idaho (“CAPAI”). *See* Order No. 32286.

The Company, Staff and CAPAI all submitted written comments, including reply comments issued by the Company.

APPLICATION

Rocky Mountain partners with two non-profit weatherization agencies that install energy efficiency measures in income eligible households at no-cost to residents: Eastern Idaho Community Action Partnership in Idaho Falls and Southeastern Idaho Community Action Agency in Pocatello (“agencies”).

Rocky Mountain attached a copy of the evaluation conducted by The Cadmus Group, Inc. (“Cadmus”) of its Schedule 21, Low Income Weatherization Services Optional for Income Qualifying Customers (“Program”), to its Application. The Program evaluation was based on program activities for the time period of 2007 through 2009.

Rocky Mountain states that, due to many factors, the evaluation reveals that the program is not cost-effective. As such, the Company seeks an acknowledgement from the Commission that the program is an acceptable part of Rocky Mountain's program portfolio, as well as a finding that it should be allowed to continue. The Company believes that future administrative costs associated with the program could be lessened by the removal of the Company's obligation to perform future program evaluations.

During the three-year evaluation period, the Company offered the agencies a 75% reimbursement for the cost of installing approved measures and a 15% reimbursement for administrative costs. A cap of \$150,000 per year in program funding was established over the three-year period. Rocky Mountain stated that the remainder of the costs for installed measures not subject to reimbursement from the Company, 25%, is obtained by the individual agencies from federal funding sources.

Rocky Mountain noted that Commission Order No. 32196, Case No. PAC-E-10-07, increased the annual program funds available from a maximum of \$150,000 to \$300,000. Rocky Mountain's contribution to the agencies for the cost of installing approved measures was also increased from 75% to 85% of the cost of approved measures. The 15% administrative cost reimbursement remains in place.

The program evaluation performed by Cadmus includes the review of processes and their impacts. It estimates the kWh savings achieved through billing analyses, as well as estimates for non-energy benefits. Rocky Mountain argues that its entire portfolio of energy efficiency programs is cost-effective. However, the Company argues that Schedule 21 is not cost-effective when viewed from the total resource cost (TRC), utility cost (UCT) or ratepayer impact (RI) perspectives, unless non-energy benefits are included. The TRC test indicates that Schedule 21 is cost-effective if non-energy benefits are factored into the analysis. Rocky Mountain's analysis included only the Company's costs of administering the program and did not include any funds the agencies may have received from federal sources.

In summary, Rocky Mountain wants to discontinue further evaluations of Schedule 21, Low Income Weatherization Services Optional for Income Qualifying Customers because the Company believes that the additional costs of program evaluations will further erode the cost-effectiveness of the Company's demand-side management programs. The Company believes that its position is supported by the independent evaluation conducted by Cadmus, attached to its

Application. Rocky Mountain stated that the case should be processed through Modified Procedure.

CAPAI COMMENTS

CAPAI believes that the acceptance of Rocky Mountain's Application and the Cadmus evaluation/model places the LIWA Program, and every other low-income program, in "serious jeopardy." CAPAI Comments at 4-5. CAPAI believes that the LIWA Program is "extremely cost-effective." *Id.* at 6. CAPAI also believes that the Company's filing of the Cadmus study was "delinquent" because Rocky Mountain waited until April 2011 to file the study. *Id.* at 8.

CAPAI presented the following recommendations to the Commission: (1) deny Rocky Mountain's Application to discontinue future evaluations of low-income programs; and (2) issue a final Order in this case directing that LIWA programs continue to be a part of Rocky Mountain's DSM portfolio. *Id.* at 15.

CAPAI's comments also included an analysis, conducted by CAPAI's consultant, Roger D. Colton, of the Cadmus study regarding the cost-effectiveness of low-income weatherization in Idaho. *Id.*, Exh. B. Mr. Colton concluded that the Cadmus study is an "inappropriate basis for decision-making." *Id.*, Exh. B, p.2. In his comments, Mr. Colton cites numerous flaws with the study which led to an understatement of the savings in weatherized homes and the non-energy benefits attributable to the low-income programs. *Id.*, Exh. B, pp. 2-11. The analysis references two "phenomena" that have occurred during the study period that "would have affected the participant and non-participant populations: (1) a substantial economic downturn; and (2) a significant increase in the price of electricity." *Id.*, Exh. B, p. 3. Colton states that "Cadmus acknowledges that it made no effort to adjust for the disproportionate impact that the rate increases and economic recession would have had in generating reductions in the non-participant population." *Id.*, Exh. B, p. 4.

Other problems/flaws cited in Colton's comments include, but are not limited to, the following:

- (1) The non-participant population used by the Cadmus study was a "higher income" group than the weatherization population leading to an overstatement of the "naturally occurring" savings in the non-participant population and thus an understatement of the net savings attributable to weatherization;

- (2) The Cadmus analysis compares a non-participant population consisting “almost entirely [of] electrically-heated homes” against the savings of “participant homes heating with electricity and with other fuels”;
- (3) The study underestimates the value of the “physical” changes in participant homes (i.e., adding insulation, replacing incandescent bulbs with compact fluorescent lights, etc.) over the 25-year study period because they are likely to be more “persistent” than “behavioral” changes in non-participant homes;
- (4) The study treats the participant and non-participant populations as though they were the same even though the non-participant population experiences significantly more (26%) disconnections which unnaturally reduce the consumption statistics of the participant group;
- (5) The study did not explain how it adjusted for homes within the non-participant population that had previously been weatherized through federally-funded programs (13%);
- (6) The study attributes a one-year benefit toward payment of arrearages rather than an annual reduction benefit;
- (7) The study did not quantify the dollar savings associated with reductions in credit, collection and disconnection activities the Company would not have to conduct due to reduced arrearage amounts for the participant population;
- (8) The study erred “by not adjusting the total bill to eliminate miscellaneous charges such as late payment charges, disconnection and reconnection charges, returned check charges” etc.; and
- (9) The study utilizes participant credit balances to offset arrearage balances of other participants which lead to an incorrect calculation of the average arrearage amount for the group over the study period.

Id., Exh. B, pp. 4-20.

Next, Mr. Colton notes that the study, Restated Table 23, finds that the program is cost-effective, under every test except for the Rate Impact Test, if non-energy benefits and the upper bound of the savings estimate are utilized. *Id.*, Exh. B, pp. 20-21. CAPAI encourages the Commission to adopt the recommendation and reasoning found in a 1994 Oak Ridge National Laboratory study acknowledging quantifiable “payment-related ratepayer benefits generated by low-income weatherization.” *Id.*, Exh. B, pp. 26-27. If the Commission does not attribute a

“dollarized benefits per program participant,” CAPAI suggests that the Commission use an “adder” to capture the non-energy benefits of low-income weatherization. *Id.*, Exh. B, p. 28.

STAFF COMMENTS

Staff “does not agree that the Company should discontinue all future evaluation of its low-income weatherization.” Staff Comments at 5. Staff prefaced its comments by stating that “determining program cost-effectiveness is particularly challenging.” *Id.* at 3. The Commission’s increased “emphasis on the need for evaluation, measurement and verification of DSM programs” has led the utilities to perceive a greater risk regarding the “recovery of costs associated with programs that may not be deemed cost-effective using standard cost-effectiveness tests.” *Id.* at 4. According to Staff, “there is no consensus among utilities, regulatory commissions, or other stakeholders” on how or what value to attach to “factors that are not easily quantified.” *Id.*

Staff noted that Rocky Mountain is “the first utility to submit a third party evaluation of its low income weatherization program.” *Id.* at 5. The 2009 MOU mandates that the utility evaluate the low-income program. *Id.* The Cadmus study is deficient because the utility failed to input all available and relevant data from the CAP agencies. *Id.*

Staff remarked that all three Idaho investor-owned utilities (IOUs) measure the energy savings associated with low-income programs differently. *Id.* at 6. In this instance, Rocky Mountain’s pre- and post-billing analysis is problematic because the billing analysis was applied five years apart. *Id.* Generally, the low-income population is more transient, leading to increased variability in usage from year-to-year. *Id.* The Cadmus study also does not distinguish between measures funded by the Company or another source. *Id.* at 6-7. Staff is unable to issue a comparative analysis of the cost-effectiveness of Rocky Mountain’s program due to the wide disparity in the methods used by the Idaho IOUs. *Id.* at 7. Staff stated that the Cadmus study cannot be properly evaluated because Rocky Mountain failed to capture all of the data collected by the CAP agencies and available to the Company. *Id.* at 8.

Accordingly, Staff issued the following recommendations:

1. The Company continue to evaluate the low-income program pursuant to the agreement reached in the 2009 MOU;
2. Funding for the program should continue at the current Commission-approved levels;

3. The Company should improve its data compilation process so that all available information is obtained through the implementation of “electronic file transfer capability;” and
4. The Commission should order low-income weatherization workshops to take place as soon as possible in order to facilitate a collaborative discussion amongst Staff, utilities, stakeholders, and other interested parties with the goal of preparing an action plan outlining “agreements reached and recommendations for future Commission actions.”

Id. at 8-9.

ROCKY MOUNTAIN REPLY COMMENTS

Reply to Staff Comments

The Company responded to Staff’s criticism that the billing analysis occurred five years apart by noting that the study sought to compare usage before and after program participation. *Id.* at 2. The Cadmus study addressed the “mover” effect by including them in the regression model and controlling for their impacts. *Id.* Rocky Mountain stated that it claims 100% of the energy savings in its billing analysis approach because the energy savings would not occur without the incentives provided to the participants. *Id.*

Rocky Mountain stated that it captures and stores the information from the CAP agency reports “in its legacy REST database.” *Id.* at 3. While the Cadmus study did not utilize all of that information to evaluate the LIWA program, the billing analysis method it did use is recognized as the “industry-standard method for verification of savings in residential weatherization programs, especially for low income programs.” *Id.* The Company believes that a decision regarding Staff’s suggestion that the Company implement an electronic file transfer capability within its tracking system so that information could be more readily transferred from the CAP agencies to the Company should be delayed until “this functionality” is proven to be “cost effective.” *Id.* at 3-4.

Reply to CAPAI’s Comments

Rocky Mountain believes that CAPAI has “misinterpreted the findings” of the Cadmus study. *Id.* at 4. Contrary to CAPAI’s assertion that the study found that the weatherization program is not cost-effective, the Cadmus report actually states that “the program is cost effective when all benefits are considered.” *Id.*

The Company chose to value certain “non-energy” benefits and exclude others from the study because many of them are speculative and “subject to debate.” *Id.* at 5-6, 12. The Company admits that “the quantification of additional benefits would increase the benefit cost ratio above its current level. . . .” *Id.* at 12. Rocky Mountain disagrees with CAPAI’s accusation that the Cadmus study is “long overdue.” *Id.* at 6. The Company’s testimony in the general rate case immediately prior to its instant filing, PAC-E-10-07, revealed that the study would be issued in early 2011. *Id.* Ultimately, the study was submitted to the Commission in April 2011. *Id.*

Rocky Mountain states that the evaluation costs of the LIWA Program were included in the 2010 and 2011 program costs. *Id.* The Company believes that if the Commission finds that evaluations should be continued then the costs of evaluation “should be considered at the DSM portfolio level and not at the individual program levels.” *Id.* at 7, 14. Rocky Mountain contradicts CAPAI’s statement that evaluation costs in the future will be less by noting that costs will most certainly increase in the future, even if you only account for inflation. *Id.*

Rocky Mountain dismisses CAPAI’s claims that a non-energy “adder” should be included to render the program more cost-effective as moot. *Id.* The Cadmus study already finds that the program is cost-effective under certain methodologies/tests without the “adder.” *Id.*

The Company states that its Cadmus study attempted to control for different environmental effects on the participant and non-participant groups to “the maximum extent possible.” *Id.* at 8. CAPAI’s belief that the persistence of weatherization measures on participants’ usage rates are understated in the Cadmus study cannot be appropriately quantified and therefore the Company did not apply a “degradation factor” in its analysis. *Id.*

The Cadmus study addressed the effect of disconnections on usage rates amongst the participant and non-participant populations by excluding those customers from both populations who experienced disconnections from the study. *Id.* at 10-11. The result was “lower net program savings.” *Id.* at 11. The study also “conducted a sensitivity analysis” to attempt to control for homes that may have received federally-funded weatherization assistance prior to the study period. *Id.* The study assumed “the same level of federally-funded weatherized homes” for the first year of the study period, 2007, as the year immediately prior to the study period, 2006, which “increased the annual per home net savings by about 5 percent (from 1,308 to 1,379 kWh).” *Id.*

The Cadmus study did not acknowledge or account-for the persistence of arrearage reductions because “it is not aware of any research indicating persistence of arrearage reductions beyond 1 year.” *Id.* The Company addressed CAPAI’s concern that the study “failed to account for the fact that an increased proportion of non-participant payments were directed toward bills other than current usage.” *Id.* at 12. Rocky Mountain believes that the inclusion of “additional charges and additional credits” was not warranted because the credits and charges “cancelled each other out” and represented only 1 percent of the billed amounts utilized in the payment analysis. *Id.* at 12-13.

Rocky Mountain then addressed CAPAI’s complaint that the study should include “post-installation data” that “actually represented time subsequent to the installation of weatherization measures” by excluding 41 households from the participant population “with date field values of October 2009 or later.” *Id.* at 13. The result was a 19% increase in the gross savings for the participant group. *Id.* Similarly, the Company responded favorably to CAPAI’s view that a customer with a bill credit should not be viewed as having a “negative arrears” but rather a \$0 arrearage amount. *Id.* at 13-14. The result was an average net arrearage reduction increase “from \$31 per customer to \$34 per customer” and “an increase in the annual arrearage benefit from \$8,302 to \$9,031.” *Id.* at 14.

In its concluding remarks, Rocky Mountain reiterates its acknowledgement that “there are societal non-energy benefits from the LIWA program.” *Id.* “The Company is open to Staff’s workshop recommendation to determine standard evaluation approach for low-income programs.” *Id.* Finally, if the Commission rules that evaluations should continue Rocky Mountain “respectfully requests that evaluation costs be included at the DSM portfolio level. . . .” *Id.*

FINDINGS OF FACT AND CONCLUSIONS OF LAW

The Idaho Public Utilities Commission has jurisdiction over PacifiCorp dba Rocky Mountain Power, an electric utility, and the issues presented in this case, pursuant to the powers granted it under Title 61 of the Idaho Code and pursuant to the Commission’s Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

COMMISSION FINDINGS AND DECISION

The Commission has reviewed all of the testimony, reports and related filings in this case. After reviewing these filings, the Commission finds that while the parties all agree that

Rocky Mountain’s programs offer substantial “non-energy benefits” to customers there still exists a wide disparity in the evaluation criteria utilized by the three main investor-owned utilities (IOUs), Idaho Power, Avista Corporation, and Rocky Mountain Power, to assess their low-income weatherization programs.

Thus, the Commission finds that it is reasonable and appropriate to defer any final decision regarding Rocky Mountain’s request to suspend its obligation to perform program evaluations of its Schedule 21 – Low Income Weatherization Services Optional for Income Qualifying Customers Program in order to conduct “public workshops to examine the common issues of need and determine the appropriate mechanisms to measure the cost-effectiveness of low-income weatherization programs.” Order No. 32432 at 22. Consistent with our final Order following the Company’s last general rate case, PAC-E-11-12, the Commission directs Rocky Mountain to participate in the workshops “with a goal of determining appropriate criteria for establishing funding levels for the utilities’ low-income weatherization programs . . . and submit a report to the Commission outlining their findings and recommendations.” *Id.* at 17.

In the interim, the Commission orders the Company to continue its commitment to evaluate and fund its low-income weatherization programs pursuant to and in full compliance with the Commission’s final Order No. 32196, PAC-E-10-07.

INTERVENOR FUNDING

Intervenor funding is available pursuant to *Idaho Code* § 61-617A and Commission Rules of Procedure 161 through 165. The Commission may order any regulated utility with intrastate annual revenues exceeding \$3.5 million “to pay all or a portion of the costs of one or more parties for legal fees, witness fees, and reproduction costs not to exceed a total for all intervening parties combined of \$40,000. . . .” *Idaho Code* § 61-617A(2). It is the “policy of (Idaho) to encourage participation at all stages of all proceedings before this Commission so that all affected customers receive full and fair representation in those proceedings.” *Idaho Code* § 61-617A(1). The statutory cap for intervenor funding that can be awarded in any one case is \$40,000. *Idaho Code* § 61-617A(2).

CAPAI. On December 14, 2011, CAPAI submitted its Petition for Intervenor Funding in this case. The organization requested an award of intervenor funding in the amount of \$16,845.00 (Legal costs- \$8,190; Expert witness fees- \$8,480; Costs- \$175). CAPAI Petition, Exh. A.

As support and justification for its funding request, CAPAI stated that it participated in this case “on a level equivalent equal to or greater than a general rate case.” *Id.* at 3. CAPAI asserted that its participation in this case was “substantial and included the normal time and effort expended to become a formal party to this case as well as engaging in substantial discovery, participating in a webinar with RMP, Staff, and CADMUS, extensive analysis of data and the compilation of comments and Mr. Colton's analysis.” *Id.* CAPAI noted that there were “material differences” between the position it took in its filed comments and Staff’s position in this case. *Id.* at 7-8. CAPAI did not agree with Staff’s recommendation of public workshops following this case but did assent to participation in any workshops ordered by the Commission. *Id.* at 7.

Commission Findings: The Commission has reviewed the Petition for Intervenor Funding filed by CAPAI. The Commission finds that CAPAI’s Petition was not timely. “[A]n intervenor requesting intervenor funding must apply no later than fourteen (14) days after the last evidentiary hearing in a proceeding or the deadline for submitting briefs, proposed order, or statements of position, whichever is last.” Commission Rule 164; IDAPA 31.01.01.164. As stated above, CAPAI’s request was submitted on December 14, 2011. The deadline for submitting comments in this case was October 28, 2011. Thereafter, the Company was allowed an opportunity to submit reply comments and did so on November 14, 2011. Therefore, under the most liberal interpretation of Commission Rule 164, CAPAI’s request for intervenor funding was received by the Commission at least 30 days after the last deadline established by the Commission in this case.

Therefore, we find that it is fair, just and reasonable to deny CAPAI’s request for intervenor funding. The Commission notes that it will entertain a timely petition for intervenor funding filed by CAPAI following the conclusion of the public workshops ordered in this case. Because the Commission views this case as a precursor to the generic investigation and public workshops ordered in this case, PAC-E-11-13, and the Company’s last general rate case, PAC-E-11-12, CAPAI may submit a request that includes any fees and/or costs incurred by the organization associated with this case.

O R D E R

IT IS HEREBY ORDERED that Rocky Mountain Power's Application to suspend the Company's future obligation to perform program evaluations of its Schedule 21 – Low Income Weatherization Services Optional for Income Qualifying Customers Program is denied.

IT IS FURTHER ORDERED that the Company shall participate in public workshops to examine the common issues of need and determine the appropriate mechanisms to measure the cost-effectiveness of low-income weatherization programs. The Company shall also assist in the preparation of a report and recommendation following the conclusion of the public workshops.

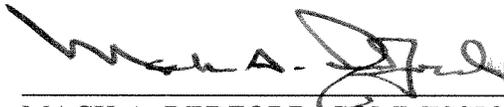
IT IS FURTHER ORDERED that Community Action Partnership Association of Idaho's Petition for Intervenor Funding is denied. *See* IDAPA 31.01.01.164. The Commission will entertain a timely petition for intervenor funding following the submission of the report and recommendation mandated by this Order.

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.

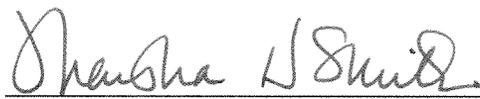
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 18th
day of January 2012.



PAUL KJELLANDER, PRESIDENT

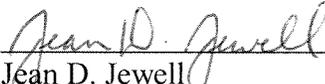


MACK A. REDFORD, COMMISSIONER



MARSHA H. SMITH, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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