NEIL PRICE
DEPUTY ATTORNEY GENERAL
IDAHO PUBLIC UTILITIES COMMISSION
PO BOX 83720
BOISE, IDAHO 83720-0074
(208) 334-0314
IDAHO BAR NO. 6864

Street Address for Express Mail:
472 W. WASHINGTON
BOISE, IDAHO 83702-5918

Attorney for the Commission Staff

RECEIVED
2011 OCT 28 PM 3:04
IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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

COMES NOW the Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Neil Price, Deputy Attorney General, and in response to the Notice of Application, Notice of Modified Procedure and Notice of Intervention Deadline in Order No. 32284 issued on June 30, 2011, submits the following comments.

BACKGROUND

On April 29, 2011, PacifiCorp dba Rocky Mountain Power ("Rocky Mountain" or "Company") filed an Application with the Commission 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. Rocky Mountain attached a copy of an evaluation, conducted by The Cadmus Group, Inc., of its Schedule 21 Low

Income Weatherization Services Optional for Income Qualifying Customers to its Application. The 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.

Rocky Mountain partners with the two non-profit community action partnership agencies (CAPs)[1] that install energy efficiency measures in income-eligible households at no cost to residents. During the three year evaluation period, the Company reimbursed CAPs for 75% of the cost of installing approved measures, with the remaining 25% of costs covered by funds obtained by the CAPs from federal sources. Rocky Mountain also provides CAPs a 15% reimbursement for administrative costs. An annual cap of $150,000 per year in program funding was in effect over the three year period. The program evaluation performed by The Cadmus Group, Inc., includes process and impact evaluations. The impact evaluation uses a billing analysis to estimate the kilowatt-hour (kWh) savings achieved by the program. Estimates for non-energy benefits produced by the program are also quantified by the impact evaluation.

Rocky Mountain argues that its entire portfolio of energy efficiency programs is cost-effective. However, the Company states that its low income weatherization program is not cost-effective when viewed from the Total Resource Cost (TRC), Utility Cost (UCT) or Ratepayer Impact (RIM) perspectives. However, the program is cost-effective under the TRC test 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 CAPs may have received from federal sources.

STAFF REVIEW

The Idaho PUC has a long history of support for utility-funded low income weatherization programs. These programs, however, have characteristics that make program oversight and

[1] The two non-profit agencies that serve Rocky Mountain's customers are the Eastern Idaho Community Action Partnership (EICAP) based in Idaho Falls and the Southeastern Idaho Community Action Agency (SEICAA) based in Pocatello.

evaluation more difficult compared with other utility-funded energy efficiency programs. Determining program cost-effectiveness is particularly challenging.

As previously discussed above, utilities contract with CAPs to deliver weatherization services to low income customers. These same agencies also deliver weatherization services through the federally-funded Weatherization Assistance Program (WAP) under a contract administered by the Idaho Department of Health and Welfare. With one exception[2], the CAPs also manage the Low Income Home Energy Assistance Program (LIHEAP), a federally-funded bill payment assistance program.[3] Low income applicants who own or rent single family, multi-family, or manufactured homes that qualify for LIHEAP funding automatically qualify for WAP. Experience in running multiple energy-related benefit programs, the ability to determine income eligibility, and the capacity to deliver services to low income clients makes the community action agencies uniquely qualified to administer utility-funded programs targeting low income customers.

Although in many ways a marriage of convenience, this arrangement has worked well in the past with respect to program delivery, but changing circumstances have raised some concerns. In December 2009, a "Memorandum of Understanding for Prudency Determination of DSM Expenditures" (MOU) was signed by the Commission Staff and Rocky Mountain, Avista, and Idaho Power. The MOU at page 6 addresses utility annual DSM reporting requirements and consideration of requests for prudency determination:

> By performing within these guidelines, assuming there is no evidence of imprudent actions or expenses, the utility can reasonably expect that in the ordinary course of business Staff will support full cost recovery of DSM program expenses.

Attachment No. 1 to the MOU at page 9 lays out Staff's expectations for Cost-Effectiveness Tests, Methods and Evaluations. It states:

> . . . Staff believes that prudent DSM management requires that cost-effectiveness be analyzed from a wide variety of perspectives, including the ratepayer impact perspective, and that all programs and individual measures should have the goal of cost-effectiveness from the total resource, utility, and participant perspectives . . . . If a particular measure or program is pursued in spite of the expectation that it will not, itself, be cost-effective from each of those three perspectives, then the annual DSM report should explain why the measure or program was implemented or continued.

---

[2] In Canyon County, the Western Idaho Community Action Partnership manages the energy assistance program (LIHEAP) and the Canyon County Organization on Aging administers the weatherization program (WAP).

[3] 15% of LIHEAP funds can be spent for low income weatherization.

Subsequently, the Commission has placed greater emphasis on the need for evaluation, measurement and verification of DSM programs, which has sharpened utilities' focus on cost-effectiveness. In turn, this has created a perceived increased risk on the part of utilities with respect to recovery of expenditures for programs that may not be cost-effective using standard cost-effectiveness tests. Last year, the Commission increased low income weatherization funding for both Rocky Mountain and Avista, which increased the amount of money that utilities may consider to be at risk. This year, the Community Action Partnership of Idaho (CAPAI), acting on behalf of the community action agencies it represents, has renewed efforts to get additional program funding, in part due to anticipated substantial decreases in federal funding.

In an effort to reduce administrative complexity, Rocky Mountain, Avista and Idaho Power have structured their low income weatherization programs to dovetail with the U.S. Department of Energy's requirements for WAP. Within the framework provided by DOE, each state receiving WAP funding must establish eligibility criteria, an approved process by which to determine energy savings and cost-benefit ratios, and audit procedures to verify compliance with various laws, rules, and standards. Although WAP and utility-funded programs share a common goal of saving energy, different yardsticks are employed for justifying expenditures on energy-saving measures. Unfortunately, there is no consensus among utilities, regulatory commissions, or other stakeholders on what factors should be considered, how factors selected should be measured and verified, or how to value factors that are not easily quantified.

In 1989, the Commission indicated:

> . . . [W]e see potential benefits for utilities in low-income-targeted conservation programs. Among these are capability building, improved image/reputation, market development, reduced uncollectibles, and avoided costs . . . . We intend to look favorably on proposed tariffs incorporating low-income-targeted conservation programs . . . A liberal valuation of intangible benefits of "low income customer" participation should be included in economic analyses of capability building/maintenance programs.

Case No. U-1500-165, Order No. 22299, p. 25.

More recently, the Commission has supported increased funding of low income programs, including Rocky Mountain's program. In 2010, the Commission stated:

> Addressing the continued needs in RMP's Idaho service territory of the low-income sector, we find that the record reflects there is a five-year backlog of homes that need and are eligible for weatherization in Idaho. We find that RMP does not dispute the cost-effectiveness of its Schedule 21 weatherization program

> for low-income customers. We find it reasonable to increase RMP's current annual funding level for low-income weatherization in this case from $150,000 to $300,000 and increase the dollar amount of RMP funds available for each individual project from 75% to 85% of total eligible costs. The Company indicated that an impact evaluation of the LIWA program would be completed by year-end 2010, and the results provided to the Commission in early 2011. This study will provide information that may be used to propose further changes to the program in the future.

Case No. PAC-E-10-07, Order No. 32196, pgs. 61 & 62.

Rocky Mountain is the first utility to submit a third-party evaluation of its low income weatherization program to the Commission, presenting Staff with its first opportunity to review the program in detail. Regarding Rocky Mountain's specific request in this case, Staff does not agree that the Company should discontinue all future evaluation of its low income weatherization program. The 2009 MOU requires that all DSM programs be evaluated and does not include an exception for low income programs or any other program. Evaluations becomes more, not less, important in the context of a program which may be under-performing. Evaluations are not only a way to judge program success, but also a method for making ongoing improvements, adapting to changing circumstances, and gauging progress towards program goals.

Staff is unwilling to use the results of the Cadmus evaluation to approve Rocky Mountain's request to find its current low income program an acceptable part of its portfolio. While the Cadmus evaluation was generally in line with industry standards for low income evaluations, its analysis was inconclusive in several areas, primarily because Rocky Mountain failed to collect detailed data from the CAPs which could inform measure-level implementation decisions. Broader issues regarding disparate views on how to measure energy savings, and therefore cost-effectiveness remain unresolved, which underscores the challenges of low income program implementation and cost-effectiveness. Despite Staff's concerns about cost-effectiveness, Staff encourages the Company to maintain the program in the near term. This will give Staff and the Company time to discuss, explore, and attempt different implementation tactics to improve cost-effectiveness and program delivery.

In the meantime, Staff understands Rocky Mountain's difficult position regarding the risk of cost recovery for a Commission-ordered program which may not be cost-effective and is also not directly administered by the Company. This situation is particularly challenging since there is no

clear path forward to achieve cost-effectiveness. Utilities across the state, region, and country are facing a similar dilemma.

One aspect of the industry-wide dilemma is how to measure energy savings of low income weatherization programs. For example, all three investor-owned utilities in Idaho measure the energy savings generated by low income programs differently, using billing analysis, deemed savings per measure, or energy audit analysis. Each of these methods results in dramatically different results, but each method can be justified.

Estimating "whole house"[4] energy savings by adding up the savings of each installed measure, while reasonable, may produce a less accurate savings estimate because it does not account for the interaction among measures. As a result, the energy savings from a whole house weatherization project is not necessarily equal to the sum of estimated savings for each individual measure.

Rocky Mountain determines savings for this program through a pre- and post- billing analysis. While many utilities use this method for evaluating low income energy savings because it can capture the effects of multiple measures simultaneously, billing analyses are more accurate when applied to an industrial or commercial setting in which the pre- and post- conditions can be closely controlled. In Rocky Mountain's case, a billing analysis was applied five years apart (one year of billing data on either end of the three year period selected) to low income customers who move much more frequently than regular-income residential customers. Cadmus reported that 38% of the program participants moved between the pre- and post-periods. It is impossible to accurately determine savings when the pre- and post-occupants may be different people with different energy consumption habits, and more importantly, a different number of people in the household. Moreover, billing analyses are rarely used for other residential programs. There is a clear need to determine some standardization of energy savings estimates so that utilities understand what benefits their low income programs provide.

In the Cadmus' evaluation, the biggest problem with the billing analysis is that it did not distinguish between measures funded by the utility and measures funded by another source. The billing analysis captured 100% of the savings, even though Rocky Mountain only paid for 75% of

[4] Because homes, once weatherized using low income weatherization program funds, are usually not eligible to receive additional benefits under the program, CAPs target all weatherization measures, along with any necessary repairs or replacements and home improvements necessary for the health and safety of occupants, when weatherizing a house.

the energy efficiency measures installed during the life of this program. Correcting this over-estimation by claiming 75% of the savings would further hurt the cost-effectiveness of this program.

Overstating the percentage of savings as compared to investment is inconsistent with the practices of other Idaho utilities. Avista pays 100% of the measures installed and claims 100% of the savings. Idaho Power also claims a percentage of energy savings equal to its investment. The percentage of energy savings claimed as compared to program costs is critical to establishing cost-effectiveness. Establishing an accepted standard on this point is very important.

The lack of consensus extends to cost-effectiveness calculations. Idaho Power claims 80% net to gross (NTG) ratio[5], which is standard for residential programs. Avista claims 100% NTG on the basis that low income customers would not install any energy efficiency measure without external funding. Rocky Mountain compares the billing analysis between participants and non-participants to determine what energy savings would have occurred in the absence of the program. Rocky Mountain and Avista add a 10% conservation preference factor to their cost-effectiveness calculations, but Idaho Power does not. These fundamental discrepancies dramatically affect cost-effectiveness. Staff understands and anticipates the need for flexibility between utilities, but these differences are too substantial for programs implemented so similarly. Staff cannot make a reasonable comparison of the cost-effectiveness of Rocky Mountain's low income weatherization program with similar programs when such disparate approaches to energy savings measurements and cost-effectiveness calculations exist.

The Cadmus evaluation indicates that Rocky Mountain's low income weatherization program is not cost effective unless non-energy benefits (NEBs)[6] are included. The NEBs quantified and included by Cadmus are: (1) reduction in arrearages of participants; (2) job creation; and (3) economic impacts. Other NEBs were discussed but not quantified, and so did not have an impact on cost-effectiveness calculations. Although NEBs are important factors to be considered in evaluating low income weatherization programs, quantification and assignment of value frequently becomes the subject of debate. In Staff's opinion, it is premature to discuss non-energy benefits in any detail before the fundamental inputs for cost-effectiveness have been established.

---

[5] The net to gross ratio is a factor representing net energy savings for a program (savings attributable to the program) divided by gross energy savings (changes in energy consumption due to actions taken by program participants regardless of the extent to which the program influenced those actions). The ratio is applied to gross program impacts to convert them into net program load impacts.

[6] Non-energy benefits do not produce energy savings, but have positive impacts on program participants, utility customers, utilities or society in general. Non-energy benefits may or may not be quantifiable.

As with any DSM program, comprehensive data collection is critical for making implementation decisions. Rocky Mountain missed a major opportunity for program analysis by not capturing all the relevant data reported to it by the CAPs. When a CAP installs a suite of measures in a residence, it records and reports to Rocky Mountain the number of measures installed and the cost of each measure, but Rocky Mountain does not capture this data in its database. Lacking this basic information makes it nearly impossible to make detailed recommendations about how to make the program more cost-effective. Rocky Mountain would be in a much stronger position to improve program cost-effectiveness through modification of the list of approved measures if the relevant data was collected. Lack of pertinent data for the program years evaluated is another reason why Staff cannot make a conclusion on cost-effectiveness based on the Cadmus evaluation.

Clearly, there is a lack of consensus on how to appropriately evaluate low income weatherization programs. The lack of consensus stems from the fact that these programs are inherently different from standard residential programs and should be evaluated using criteria that differs from criteria used for programs not targeted to low income customers.

For a variety of reasons, low income customers are less likely to participate in energy efficiency programs targeted to residential customers in general. Incentives cannot overcome the lack of available funds to invest in energy-savings measures or purchase more efficient appliances. Low income housing tends to be less energy-efficient and more likely to need repairs or additional work before weatherization measures can be installed, such as repairing a roof before installing ceiling insulation. Additional steps may need to be taken to improve the health and safety of occupants, such as installing adequate ventilation. These barriers to participation and the need for additional investments that do not directly produce energy savings led to the creation of separate low income weatherization programs. Now that the methodologies used to evaluate these programs are being more closely scrutinized, there is a greater need to find a way to value these programs correctly.

STAFF RECOMMENDATIONS

Given Staff's concerns about the measurement of energy savings and the cost-effectiveness calculations for Rocky Mountain's low income weatherization program, Staff recommends that the Company continue to evaluate the program on the two to three year schedule outlined by the 2009 DSM MOU. These evaluations should continue to be provided to the Commission and be available

for public review. Funding for the program should continue at existing funding levels until such time as the Commission authorizes a change.

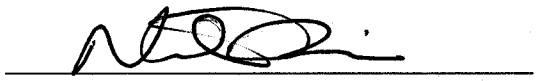
To improve the quality of its data and subsequent reports, Rocky Mountain should improve data compilation so that all available information provided by SEICAA and EICAP is captured. Staff recommends that Rocky Mountain facilitate implementation of electronic file transfer capability so that information can be transmitted electronically from the agencies to Rocky Mountain and retained for future analysis.

Staff believes that low income weatherization programs are unique and should be evaluated using criteria that differ from energy efficiency programs not targeted to low income customers. The importance of program oversight and attention to cost-effectiveness is not diminished, however, by the fact that a program is targeted to low income customers. Staff recommends that Rocky Mountain explore other metrics for evaluating its low income program. One means of doing so would be to participate in a workshop as further described below.

Staff further believes there needs to be a common understanding and approach with respect to how utilities implement, evaluate, measure and verify programs targeted to low income customers. The Commission Staff, utilities, stakeholders, and other interested parties would greatly benefit from such an understanding. Similarly, interested parties could come to agreement with respect to how utilities should manage programs and what degree of oversight is necessary.

In pursuit of this, Staff recommends that the Commission host an informal workshop as soon as possible so that all interested parties can participate in a collaborative discussion about the issues surrounding low income weatherization programs. Workshop objectives include developing a deeper understanding of the issues, explore ways to resolve those issues, and finally, developing an action plan that creates greater certainty regarding the implementation and evaluation of low income weatherization programs. This workshop will allow Rocky Mountain and the other utilities to consider ways to enhance the cost-effectiveness of existing low income programs and/or create new programs that target low income customers. At the conclusion of the workshop, Staff will provide the Commission with a report which will, at a minimum, identify the agreements reached and recommendations for future Commission action.

Respectfully submitted this 28th day of October 2011.



Neil Price
Deputy Attorney General

Technical Staff: Stacey Donohue
Beverly Barker

i:/umisc/comments/pace11.13npsdbab comments

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 28TH DAY OF OCTOBER 2011, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. PAC-E-11-13, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

TED WESTON
ID REGULATORY AFFAIRS MGR
ROCKY MOUNTAIN POWER
201 S MAIN ST STE 2300
SALT LAKE CITY UT 84111
E-MAIL: ted.weston@pacificorp.com

E-MAIL ONLY:
DATA REQUEST RESPONSE CENTER
datarequest@pacificorp.com

DANIEL E SOLANDER
REGULATORY COUNSEL
ROCKY MOUNTAIN POWER
201 S MAIN ST STE 2300
SALT LAKE CITY UT 84111
E-MAIL: daniel.solander@pacificorp.com

BRAD M PURDY
ATTORNEY AT LAW
2019 N 17TH STREET
BOISE ID 83702
E-MAIL: bmpurdy@hotmail.com

SECRETARY