Office of the Secretary
Service Date
August 15, 2013

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF PACIFICORP DBA ROCKY MOUNTAIN POWER FOR AUTHORITY TO MAKE REVISIONS TO ITS ELECTRIC SERVICE SCHEDULE 155, AGRICULTURAL ENERGY SERVICES	)	**CASE NO. PAC-E-13-10** **ORDER NO. 32879**

On May 24, 2013, PacifiCorp dba Rocky Mountain Power ("Rocky Mountain" or "Company") filed an Application, including a Revised Schedule 155 Tariff Sheet and Evaluation Report, pursuant to *Idaho Code* §§ 61-301, 61-307, 61-622, and 61-623, with the Commission seeking an Order allowing the Company to modify its Electric Service Schedule No. 155, Agricultural Energy Services. The Company proposes to suspend the prescriptive measures in the Idaho Agricultural Energy Services program ("Program").

Rocky Mountain requested that its Application be processed under Modified Procedure. The Company's Application included a proposed effective date of July 15, 2013. Subsequently, the Company agreed to withdraw its proposed effective date and requested its proposed changes become effective upon the service date of the Commission's final Order. On July 15, 2013, the Commission Staff ("Staff") was the only party to submit written comments regarding the Company's Application.

APPLICATION

The Company stated that it is filing this Application to amend the Program by suspending: (l) the Nozzle Exchange Program; and (2) incentives for the pivot and linear equipment measures listed in Table 1 of the current Schedule 155.

The Company employed a third party, Navigant Consulting ("Navigant"), to prepare an evaluation report. The complete report is included as Attachment B to the Application. Navigant cited several factors affecting Program energy savings:

a) Reported energy savings for the majority of the energy efficiency measures that reduce flow were based on deemed or unit energy savings (UES) values, making it difficult to establish a reliable baseline for a bottom-up engineering analysis.

b) Farmers may opt to participate in the Program in anticipation of future increases in watering requirements creating a self-selection bias in the analysis of the billing data and masking actual savings realized.

c) Mobility of non-center-pivot and non-pump specific measures could have reduced the applicability of a retrospective billing analysis because energy impacts occurred across multiple meters.

d) Lack of good data on crop planting history or participants' expansion efforts introduced uncertainty regarding energy consumption.

e) The impact of growers bringing acreage in and out of production and the subsequent impacts on water use and energy consumption.

f) Lack of information on soil characteristics for various participants impeded efforts to understand moisture retention at participant sites, and subsequent impacts on watering requirements.

g) Where multiple measures were installed the resulting interaction complicated the analysis beyond the approved sampling methodology. The lack of baseline data combined with unknowns regarding the relative magnitude of the varying measures increased uncertainty.

The Program evaluation report includes findings for the 2009-2011 time periods. The resource acquisition from a utility perspective was cost-effective, but the total resource look and other cost tests returned benefit to cost ratios below one. Based on these results the Company requested an additional review of individual Irrigation Energy Savers measures. The Navigant review indicates that while there is uncertainty regarding the analysis it appears that the Nozzle Exchange (including gaskets and drains) and prescriptive pivot and linear system upgrades are not cost-effective based on the information available.

Rocky Mountain believes that cost-effectiveness and energy savings can be evaluated with more certainty through custom analysis. Accordingly, even the suspended Agricultural Energy Services measures will continue to be available for incentives through the custom option. Custom analysis is based on pre-installation measurements to develop savings estimates and post-installation verification of savings on a site-by-site basis and should enable a more accurate assessment of project savings.

Attachment C of Rocky Mountain's Application, Idaho Agricultural Energy Efficiency Program Cost Effectiveness - Memo, states that removing the Nozzle Exchange and Pivot and Linear Irrigation system upgrades and allowing the measures in the custom program, will improve the economic performance of the Program in 2013. The Program passes the PTRC, TRC, UCT and PCT cost-effectiveness tests for the 2014-2016 period.

The Company states that all 2013 Idaho Agricultural Energy Services program incentive applications received with an equipment purchase date prior to the effective date of the new Program tariff will be eligible for incentives based on the current Program if the application is submitted within 90 days of the new tariff effective date. For equipment purchased after the effective date of the new Program tariff, eligibility will be based on the new Program tariff, and incentives for all measures will be available through the custom analysis. Customers must contact the Company prior to making any equipment changes.

The Company remarked that it will not reinstate prescriptive incentives until greater savings confidence can be achieved. The evaluation plan will be revised to reflect the suspension of the flow reduction measures. An engineering approach will be used rather than a billing analysis for the impact evaluation methodology. The Company plans to evaluate the 2012-2013 Program years in 2014.

STAFF COMMENTS

Staff recommended the Commission approve Rocky Mountain's request to suspend the Nozzle Exchange Program and the incentives for pivot and linear equipment measures listed in Table 1 of the current Schedule 155. Staff analysis focused on three issues: program energy savings and cost-effectiveness, administrative expenses, and program participation.

Program Energy Savings and Cost-Effectiveness

Staff noted that energy savings produced by prescriptive irrigation energy efficiency measures are notoriously difficult to measure. As Navigant, the third-party program analyst employed by Rocky Mountain, explained in its impact evaluation, one of the main difficulties is establishing reasonable consistency between the "before" and "after" conditions in order to quantify the energy savings effect of the efficiency measure. Differences in crops, acreage in production, and soil types combined with the mobility of small measures between meters prevent accurate impact evaluations post-retrofit.

The Nozzle Exchange Program did not have any statistically significant energy savings from 2009-2011. The pivot and linear upgrade measures were found to have negative energy savings in each of the three years. Thus, neither the nozzle exchange nor the pivot and linear upgrades were cost-effective during the three-year evaluation period.

Only the system redesign option had significant energy savings and was cost-effective from the TRC and UCT perspectives in each of the evaluated years. In the system redesign option, the pre- and post-conditions can be controlled so that the effect of the installed measures on energy consumption can be more reliably quantified.

In spite of the challenges surrounding the prescriptive measures, Staff explored the possibility of keeping the prescriptive measures if the entire Program, including the prescriptive and custom options, passed either the TRC or the UCT. However, the full Program did not pass the TRC in any single year and only passed the UCT in 2009. The Program did not pass the three-year (2009-2011) combined TRC and barely passed the three-year combined UCT with a 1.09.

Further, the Program only passed with the three-year combined average because of a strong UCT in 2009 (1.77), which bolstered the UCT from 2010 (0.46) and 2011(0.77). In discovery, Rocky Mountain explained that the higher 2009 UCT was driven by the energy savings from a large gravity pressure pipeline installation involving multiple customers as part of a system redesign project. Staff does not believe it is appropriate to justify program continuation on the results of a multi-year UCT that is inordinately affected by one project.

Staff recognizes that DSM programs can be an effective method for customers to control their bills and provide an opportunity for customers to reduce load for the benefit of all customers. However, Staff supports the Company's request in this case to suspend the prescriptive measures given the poor cost-effectiveness calculated to date, the difficulty in quantifying energy savings, and the likelihood that cost-effectiveness will continue to decline in the future.

Administrative Expenses

Although Staff supports the Company's request to suspend the nozzle exchange and pivot/linear equipment incentives, Staff is concerned with the high administrative costs generated by this Program. In response to discovery, Rocky Mountain reported that the administrative costs accounted for over 50% of the total program budget in 2009-2012.

In contrast, Idaho Power's Irrigation Efficiency Program, which also has custom and prescriptive options, spent less than 15% of the total program budget on administration in the last three years. Some of this discrepancy may be because administrative costs are not necessarily scalable – a set amount of money may be required to cover overhead costs regardless of the total program budget.

Attachment C of the Company's Application includes a forecast of the Program's expenses and cost-effectiveness through 2016 assuming that incentives for prescriptive measures are suspended. As shown in Table 2, Staff's primary concern with this forecast is that program costs, which are mostly incurred to pay contractors to implement the Program, plus utility administration, produce total administration budgets significantly higher than those from 2009-2012. These combined administration costs increase from half of the total program expenses to almost three-quarters of the total program expenses after 2013.

Staff's concern with the combined administrative expenses stems from its cost-effectiveness implications. Since the TRC includes the total cost of the measure regardless of funder (utility or customer), the primary method utilities have to control program costs, and therefore influence cost-effectiveness of existing measures, is by managing administrative costs. Attachment C shows that the cost-effectiveness forecast for the custom program from 2013-2016 varies between a 1.01 and 1.1 for the TRC, and that the UCT varies between a 1.48 and a 1.63. If administrative costs are much higher than the Company's forecast, even the custom option will not be cost-effective under the TRC.

Although Staff questions the large administrative expenses in past years and projected for future years, Staff believes that the non-existent or negative energy savings and resulting cost-ineffectiveness associated with the Nozzle Exchange Program and the linear/pivot upgrades warrant the suspension of the prescriptive options. However, Staff cautions the Company that cost-effectiveness is not the only threshold for recovery of program funds – expenses must also be prudently incurred. Staff will carefully consider whether administrative expenses that dramatically outpace incentive expenses constitute responsible measure-based program management in the Company's next DSM prudency determination.

Program Participation

Staff acknowledges that by requiring qualifying prescriptive measures to be purchased prior to the effective tariff date, July 15, 2013, the Company is effectively ending the prescriptive incentives in the middle of the irrigation season. While this may inconvenience some participants, Staff believes that most irrigators install retrofits before the irrigation season begins. Staff also believes that the possible inconvenience is outweighed by the importance of protecting ratepayer funds by expediently suspending aspects of the Program that are not cost-effective.

Staff also recognizes that participating in the custom portion of the Program may be more difficult for irrigators than the exchange and prescriptive incentive options because of the larger capital investment required for bigger and more complex projects. However, Staff points out that system consultations, pump tests, analyses, and inspections are provided to custom project participants at no cost to the participant.

Additional Considerations

Staff understands that it is supporting the suspension of Rocky Mountain's prescriptive irrigation program on the basis of impact evaluation results while Idaho Power continues its similar prescriptive irrigation program with "deemed" savings estimates from the Regional Technical forum (RTF). However, Staff points out that, unlike Rocky Mountain, Idaho Power has not yet conducted an impact evaluation of its irrigation program. Idaho Power's impact evaluation has been pushed back to 2013 and is due for publication in early 2014.

PUBLIC COMMENT

The Commission received a single written comment from an irrigator in Howe, Idaho. This individual expressed a concern that his past contributions to the "Customer Efficiency Services" Fund would be lost. He estimated that during his tenure farming his land in Howe he contributed approximately $2,100 to the "Customer Efficiency Services" Fund. The irrigator requests that the PUC reject Rocky Mountain's proposed changes. In the alternative, he proposes a review of the "Customer Efficiency Services" funds.

COMMISSION FINDINGS AND DECISION

The Commission has reviewed Rocky Mountain's Application seeking an Order allowing the Company to modify its Electric Service Schedule No. 155, Agricultural Energy Services, by suspending: (1) the Nozzle Exchange Program; and (2) incentives for the pivot and linear equipment measures listed in Table 1 of the current Schedule 155. The Commission finds that the Company's request to suspend the programs is fair, just and reasonable.

The Commission continues to encourage public utilities in Idaho to implement and administer efficiency measures and programs in order to achieve overall reductions in utility load. The Commission is particularly attuned to the complaints and concerns forwarded by utility customers, including irrigators, who make significant financial contributions in support of these efficiency measures and programs.

Customer efficiency programs may be evaluated as cost-effective one year and subsequently, due to decreased program participation, market conditions, etc., are deemed not-cost-effective. Therefore, the Commission remains vigilant in its oversight and assessment of these programs and constantly seeks to ascertain whether program funds are being utilized in a cost-effective manner. The Commission finds that the third-party consultant study in the Company's Application presented clear and compelling evidence that the Schedule 155 nozzle exchange and prescriptive measures are not currently cost-effective. Therefore, the Commission finds that available program funds would be better spent in support of other custom programs and/or to implement new pilot programs. Inasmuch as these customer efficiency programs are deemed cost-effective, they benefit all utility customers whether they are a program participant or not.

Finally, the Commission assures all ratepayers that any funds contributed through the Customer Efficiency Services Rate, Schedule 191, are routinely audited by Commission Staff. These funds are <u>NOT</u> dedicated to any single efficiency measure or program. Rather, the funds are directed toward all efficiency programs. This includes custom programs and measures that are cost-effective and currently achieving their goal of significant load reductions.

CONCLUSIONS OF LAW

The Commission has jurisdiction over this matter and PacifiCorp dba Rocky Mountain Power, an electric utility, pursuant to the authority and power granted it under Title 61, *Idaho Code*, and the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq*.

ORDER

IT IS HEREBY ORDERED that Rocky Mountain Power's Application seeking an Order allowing the Company to modify its Electric Service Schedule No. 155, Agricultural Energy Services, by suspending the Nozzle Exchange Program; and incentives for the pivot and linear equipment measures listed in Table 1 of the current Schedule 155, is approved. The effective date of the changes to Schedule No. 155 shall be the service date of this Order.

IT IS FURTHER ORDERED that the Commission approves the Schedule No. 155 tariff language included in the Company's Application.

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 15th day of August 2013.

Paul Kjellander

PAUL KJELLANDER, PRESIDENT

Mack A. Redford

MACK A. REDFORD, COMMISSIONER

Marsha H. Smith

MARSHA H. SMITH, COMMISSIONER

ATTEST:

Jean D. Jewell

Jean D. Jewell
Commission Secretary

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