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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF)
PACIFICORP DBA ROCKY MOUNTAIN) **CASE NO. PAC-E-13-10**
POWER FOR AUTHORITY TO MAKE)
REVISIONS TO ITS ELECTRIC SERVICE)
SCHEDULE 155, AGRICULTURAL ENERGY) **COMMENTS OF THE**
SERVICES.) **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 Intervention Deadline and Notice of Modified Procedure issued in Order No. 32834 on June 20, 2013, in Case No. PAC-E-13-10, submits the following comments.

BACKGROUND

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 seeks to amend the Program 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.

Rocky Mountain 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 includes findings for the 2009-2011 program years. Rocky Mountain believes that from a multi-year utility perspective the resource acquisition was cost-effective, but from a total resource look and other tests returned benefit to cost ratios below one. Based on those results, the Company requested an additional review of individual Irrigation Energy Savers measures. The Navigant review indicates 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 PacifiCorp Total Resource Cost (PTRC), Total Resource Cost (TRC), Utility Cost Test (UCT) and Participant (PCT) cost-effectiveness tests for the 2013-2016 period.

Rocky Mountain 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.

Rocky Mountain asserts 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 nozzle exchange program and the pivot and linear system upgrade 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 ANALYSIS

Staff analysis focused on three issues: program energy savings and cost-effectiveness, administrative expenses, and program participation.

Program Energy Savings and Cost-Effectiveness

Energy savings produced by prescriptive irrigation energy efficiency measures are notoriously difficult to measure. As Navigant 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 combine with the mobility of small measures between meters prevent accurate impact evaluations post- retrofit. Energy savings, and therefore cost-effectiveness, can only be rigorously calculated when most other variables can be held constant or controlled before and after installing the measure.

Navigant's evaluation calculated the energy savings and cost-effectiveness for each aspect of the program: the nozzle exchange, pivot and linear upgrades, and system redesign (or custom) option. 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, which means that those measures increased, rather than decreased, energy consumption. Navigant maintained that the inability to control or account for variables other than the efficient measure in the pre- and post- conditions created “significantly more variance” than normal in the energy savings results from the equipment exchange option and may also explain why the pivot and linear upgrade measures increased energy consumption.

As expected with absent or negative energy savings, 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. Since passing the UCT indicates reduced costs for the utility and therefore its ratepayers, Staff believes that a strong UCT could justify a program that did not pass the TRC.

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 Power 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. Additionally, Staff believes that slow to moderate growth in demand and declining avoided costs are likely to prevent a significant increase in cost-effectiveness in the near future.

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. Staff believes that removing the prescriptive measures from the program will make the overall agricultural services program cost-effective through the 2016 forecast.

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 Power reported that the administrative costs accounted for over 50% of the total program budget in 2009 – 2012.

Table 1. Administrative Expenses as a Percent of Total Program Budget 2009 - 2012

Budget Category	2009	2010	2011	2012
Incentives- Custom	\$186,674	\$104,154	\$81,692	\$136,229
Incentives- Prescriptive	\$203,923	\$146,770	\$143,198	\$134,033
Evaluation	-	\$43,537	\$928	\$11
Program Admin	\$416,641	\$342,548	\$265,162	\$382,026
Total Program Budget	\$807,238	\$637,009	\$490,980	\$652,299
Admin as % of Total Budget	52%	54%	54%	59%

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. This could explain why Rocky Mountain and Idaho Power’s actual

administrative expenses over the last several years were very similar, despite the vastly different program budgets.

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.

Table 2. Forecast of Program Costs and Administration as Percent of Total Program Budget

Budget Category	2013 (H2)*	2014	2015	2016
Program Costs	\$200,000	\$395,000	\$434,000	\$473,000
Utility Administration	\$13,500	\$27,000	\$27,000	\$27,000
<i>Subtotal</i>	<i>\$213,500</i>	<i>\$422,00</i>	<i>\$461,000</i>	<i>\$500,000</i>
Utility Incentives	\$104,382	\$163,939	\$175,732	\$187,524
Total Utility Costs	\$317,882	\$585,939	\$636,732	\$687,524
Program Costs and Administration as % of Total Program Budget	67%	72%	72%	73%

Source: Attachment C, Cadmus Memorandum

*H2= operation once the new program is in effect.

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. Having raised the issue in this case, 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 rather than during the growing season thus limiting the impact on 2013 participants. 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. Staff suggests that these benefits be emphasized in the program’s marketing materials.

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).¹ However, Staff points out that unlike Rocky Mountain, Idaho Power has not yet conducted an impact evaluation of its irrigation program, which would evaluate the savings produced by the prescriptive and custom aspects of that program. Originally slated to begin in 2011, Idaho Power’s impact evaluation has been pushed back to 2013 and is due for publication in early 2014. Staff anticipates that Idaho Power’s impact evaluation will also find that rigorous quantification of prescriptive irrigation measure energy savings is extremely difficult.

¹ The RTF is the technical advisory group for the Northwest Power and Conservation Council.

STAFF RECOMMENDATION

Staff recommends that the Commission approve Rocky Mountain Power'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.

Respectfully submitted this 15th day of July 2013.



Neil Price
Deputy Attorney General

Technical Staff: Stacey Donohue
Johanna Bell

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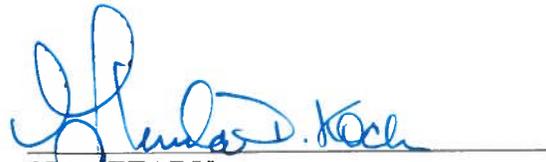
CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 15TH DAY OF JULY 2013, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. PAC-E-13-10, BY E-MAILING AND MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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