BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF ROCKY MOUNTAIN POWER FOR PRUDENCY DETERMINATION OF ITS DSM PROGRAM FOR YEARS 2010-2013	**CASE NO. PAC-E-14-07** **ORDER NO. 33188**

On July 7, 2014, PacifiCorp dba Rocky Mountain Power filed an Application requesting that the Commission find Rocky Mountain's $25.76 million in demand-side management (DSM) expenses for the years 2010 through 2013 were prudently incurred. "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.[1] These DSM programs include: Low Income Weatherization/Education (Schedule 21); Irrigation Load Control (Schedules 72 and 72A)[2]; FinAnswer Express (Schedule 115); Refrigerator Recycling (Schedule 117); Home Energy Saver (Schedule 118); Energy FinAnswer (Schedule 125); and Agricultural Energy Services (Schedule 155).

On July 29, 2014, the Commission issued a Notice of Application and Notice of Intervention Deadline. Order No. 33082. The Idaho Conservation League and Monsanto Corporation filed motions to intervene which the Commission granted. Order Nos. 33093 and 33098. Thereafter, the parties agreed to process the case under Modified Procedure, and the Commission issued a Notice of Modified Procedure setting a deadline of November 14, 2014 for comments, and a deadline of December 1, 2014 for reply comments. Order No. 33122. Only the Commission Staff and the Idaho Conservation League filed written comments. Rocky Mountain advised Staff it would not file a reply.

BACKGROUND

Since the 1970s, Rocky Mountain has offered a variety of DSM programs to its customers. In 2006, the Commission approved an enhanced set of DSM programs and provided for cost recovery of the Company's energy efficiency and DSM programs. Typically, DSM programs have two parts. First, the utility designs and implements a variety of DSM programs to

[1] DSM programs can be specific and focused such as the immediate and temporary curtailment of usage, or broad and less immediate such as the installation of energy efficient equipment and other energy efficiency programs.

[2] Schedule 72 and 72A were cancelled in Order No. 32760 (Case No. PAC-E-12-14) when the Irrigation Load Control Program was treated as a system-wide benefit in 2011.

promote energy efficiency and conservation, or reduce customer demand during periods of peak demand and/or in times of supply constraint. Second, utilities periodically report on the effectiveness of their DSM programs and subsequently seek permission to recover the deferred costs of their DSM programs.

In Order No. 29976, issued in March 2006, the Commission authorized Rocky Mountain to establish a DSM tariff rate (or "rider") as a separate line item on customers' bills under tariff Schedule 191. The DSM tariff rider is the mechanism used to recover the costs of the DSM programs. The Company was authorized to defer the costs of its DSM programs until such time as the Commission finds that the "Company's DSM expenditures and programs are or will be found to be reasonably and prudently incurred and executed." Order No. 29976 at 6.

THE APPLICATION

A. The DSM Programs

Rocky Mountain offers various DSM/energy efficiency programs to all major customer classes including residential, commercial, industrial and agricultural. Exh. 1 at 324. The Company offers residential customers three DSM programs: Home Energy Saver, Residential Refrigerator Recycling, and Low Income Weatherization.

> <u>Home Energy Saver</u> – this program is designed to provide a number of products and services to customers in new or existing homes, multi-family housing units, or manufactured homes for customers taking service under Schedules 1 and 36. Services and products under this program include: attic insulation, floor insulation, wall insulation, energy efficiency windows, CFL lighting, and other services. This program is administered by PECI, a private non-profit corporation, which has been implementing energy efficiency programs since 1990. *Id.* at p. 326.
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> <u>Refrigerator Recycling</u> – this program is designed to decrease electric usage through the voluntary removal and recycling of inefficient refrigerators and freezers. Customers receive a $30 incentive for each qualifying appliance and an energy saving kit which includes two CFL bulbs, a refrigerator thermometer card and other energy-saving educational materials. This program is administered by JACO Environmental, which is one of the largest recyclers of household appliances in the United States. *Id.* at 332-33.
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> <u>Low Income Weatherization</u> – this program provides energy efficiency services through local non-profit agencies to residential customers meeting low-income eligibility guidelines. Services are provided at no cost to eligible customers. Services provided under this program include ceiling/wall/floor insulation, furnace repair, air infiltration, replacement door/windows, and other services. The Company's non-profit program administrators include the

Eastern Idaho Community Action Partnership and Southeastern Idaho Community Action Partnership. The Company provides 85% of the cost of approved measures with the balance of funds provided by the Idaho Department of Health and Welfare. *Id.* at 335. In addition to conservation services, the Company also provides energy conservation education to low-income residential customers for Company customers that receive Low Income Home Energy Assistance (LIHEAP) funds. The information packet includes items such as a low-flow showerhead, outlet/switch plate gaskets, one CFL bulb, and other efficiency products. *Id.* at 334-36.

The Company also provides three DSM programs for its commercial, industrial and agricultural customers. These programs include:

The FinAnswer Express – this program is designed to help commercial and industrial customers to improve the efficiency of their lighting, HVAC, electric motors, building envelopes, and other equipment. This program is administered by two contractors. *Id.* at 339.

Energy FinAnswer – this program is available to all commercial and industrial customers with buildings in excess of 20,000 square feet. The program provides energy engineering incentives of 12¢ per kWh for the first year of energy savings up to a cap of 50% of the approved project cost. This program is operating in conjunction with the more streamlined FinAnswer Express and also seeks efficiency improvements in HVAC systems, motors, refrigeration, lighting, irrigation, and other equipment. *Id.* at 344-46.

Agricultural Energy Services – this program is designed to improve the overall energy efficiency of irrigation systems for customers taking service on tariff Schedule 155. Portions of this program were suspended in 2013 in Order No. 32879. *Id.* at 342-43.

B. The Deferred Expenses

Rocky Mountain asserts that the seven DSM programs resulted in energy savings for the years 2010-2013. Dir. Testimony, Table 1. The utility reports that five of the programs were cost-effective in all years with two exceptions. Application at 4. First, the Company indicates that the Agricultural Energy Service Program was not cost-effective in 2013 when its benefit/cost ratio for the total resource cost (TRC) test was 0.84.[3] Second, the Company states that its Low Income Weatherization Program was not cost-effective under the TRC test or utility cost test (UCT) in any of the years under review. Dir. Testimony at 15-16. Rocky Mountain

[3] The Company uses several analytical tools to "test" the cost-effectiveness of its DSM programs. The tests include the total resource cost (TRC) test, and the utility cost test (UCT) from the utility's perspective. Dir. Testimony at 13.

requests authorization to recover $25,765,486 in DSM expenses and asserts these expenses were "prudently incurred." Application at 1. Of the $25.76 million, $17.66 million are deferred costs for which Rocky Mountain seeks recovery from the Rider account, and the remaining $8.1 million was already recovered through base rates. The requested expenses per year are set out below:

YEAR	EXPENDITURES
2010	$7,515,026
2010	$8,100,681 (load control incentives)[4]
2011	$2,815,694
2012	$3,459,989
2013	$3,874,096
	$25,765,096

Source: Direct Testimony at p. 2.

In support of its Application, the Company submitted prefiled testimony, an annual DSM report for each year, the results of its cost-effectiveness analysis, and the third-party program evaluation reports. Application at 1.

THE COMMENTS

A. Staff Comments

This is Rocky Mountain's first prudency request under its 2009 DSM Memorandum of Understanding. Staff Comments at 6. Commission Staff reviewed Rocky Mountain's Application and accompanying Testimony and Exhibits of Kathryn Hymas. Also, Staff performed an audit of the Company's internal controls and processes, interviewed program managers, and reviewed Company records. Staff stated that Rocky Mountain has "rigorous internal controls" that help to ensure proper and precise allocation of costs and benefits within each DSM program. *Id.* at 2. Based on its review, Staff concluded the Company's DSM expenses from 2010-2013 were prudently incurred.

1. Calculation and Verification of Rider Balance and Expenses

Although Rocky Mountain requested a prudency determination to recover $25,765,486 in DSM expenses from 2010-2013, only $17,664,805 of those expense were funded through the Company's Energy Efficiency Rider. In compliance with a 2011 Commission Order, Rocky Mountain no longer charges Irrigation Load Control (ILC) program expenses to its

[4] In 2011, when the two Irrigation Load Control programs under tariff Schedules 72 and 72A were cancelled, a new program was offered to customers using a third-party aggregator, EnerNOC. The load control expenses for 2011 and beyond are no longer included in the DSM rider from tariff Schedule 191. Order No. 32760.

DSM Rider. Order No. 32196. The Company has already recovered $8,100,681 in ILC incentive payments since 2011 through base rates. However, Rocky Mountain still seeks a prudency determination on those funds. Staff evaluated Rocky Mountain's requested $17,664,805 in Rider-funded expenditures as well as the $8,100,681 in ILC incentive payments. *Id.* at 2-3.

2. Acquired Energy Savings and DSM Marketing

For its assessment, Staff compared Rocky Mountain's acquired energy savings to its Conservation Potential Assessment (CPA) and Integrated Resource Plan (IRP), for the period 2010-2013. *Id.* at 4. The CPA is developed every two years by an independent evaluator and estimates DSM conservation potential system-wide over a 20-year period. *Id.* Rocky Mountain's IRP is a biennial report to the Commission describing the Company's load growth, resource options, and plan for DSM programs. *See* Order No. 22299. In 2012 and 2013, Rocky Mountain's acquired energy savings for its prescriptive programs surpassed its CPA achievable technical potential; and in all years except 2010, the Company exceeded its IRP goal. Staff Comments at 4-5.

Staff reported that Rocky Mountain maintains a "transparent and detailed Technical Resource Library . . . used to derive all prescriptive savings estimates" that Staff believes will be useful in addressing any future concerns about the Company's savings' calculations. *Id.* at 5-6. Staff recommended that Rocky Mountain include a more detailed description of assumptions used to calculate cost-effectiveness to ensure a more comprehensive measure list. *Id.* at 6. But overall, Staff concluded "the Company's approach to calculating its prescriptive savings is reasonable." *Id.*

Staff noted that Rocky Mountain used a variety of marketing and outreach efforts, including radio and digital ads, e-mail blasts, social media, TV spots, and bill inserts. *Id.* at 7. Despite these efforts, a majority of the Company's industrial and commercial customers remained unaware of its energy efficiency programs. *Id.* Staff believed this low level of awareness by industrial and commercial customers could be remedied by developing a more structured marketing plan, as employed by the Company with its residential programs. *Id.*

3. Residential Programs

Evaluating Rocky Mountain's three residential programs, Staff commented that the Company "effectively augmented and adapted residential program delivery in addition to instituting new programs when necessary." *Id.* at 8.

Refrigerator Recycling – This program (also called "See Ya Later Refrigerator") included delivery of an energy savings kit to participating customers, thus "leveraging the existing program to generate extra energy savings." *Id.* Although faced with the logistical challenge of long lead times on appliance pickups (rural customers often wait longer than 17 days for refrigerator pickups), Rocky Mountain started offering incentives for retailers to decommission and recycle units collected from customers. *Id.*

Home Energy Savers – This program offered incentives for manufacturers to reduce retail prices, and for customers to purchase high-efficiency equipment and services. *Id.* at 8-9. Staff noted that the Company recently added on-line applications for its appliance incentives, allowing for automatic validation of customer and appliance eligibility, resulting in improved cost-effectiveness by avoiding the expense of screening for qualified applications. *Id.* at 9. Also, Rocky Mountain was well ahead of many other utilities when it began offering incentives for energy-saving LED lighting in 2012. *Id.* Despite two minor anomalies in the Company's calculations of lighting savings, Staff believed the Company's program was reasonable and effective. *Id.* at 8-9.

Low Income Weatherization – Finally, as to this program, Staff commended Rocky Mountain's efforts and collaboration with the Eastern Idaho Community Action Partnership (EICAP) and Southeastern Idaho Community Action Agency (SEICAA). *Id.* at 10. In response to declining participation in counties served by SEICAA, Rocky Mountain committed to assist the agency in identifying potential participants. *Id.* In order to facilitate comparisons between the EICAP and SEICCA low-income education programs, Staff recommended that Rocky Mountain use a similar reporting format for information from the two programs in its Annual Report. *Id.*

4. Non-Residential Programs

Rocky Mountain offers two commercial and industrial DSM programs – Energy FinAnswer and Finanswer Express – and an Agricultural Energy Services program for the irrigation customer class.

Energy FinAnswer – This program "provides incentives for large comprehensive projects including new construction and retrofits." *Id.* at 11. Rocky Mountain administers this program but outsources implementation to energy engineering firms and trade allies to perform energy analysis, quality assurance and savings verification. *Id.* The verification process includes an on-site inspection, peer-reviewed report, post-installation verification, final inspection report, and final verification. *Id.* at 11-12. Engineering firms participating in the process described the Company's reporting and quality control reviews as "by far the most rigorous" they had seen among different programs over time. *Id.* at 12.

FinAnswer Express – This program "provides prescriptive incentives for new or retrofit projects, such as lighting, HVAC, motors, building envelope, and other equipment measures." *Id.* An impact evaluation for 2011 concluded the program was cost-effective from the Utility Cost Test (UCT) perspective. *Id.* However, the evaluation concluded the FinAnswer Express program was not cost-effective under the Total Resource Cost (TRC) test. *Id.* Staff determined that the program did not pass the TRC test because this test includes all Office of Energy Resources (OER) projects, including measures that Rocky Mountain did not offer. *Id.* at 12-13. When the OER projects are excluded, the program was cost-effective under all tests. *Id.* at 12. Based on its review, Staff believes the program complied with Rocky Mountain's DSM Memorandum of Understanding given its cost-effectiveness from the UCT perspective, and because the program provided incentives for all individually qualifying measures, consistent with the Company's tariff.

Agricultural Energy Services – This program was offered to Rocky Mountain's irrigation customers. Staff noted that Rocky Mountain applied to suspend its two prescriptive measures (nozzle exchange, and pivot and linear equipment measures) for this program (DSM Schedule 155) in May 2013. *Id.* at 13. The Company suspended the two measures because third-party analysis from 2009-2011 concluded they made the entire program cost-ineffective. *Id.* at 13. The Commission approved Rocky Mountain's request in August 2013. Order No. 32967. Staff believed that suspending the two measures was prudent and necessary, and noted that the program "experienced a considerable increase in savings in 2013 that coincided with the planned expiration date of the two options." *Id.* at 14.

5. Housekeeping

Staff reviewed Rocky Mountain's Schedule No. 191 and discovered therein that Schedule No. 8 was subject to Schedule No. 191 changes. Because Schedule No. 8 no longer exists, Staff recommended that the Company submit a corrected tariff "that accurately shows customer schedules subject to Schedule No. 191 changes." *Id.* at 14.

In sum, Staff recommended the Commission approve Rocky Mountain's Application. Staff also recommended the Commission impose those reporting requirements delineated in Staff comments.

B. Idaho Conservation League Comments

The Idaho Conservation League (ICL) reviewed Rocky Mountain's DSM programs and concluded the Company's DSM programs were prudently operated during 2010-2013. ICL Comments. ICL noted that some of Rocky Mountain's programs did not meet cost-effectiveness thresholds, such as the two prescriptive measures in the Company's Agricultural Energy Service program, and the Company's Low Income Weatherization program. *Id.* at 2-3. However, ICL commented that in each instance, Rocky Mountain responded appropriately. *Id.* As to the Agricultural Energy program, ICL observed that Rocky Mountain sought to drop the non-cost-effective measure while retaining the cost-effective system design offering. *Id.* at 2. ICL reported that, regarding challenges in the Low Income Weatherization program, Rocky Mountain adopted recommendations developed through low-income program workshops and continues to work with local Community Action Partnership agencies. *Id.* at 3. In all other DSM programs, ICL opined that Rocky Mountain has demonstrated cost-effectiveness, acquiring energy savings that are 135% of Integrated Resource Plan selected targets for 2010-2013. *Id.* at 1. Because Rocky Mountain achieved or actively worked toward improving its DSM programs during 2010-2013, ICL recommended that the Commission approve Rocky Mountain's request.

Rocky Mountain did not file a reply.

COMMISSION FINDINGS

The Commission has reviewed the record in this case, including the Application and attachments, and comments of Staff and ICL. We find that Rocky Mountain's DSM efforts were prudent, and more specifically, find that:

1. Rocky Mountain prudently incurred $17,664,805 in energy efficiency expenses and $8,100,681 in Irrigation Load Control (ILC) program expenses, for a total of $25,765,486 in DSM expenditures.

2. Over the years 2010-2013, Rocky Mountain's acquired energy savings exceeded its IRP goal in all years except 2010.

3. Rocky Mountain has implemented internal controls that help ensure proper and correct allocation of costs and benefits.

4. Despite Rocky Mountain's marketing and outreach efforts to its residential and non-residential customers, a majority of its non-residential (industrial and commercial) customers were unaware of the Company's energy efficiency programs. Consequently, the Company should work with Staff to develop a more structured advertising method for its non-residential customers.

5. Rocky Mountain was successful in augmenting and adapting energy efficiency programs to its residential customers through refrigerator recycling and Home Energy Saver.

6. Rocky Mountain experienced a decline in low-income customer participation for weatherization in SEICAA's service area. The Company's proposals to address these challenges (in conjunction with SEICAA) are reasonable. To facilitate Staff's review, the Company should use the same reporting format for the EICAP and SEICAA low-income education programs.

7. Rocky Mountain's non-residential DSM programs for its commercial and industrial clients – Energy FinAnswer and FinAnswer Express – were impressively well-managed and cost-effective.

O R D E R

IT IS HEREBY ORDERED that Rocky Mountain's Application for a prudency review of its demand-side management expenditures for 2010-2013 is approved. The Commission finds that $17,664,805 in the Company's Rider-funded expenditures and $8,100,681 in ILC incentive payments – for a total of $25,765,486 in DSM expenses – were prudently incurred.

IT IS FURTHER ORDERED that Rocky Mountain shall comply with the specific findings above and work with Staff to: (1) ensure that assumptions used in reporting cost-effectiveness for DSM filings are adequately detailed; (2) use a similar reporting format for

EICAP and SEICAA low-income education programs; and (3) submit a revised Schedule No. 191 tariff to accurately reflect the customer schedules subject to the Schedule 191 changes.

IT IS FURTHER ORDERED that Rocky Mountain shall continue to work with CAP agencies regarding options for increasing participation in its low-income weatherization program, and shall report to Staff on such efforts.

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 3rd day of December 2014.

PAUL KJELLANDER, PRESIDENT

MARSHA H. SMITH, COMMISSIONER

MACK A. REDFORD, COMMISSIONER

ATTEST:

Jean D. Jewell
Commission Secretary

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