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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF ROCKY MOUNTAIN POWER FOR AUTHORITY TO CANCEL ELECTRIC SERVICE SCHEDULES 115, 125 AND 155 AND REPLACE WITH NEW SCHEDULE 140 WITH CHANGES.	)	**CASE NO. PAC-E-14-08**
	)	**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 issued in Order No. 33138 on September 25, 2014, in Case No. PAC-E-14-08, submits the following comments.

BACKGROUND

On August 22, 2014, PacifiCorp dba Rocky Mountain Power ("Rocky Mountain" or "Company") filed an Application, pursuant to *Idaho Code* §§ 61-301, 61-307, 61-622, and 61-623, with the Commission seeking to consolidate Electric Service Schedules: No. 115 – FinAnswer Express; No. 125 – Energy FinAnswer; and No. 155 – Agricultural Energy Services, with modification, under a new Electric Service Schedule No. 140, Non-Residential Energy Efficiency.

Rocky Mountain states that in filing its Application it seeks to: (1) consolidate three non-residential energy efficiency programs into a single program, wattsmart Business; (2) enable any future modifications to the tariff similar to Schedule 115 format; (3) increase incentive levels; (4) expand the tariff to include energy management services and incentives; (5) update and expand the prescriptive incentive offer; and (6) include a new offer for small businesses. Accordingly, the Company states that the wattsmart Business program is cost effective.

STAFF REVIEW

Staff's analysis consisted of a review of the program changes, cost effectiveness calculations and compliance with the Demand Side Management Memorandum of Understanding ("DSM MOU").

The Company's proposal attempts to increase program participation and avoid participant confusion by consolidating its three non residential programs into a single Idaho program called wattsmart Business. The Company also proposes to modify and expand some incentives due to code and standard changes, third party recommendations, and new market data. Prescriptive measures changes, such as lighting, HVAC, food service, compressed air, farm and dairy have been modified and updated.

Currently, when the scope of a project changes, the participant is often moved to a different program and is subject to new program requirements. After reviewing the Company's Application and Testimony, Staff believes the current program could unintentionally impede program performance by making customers move between different commercial/industrial programs because the scope of a project changes. Staff believes the Company's proposed modifications may make the programs more comprehensive and increase participation. Staff also notes the Company has previously consolidated its nonresidential programs in its Utah service territory. Staff will discuss the Company's modifications in more detail below, but Staff supports the Company's overall proposal.

OVERVIEW OF MODIFICATIONS

The Company proposes to add several new programs in an effort to increase the reach of commercial and industrial energy savings. The Energy Management program provides participating businesses with a systematic approach toward integrating energy management into everyday business practices, such as commissioning and Strategic Energy Management. Rather than being limited to expensive capital projects, the program will engage participants for 12 -24 months in improving the daily business operations, maintenance and management practices surrounding energy management. Based upon third party analysis, the Company proposes to incent Energy Management at $.02/kWh. It estimates the program will result in approximately three percent energy savings per customer site (usage of at least 500,000 kWh). The savings are specifically separated from capital equipment project savings by establishing an operational baseline with savings measured by continuously monitoring operational data. Should any capital projects occur, the Company will quantify those savings and adjust the Energy Management savings accordingly. Staff cautions the Company to avoid double counting energy savings from its various programs.

In addition to Energy Management, the Company proposes to co-fund a contractor or staff position within a participating business that will identify and implement energy efficiency and energy management objectives. To participate in the Energy Project Manager Co-funding offer, a business will submit a detailed performance plan with savings benchmarks clearly defined for Company approval. The Company proposes to provide the participants $.025/kWh for all energy saved up to 100% of the energy project co-managers salary and overhead. The Company anticipates 1,000,000 kWh of energy savings per project or funding of approximately $25,000 per participant. To protect ratepayers from non-performing customers, repayment of unearned co-funding will be required should energy savings benchmarks or goals go unmet.

The Company also proposes to offer a new program to target the historically difficult to reach small business class. The Company's analysis indicates that 99% of small business customers have not participated in energy efficiency, yet the largest savings potential of all measure categories is in commercial lighting. The Company believes many small business customers simply lack the knowledge, time and capital to fund energy efficiency projects. To address these barriers, the Company proposes that customers served under Schedules 23 and 23A be provided a list of approved contractors with an enhanced retrofit lighting upgrade offering. Staff supports the proposal and believes it is reasonable to target these customers at this time. The proposal could incent contractors to work with more small businesses as opposed to focusing only on larger businesses. Larger businesses generally have larger energy efficiency potential, projects may be more economical and, consequently, more profitable for contractors.

COST EFFECTIVENESS

The Company performed a program cost effectiveness analysis on both an annual basis from 2015 - 2017, and on a three-year basis using a combined forecast over the same period. The Company maintains that the wattsmart Business program is expected to be cost effective annually from both the Utility Cost Test (UCT) and Total Resource Cost (TRC)[1], ranging annually from 2.31 – 2.48 and 1.45 – 1.49, respectively. The Company also analyzed the cost effectiveness for "Business-as-Usual" absent any programmatic changes. Finally, the Company analyzed each proposed program change or new measure that had a material impact on program cost-effectiveness. The benefits and costs of each proposed change were then added to the benefits and costs of the "Business-as-Usual" case. Three of the thirteen new programs, or measure categories, are forecasted to fail either the UCT or TRC perspective (but not both).

Specifically, Energy Management is not cost effective from the TRC, but is cost effective from the UCT perspective. Staff believes the Energy Management program fails the TRC because the Company conservatively estimates customer costs for implementation. Neither the Increase Energy FinAnswer (EF) nor the Agriculture System Re-design programs are cost effective from the UCT, but both are cost effective from the TRC[2]. The Company proposes to increase the incentives and outreach costs offered for these programs. While participation and energy savings are forecasted to increase, the cost increase is disproportionately higher than the utility specific savings increase resulting in UCT failure. Nevertheless, Staff supports the Company's proposal and believes the changes still comply with the intent of the DSM MOU.

The DSM MOU requires the Company to analyze cost effectiveness from a variety of perspectives, including the TRC and UCT, with the overall goal of being cost effective. If a measure or program is not cost effective on a standalone basis, the utility must explain why the measure or program was implemented or continued. During a DSM prudency review, Staff takes into consideration the reasonableness of all measures and programs offered (or not offered) in the

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[1] The **TRC** test reflects the program's total costs and benefits to all customers in the utility's service territory. A benefit/cost ratio greater than 1.0 means that the program is beneficial to the utility and its ratepayers on a total resource cost basis. Generally, the TRC is more difficult to pass than the UCT.
The **UCT** calculates a program's costs and benefits from the utility's perspective (i.e., how the program will impact the utility's revenue requirement). For additional information, please see Understanding Cost-Effectiveness of Energy Efficiency Programs by the National Action Plan for Energy Efficiency (2008).

[2] From 2015 -2017, Energy Management Program is not TRC cost effective (ranges from .80 - .85). The two programs that are not UCT cost effective include the Increase EF (ranges from .70 - .75) and Agriculture System Re-design (ranges from .77 - .87).

context of a broad based DSM portfolio. Staff notes that all measure categories are forecasted to pass either the TRC or UCT on a standalone basis and the wattsmart Business program is cost effective from both the TRC and UCT.

Staff recognizes in this case the merits of utility-offered behavior based energy efficiency programs as opposed to the traditional 'widget-based' approach. The emphasis is on systematically changing individual or organizational behavior towards energy management. These programs have been increasingly implemented around the country and in the Northwest with demonstrated energy savings and overall cost effectiveness.

Staff believes the Company's additions and modifications to its program are appropriate. The proposal consists of traditional DSM offerings, such as capital projects, and relatively newer approaches such as Energy Management. Staff believes the proposed changes appear to be reasonable and are focused on improving participation.

STAFF RECOMMENDATION

Staff recommends the Commission approve the Company's Application. However, Staff's recommendation to approve program changes is not an endorsement of any particular program expenditure. Staff will analyze the prudency of the Company's DSM expenditures in the Company's next DSM prudency case.

Respectfully submitted this 16th day of October 2014.

Neil Price
Deputy Attorney General

Technical Staff: Nikki Karpavich

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 16th DAY OF OCTOBER 2014, SERVED THE FOREGOING **COMMENTS OF THE COMISSION STAFF,** IN CASE NO. PAC-E-14-08, BY E-MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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