Office of the Secretary
Service Date
December 26, 2018

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF PACIFICORP DBA ROCKY MOUNTAIN POWER FOR A PRUDENCY DETERMINATION OF DEMAND-SIDE MANAGEMENT EXPENDITURES	)))))	**CASE NO. PAC-E-18-07** **ORDER NO. 34224**

On August 10, 2018, Rocky Mountain Power applied for an Order establishing that it prudently incurred demand-side management (DSM) expenditures in 2016 and 2017 of $8,539,263, consisting of $4,500,332 in 2016 DSM expenditures and $4,038,931 in 2017 DSM expenditures. The Commission issued a Notice of Application, and set deadlines for persons to intervene as parties and file comments in the case. Order Nos. 34175 and 34129. Staff and PacifiCorp Idaho Industrial Customers (PIIC) filed comments. The Company filed a reply. No other comments were received.

Having reviewed the record, we find the Company prudently incurred $8,530,053 in DSM expenses for 2016 and 2017. Our decision is explained in greater detail below.

BACKGROUND

Since the 1930s, 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 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 customer 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 the "Company's DSM expenditures and programs are or will be found [by the Commission] to be reasonably and prudently incurred and executed." *Id.* at 6.

THE APPLICATION

The Company's Application discusses the Company's energy efficiency activities, its expenditures on those activities, and their cost-effectiveness. The Application is summarized below.

A. The DSM Programs

During the period under consideration, Rocky Mountain offered four DSM/energy efficiency programs, including Home Energy Saver, Low Income Weatherization, Home Energy Reports, and Non-Residential Energy Efficiency. *See* Application Attachment 1 at 15-32.

B. The Deferred Expenses

Rocky Mountain asserts that the DSM programs resulted in energy savings in 2016 and 2017. The utility reports that overall the programs were cost effective. Application at 5. However, the Company states that its Low Income Weatherization Program was not cost effective under the Utility Cost Test (UCT) in either year, but was cost effective from the PacifiCorp Total Resource Cost test (PTRC)[1] in both years. *Id.* at 5.

Rocky Mountain requests authorization to recover $8,539,263 in DSM expenses from the DSM rider account and asserts these expenses were "prudently incurred." Application at 1. This request included $4,500,332 for expenditures made in 2016, and $4,038,931 in 2017. *Id.* at 3.

COMMENTS AND REPLY

Staff and PacifiCorp Idaho Industrial Customer's (PIIC's) comments and the Company's reply are summarized below.

A. Staff Comments

Rider Balance and Expenses

Staff audited the Company's DSM expenses and internal processes for paying incentives to customers and determined that the Company documented expenses correctly and instituted controls designed to eliminate improper payments. Based on Staff's audit, the Company's DSM rider expenses appear prudent with one adjustment to expenditures. During the audit, Staff determined that the Company incorrectly applied three expenditures in 2016 to the Idaho DSM program, totaling $9,210. The three expenditures were actually incurred for the

[1] The PTRC reflects the Commission-approved method for calculating the cost-effectiveness of Low Income programs. *See* Order No. 32788.

Company's Utah DSM program. On November 26, 2018, the Company notified Staff that all three expenses would be removed from its Idaho DSM program expenditures. Staff recommends that the Commission order that the Company prudently incurred $4,491,122 in 2016 and $4,038,931 in 2017 DSM tariff rider expenses.

Staff stated that the Company is currently over-collecting in the tariff rider. On November 9, 2018, in Case No. PAC-E-18-12, the Company filed for approval to decrease its Customer Efficiency Services Rate from 2.7% to 2.25%, effective January 1, 2019. In that Application, the Company stated that the balance of the Customer Efficiency Services Rate was over-collected by $2.1 million as of September 30, 2018 and it projects that over-collection to persist and reach $2.2 million by December 31, 2019. The appropriate tariff rate will be determined through Case No. PAC-E-18-12.

Energy Savings

During 2016 and 2017, the Company offered four energy efficiency programs: Low Income Weatherization/Low Income Education (Schedule 21), Home Energy Saver (Schedule 118), Home Energy Reports (no tariff), and Non-Residential Energy Efficiency, also known as ***watt***smart Business (Schedule 140). Combined, these programs produced 35,280 MWh of savings over the 2016-2017 period.

Staff noted that the Company failed to achieve the Integrated Resource Plan savings target in 2017, but only fell short by 56 MWh. Because the shortfall was relatively small compared to the entire portfolio, Staff believes the Company will not have difficulty correcting this problem.

Residential Programs

The Company's residential portfolio savings decreased 35% between 2015 and 2016 because lighting savings decreased in the Home Energy Saver program and the Residential Refrigerator Recycling program was eliminated. The 2016 residential expenditures of $974,004 were cost effective with a 1.29 UCT and 1.95 Total Resource Cost (TRC). Total savings increased slightly in 2017 while the cost-effectiveness of the residential programs declined to 0.83 UCT and 1.09 TRC. The increase in savings was partially due to the success of the ***watt***smart energy efficiency starter kits provided at no charge to customers through the Home Energy Saver program. The kits, which include EnergySTAR lighting and WaterSense products, saw a significant savings increase that year when LEDs replaced CFLs.

Staff commented that the cost-effectiveness of small programs can be particularly impacted when evaluation costs are included in the cost-effectiveness calculations in a single year. To ensure that evaluation costs are fully reflected in cost-effectiveness calculations but do not inordinately impact cost-effectiveness results from year-to-year, Staff recommended that the Company either average the cost of evaluations over the two or three years between evaluations or spread the cost of evaluations proportionally by kWh over the Company's entire DSM portfolio.

Staff noted that the Company was forced to discontinue its Residential Refrigerator Recycling program in March 2016, following the unanticipated closure of the only cost-effective third-party program implementer in December 2015. Ending this program caused total residential savings to decline.

The Company works with two Community Action Partnership (CAP) agencies in its Idaho service territory to provide weatherization services to its low income customers, Eastern Idaho Community Action Partnership and SouthEastern Idaho Community Action Agency. The program was almost cost-effective in 2016 with a ratio of 0.96[2] and cost-effective in 2017 with a ratio of 1.41.[3] Staff believes the Company has prudently managed its low income program and recognizes that most utilities have cost-effectiveness challenges with programs serving this customer segment.

Non-Residential Programs

Total non-residential program savings increased 88% from 2015 to 2016, resulting in 14,188 MWh savings in 2016 that were driven by a dramatic decline in LED costs. Total 2016 expenditures of $2,940,398 were cost effective with a 2.69 UCT and 1.57 TRC. However, 2017 non-residential savings decreased nearly 26% due to commercial HVAC and lighting program changes discussed below, but still remained high compared to previous years.

To address the rapid shift to more efficient LED technologies, the Company adjusted lighting incentives in 2017. The ***watt***smart Business program previously incented retrofits by fixture or bulb, but this was modified to instead focus on lighting controls along with lighting retrofits. This lowered the incentive per kWh and eliminated some savings associated with per-

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[2] Commission Order No. 32788 specifies how utilities should calculate cost-effectiveness for Low Income programs.

[3] As noted below, in its reply to Staff's comments, the Company clarified that the Staff had assessed the cost-effectiveness of the Low Income Weatherization Program under the TRC, when the Commission had directed that program's cost-effectiveness would be assessed under the PTRC. Under the PTRC, the Low Income Weatherization Program was effective in both 2016 and 2017.

bulb incentives. With these changes, the ***watt*smart** Business program generated 10,507 MWh savings in 2017 and remained cost effective with a 2.92 UCT and 2.02 TRC.

Despite working in a rural service territory, the Company achieved savings of over 1,485 MWh through 158 projects by directly serving the cities of Ammon, Idaho Falls, Iona, Montpelier, Preston, and Rexburg. The Company reported that demand for its small business program in rural markets exceeded expectations, which allowed them to spend more time in each location than originally anticipated.

B. PIIC Comments

PIIC did not dispute the prudency of the Company's DSM expenses, but stated that it was concerned with the Schedule 191 balancing account balance. PIIC stated that the Company over-collected DSM expenditures in 2016 and 2017. Because the Company proposed to reduce Schedule 191 collection rates from 2.7% to 2.25% in Case No. PAC-E-18-12, PIIC opted to address the issue in that case, if necessary.

C. Company Reply Comments

The Company provided reply comments. First, the Company clarified that the title of Table 1 to Staff's Comments should be "Customer Efficiency Services Tariff Rider Balance – Accrual Basis," instead of "Cash Basis."

Second, in response to Table 2 in Staff's comments, which compared energy "Savings (at Site)" to the "IRP Target (at Generator)", the Company reproduced that table but updated it by adding a row for achieved energy "Savings (at Generator)":

Table 2. Rocky Mountain Power's Idaho DSM Portfolio, 2016 and 2017 (UPDATED)

METRIC	**2016**	**2017**
SAVINGS (AT SITE)	19,450 MWh	15,830 MWh
SAVINGS (AT GENERATOR)	21,551 MWh	17,514 MWh
IRP TARGET (AT GENERATOR)	15,800 MWh	17,570 MWh
EXPENDITURES	$4,500,332	$4,038,931
UTILITY COST TEST	2.22	2.19
TOTAL RESOURCE COST TEST	1.59	1.71

Third, the Company stated that it will discuss with Staff proposed solutions for ensuring that evaluation costs are fully reflected in cost-effectiveness calculations without inordinately impacting cost-effectiveness results.

Fourth, in response to Staff's comment that the Low Income Weatherization Program was almost cost-effective in 2016, the Company clarified that the Low Income Weatherization Program cost-effectiveness is determined by the PTRC per the Commission's Order No. 32788. Applying the PTRC, the program was cost-effective in both 2016 and 2017, with a PTRC of 1.04 and 1.45, respectively.

Fifth, the Company agreed to resume meeting with Staff at least semi-annually, to discuss DSM programs.

Last, the Company stated that it discussed Staff's comments with Staff, and that Staff supported the clarifications in the Company's reply.

FINDINGS AND DISCUSSION

The Company is an electrical corporation as defined by *Idaho Code* § 61-119, and a public utility under *Idaho Code* § 61-129. The Commission has jurisdiction over the Company and the issues in this case under Title 61 of the Idaho Code and the Commission's Rules of Procedure, IDAPA 31.01.01.000, *et seq*.

Based on our review of the record, including the undisputed comments of the parties, we find the Company prudently incurred $8,530,053 in DSM-related expenses in 2016 and 2017. This amount consists of $4,491,122 in prudently incurred expenses for 2016 (reflecting the $9,210 adjustment referenced by Staff and acknowledged by the Company), and $4,038,931 in prudently incurred expenses for 2017. Generally, we find the Company's overall portfolio is practical and prudently implemented, and that the DSM programs were cost-effective overall.

With respect to the Company's low income weatherization programs, we find it appropriate for the Company to consider the recommendation of its low income program evaluator, Opinion Dynamics, to examine market penetration in the region to assess successes and future need. We also encourage the Company to explore the need for and possibility of fund sharing between the two CAP agencies.

ORDER

IT IS HEREBY ORDERED that Rocky Mountain's 2016-2017 DSM expenses are approved as prudently incurred in the amount of $8,530,053.

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 26th day of December 2018.

Paul Kjellander

PAUL KJELLANDER, PRESIDENT

Kristine Raper

KRISTINE RAPER, COMMISSIONER

Eric Anderson

ERIC ANDERSON, COMMISSIONER

ATTEST:

Diane M. Hanian

Diane M. Hanian
Commission Secretary

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