

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE APPLICATION)
OF INTERMOUNTAIN GAS COMPANY) CASE NO. INT-G-17-03
TO IMPLEMENT A DEMAND SIDE)
MANAGEMENT PROGRAM FUNDING) ORDER NO. 33888
MECHANISM AND CHARGE)**

On July 27, 2017, Intermountain Gas Company asked the Commission for authority to implement a Demand Side Management (DSM) Program Funding Mechanism and DSM Charge. The Company requested an October 1, 2017 effective date. In its recent rate case, the Company submitted a draft tariff for the program as an exhibit, and the Commission authorized the Company to implement a residential DSM program. Order No. 33757 at 37-38. The Commission issued a Notice of Application and Notice of Modified Procedure in this case. Order No. 33839. The Commission received seven public comments, and comments from Staff. The Company indicated it did not intend to file a reply. With this Order, the Commission approves the Company's DSM Program Funding Mechanism and DSM Charge, with directions for the Company to work with Staff to consolidate program incentives into a single tier.

BACKGROUND

"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, improving their efficient use of energy. In the Company's recent rate case, the Commission authorized its DSM program, but rejected the Company's proposed fixed-cost collection mechanism, finding insufficient quantifiable evidence to support it. Order No. 33757 at 37-38.

APPLICATION

The Company stated it designed all DSM activities for its residential customers. Application at 3. According to the Company, its costs for administering its DSM program include energy efficiency program rebates; administration ramp-up expenses and incremental staffing; DSM outreach; local support for promotion of tariff-approved DSM measures; and encouraging market transformation through adaptation of energy efficiency technologies. *Id.* The Company proposed to recover funding for the program by submitting its "annual budget of anticipated administrative program costs" for the program, and the Commission's ruling that its

“expenses are both reasonable and prudent.” *Id.* The Company’s budget would include “any surplus or deficit associated with the collection of DSM funds and the incurrence of DSM-related expenses.” *Id.*

The Company’s proposed 2017-2018 DSM budget totaled \$777,000, including \$600,000 in rebate expenses, \$147,000 in personnel expenses, and \$30,000 in program delivery and ramp-up expenses. *Id.* at 4. The Company’s proposed DSM tariff rider amount was calculated by dividing the \$777,000 budget by Rate Schedule RS 211,957,936 normalized 2016 therm sales, arriving at a surcharge of \$0.00367 per therm. *Id.* For an average customer using about 61 therms per month, this would equal about \$0.22 per bill. Application at 4.

The Company asserted it will allocate the DSM program funds to pay the Company’s costs to administer and deliver the program, and maintain accounting records to track actual expenses against the DSM Charge collected from residential customers. *Id.* If collected funds exceed actual expenses, the Company will use the over-collected amount to offset future expenses or return it to customers.

The Company submitted tariff sheets defining the proposed measures and rebate amounts, and proposing two incentive tiers: Tier One incentives would apply when customers upgrade from standard to high-efficiency natural gas equipment; Tier Two incentives would apply when customers upgrade from standard non-gas equipment to high-efficiency natural gas equipment, and for qualified energy efficiency upgrades in the new construction sector. *See* Rate Schedule DSM.

COMMENTS

A. Staff

Staff reviewed the Company’s Application and exhibits, and conferred with the Company about the Company’s accounting treatment and reporting requirements. Staff supports the Company’s proposed budget, charge, and accounting treatment as reasonable and appropriate. Staff Comments at 2, 5-6. Staff explained it worked with the Company to clarify the proposed Rate Schedules DSM and DSM Charge, and Staff provided its proposed Rate Schedules EE and EEC (in lieu of the Company’s proposed Rate Schedules). *Id.* at 6-7. Staff indicated in its comments that the Company agreed with Staff’s proposed rate schedules except with regard to the Tier Two incentives.

Staff is concerned that Tier Two measures have the same measure costs and energy savings as Tier One measures, but with higher incentive costs, rendering three of the seven proposed Tier Two measures not cost-effective. Staff Comments at 4-5. Staff proposed that the Company consolidate its incentives into a single tier at the Tier One incentive level (and retain the proposed incentive amount for the Energy Star Homes measure). Staff believes consolidating the tiers will not negatively impact “the cost, participation, or cost-effectiveness of the DSM program.” *Id.* at 4.

B. Public Comments

The Commission received seven comments from members of the public. Six opposed the Company’s filing. Those comments included: objection to the Company benefitting from the program; objection to a “penalty for saving energy”; objection to the very marginal benefits of the program at a very high cost. One comment supported the Application stating, “It is about time that Intermountain Gas began a sufficient energy efficiency program.”

DISCUSSION AND FINDINGS

The Commission has reviewed the record, including the comments of Staff and the public. In our recent Rate Case Order authorizing the Company to initiate a DSM program, we found that “DSM, as both a least-cost resource and an important element of promoting energy efficiency, is an important part of any utility’s provision of service.” Order No. 33757 at 37. As such, we look forward to seeing the Company’s program develop.

We find that identifying the rate schedules as Schedule EE and EEC is reasonable and reflects the program’s focus on energy efficiency. We further find the proposed charge of \$0.00367 per therm, as set forth in Rate Schedule EEC, is reasonable and appropriate to fund the Company’s proposed DSM program. However, we find there is inadequate support for the Company’s proposed two-tier system. The higher incentive costs under the Company’s proposed Tier Two render almost half of the Tier Two measures not cost-effective. *See* INT-G-16-02, Spector Exhibit 26. Incentives are designed to offset the higher cost of a more efficient appliance. Since the cost of a more efficient appliance and the savings produced by that appliance are the same in both tiers, we find that the incentive amounts should also align. Accordingly, we find it reasonable to direct the Company to consolidate its DSM program incentives into a single tier. Although initially proposed as Tier 2, we find it appropriate for the Energy Star Homes measure to be included in Tier 1 and retain the proposed incentive amount of

\$1,200. We encourage the Company to work with Staff on improving cost-effectiveness calculations so a future proposal for Tier Two incentives can be better-supported.

We thus approve the revised Rate Schedules EE, EEC, and RS, effective October 1, 2017. We direct the Company to work with Staff to make further revisions as necessary, and to file conforming tariffs.

ORDER

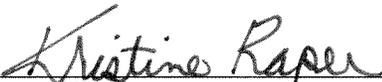
IT IS HEREBY ORDERED that the Company's Application to implement its DSM Program Funding Mechanism and Charge is granted as set forth above, effective October 1, 2017. The Commission approves the Company's proposed \$0.00367 per therm charge, and approves the revised Rate Schedules EE, EEC, and RS. The Company shall file conforming tariffs, effective October 1, 2017.

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.

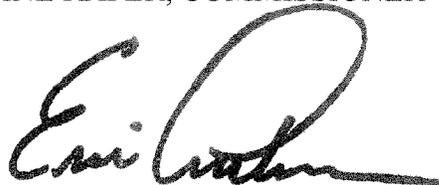
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this *22nd*
day of September 2017.



PAUL KJELLANDER, PRESIDENT



KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Diane M. Hanian
Commission Secretary

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