

## Diane Holt

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**From:** dlaadvisor@yahoo.com  
**Sent:** Friday, September 15, 2017 3:33 PM  
**To:** Beverly Barker; Diane Holt; Matthew Evans  
**Subject:** Case Comment Form: Lynn Anderson

Name: Lynn Anderson  
Case Number: INT-G-17-03  
Email: dlaadvisor@yahoo.com  
Telephone: 208-342-6317  
Address: 720 Bacon Dr.  
Boise Idaho, 83712

Name of Utility Company: Intermountain Gas

Comment: Quote from IPUC Order No. 33365 (pp. 9-10) in IPC-E-15-06 regarding TRC, UCT and PCT cost-effectiveness tests for evaluating demand-side management (DSM) programs:

"Commission Findings: We believe each perspective can help inform the Commission, the utility, and stakeholders about a particular program's effectiveness. ... the Company ultimately must persuade us that its program investments were prudent on the totality of the circumstances."

Quote from The National Action Plan for Energy Efficiency's "Understanding Cost-Effectiveness of Energy Efficiency Programs," Section 4.7,

"Establishing the Net-to-Gross Ratio:

Establishing the NTG is critical to understanding overall program success..."

In reference to direct testimony of Allison Spector, pp 25-26 in Case No. INT-G-16-02:

Company witness Spector stated that the Company takes "free ridership" into consideration, but her Exhibit No. 26 shows that the Company did not include net-to-gross (incl. "free ridership") adjustments for any of its energy efficiency program cost-effectiveness calculations. Thus, benefit/cost ratios calculated by dividing the Company's total avoided cost benefit per therm saved for each measure by the estimated total costs of each measure would be overstated to the extent that some of its customers would have installed the measures in absence of the Company's program.

Unfortunately, the Company's Exhibit No. 26 does not show correctly calculated B/C ratios using the benefit and cost data it provides. (This exhibit further confuses the issue by mislabeling the erroneously calculated ratios as "Cost/Benefit Ratios" instead of "Benefit/Cost Ratios.")

Even if the Company's basic avoided cost benefit and program cost data are reasonably estimated, then simple B/C ratios correctly calculated will be significantly lower than those shown in the Company's Exhibit 26. For example, Exhibit 26 shows the Standard Rebate for a 95% AFUE Furnace as having a 1.635 UCT B/C ratio, but when dividing the stated avoided cost benefit of \$0.53182/therm by the \$0.507 total cost per therm saved, the result is a much lower 1.05 UCT B/C ratio. Adjusting the stated base data with credible net-to-gross (NTG) estimates will further reduce the ultimate B/C ratios, resulting in most or all of the measures' UCT ratios falling below 1.0, the threshold for cost-effectiveness. Correctly calculated TRC ratios will all be far below 1.0 even without NTG adjustments. It should be noted that the UCT is much more sensitive to NTG adjustments than is the TRC.

Given the likelihood that few, if any, of the the Company's energy efficiency measures will prove to be cost-effective from the UCT perspective when that B/C test is properly calculated and given the certainty that none of the measures will pass the TRC test, it is unreasonable for the Company to charge its customers for its energy efficiency program in advance of proving to the Commission that "its program investments were prudent on the totality of the circumstances." Thus I am opposed to the Company's request for a DSM program funding mechanism.

Thank you for your consideration of these comments.

Unique Identifier: 67.60.48.73