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IDAHO PUBLIC
UTILITIES COMMISSION

LISA D. NORDSTROM
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March 13, 2020

VIA HAND DELIVERY

Diane Hanian, Secretary
Idaho Public Utilities Commission
11331 W. Chinden Boulevard
Building 8, Suite 201-A
Boise, Idaho 83714

Re: Case No. IPC-E-20-15
2019 Demand-Side Management Expenses
Idaho Power Company's Application and Testimony

Dear Ms. Hanian:

Enclosed for filing in the above matter please find an original and seven (7) copies of Idaho Power Company's Application and attachment (2019 Demand-Side Management report and supplements).

Also enclosed for filing are an original and eight (8) copies of the Direct Testimony of Paul Goralski. One copy of the testimony has been designated as the "Reporter's Copy." A disk containing a Word version of the testimony is enclosed for the Reporter.

If you have any questions about the enclosed documents, please do not hesitate to contact me.

Very truly yours,



Lisa D. Nordstrom

LDN:kkt
Enclosures

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Attorney for Idaho Power Company

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)
OF IDAHO POWER COMPANY FOR A) CASE NO. IPC-E-20-15
DETERMINATION OF 2019 DEMAND-)
SIDE MANAGEMENT EXPENSES AS) APPLICATION
PRUDENTLY INCURRED.)
_____)

In accordance with RP 052 and RP 201, *et seq.*, Idaho Power Company (“Idaho Power” or “Company”) submits its *Demand-Side Management 2019 Annual Report* (“DSM 2019 Annual Report”) and makes application to the Idaho Public Utilities Commission (“Commission”) for an order designating Idaho Power’s expenditures of \$38,083,244 in Idaho Energy Efficiency Rider (“Rider”) funds and \$6,996,236 of demand response program incentives funded through base rates and tracked annually through the Power Cost Adjustment (“PCA”) mechanism, for a total of \$45,079,479, as prudently incurred demand-side management (“DSM”) expenses. To reduce duplicative reporting and consolidate it in the DSM Annual Report, the Company also requests the Commission

eliminate the separate, annual Flex Peak Program reporting requirement in Case No. IPC-E-15-03.

In support of this Application, Idaho Power represents as follows:

I. INTRODUCTION

1. The Commission has “consistently stated that cost-effective DSM programs are in the public interest and has admonished electric utilities operating in the state of Idaho to develop and implement DSM programs in order to promote energy efficiency.” Case No. IPC-E-10-09, Order No. 32113 at 8, *citing* Order Nos. 29784 and 29952. To further the Commission’s objective, Idaho Power informs its customers of a wide range of opportunities to participate in DSM activities and receive information that allows them to use electricity wisely. Through DSM programs, Idaho Power seeks to provide customers with programs and information to help them manage their energy use and to utilize cost-effective DSM resources to meet the Company’s electrical system’s energy and demand needs.

2. For 2019, Idaho Power continued to offer a mature portfolio of DSM programs, consisting of both energy efficiency programs and demand response programs. Because of these programs, the 2019 energy savings represent Idaho Power’s all-time highest annual incremental energy savings achievement since the establishment of the Idaho Rider in 2002. DSM 2019 Annual Report at 1. The savings from Idaho Power’s energy efficiency programs alone, excluding Northwest Energy Efficiency Alliance (“NEEA”) savings, was 184,934 megawatt-hours (“MWh”) in 2019 and 158,412 MWh in 2018—a 17 percent year-over-year increase. DSM 2019 Annual Report at 1. From its demand response programs, for 2019, Idaho Power achieved a total demand reduction of 333 megawatts (“MW”) from an available capacity of 397 MW. DSM 2019 Annual Report at 1. The Company’s actions in 2019, as reflected in the DSM 2019

Annual Report, evidence the thoughtful work of Idaho Power's employees toward a broad suite of DSM programs and activities and the judicious expenditure of funds on DSM programs and activities.

II. CONTENTS OF THE DSM 2019 ANNUAL REPORT

3. Idaho Power's DSM 2019 Annual Report is included as Attachment 1 to this Application. The DSM 2019 Annual Report satisfies the DSM reporting obligation set forth in Order No. 29419 in Case No. IPC-E-03-19.

4. The DSM 2019 Annual Report consists of the main document (with appendices) and two supplements. The main document provides information on items such as DSM program descriptions, program performance, expenditures, and marketing efforts. *Supplement 1: Cost-Effectiveness* ("Supplement 1") to the DSM 2019 Annual Report shows the results of the cost-effectiveness tests that Idaho Power has applied to the programs and includes a table that reports expenses by funding source and cost category. *Supplement 2: Evaluation* ("Supplement 2") to the DSM 2019 Annual Report includes copies of Idaho Power's 2019 program evaluations, customer surveys and reports, evaluations conducted by the Company's third-party contractors, Idaho Power's evaluation plans, general energy efficiency research, and demand response research, which are reflective of Idaho Power's continued commitment to its own review, as well as third-party evaluation of programs.

III. 2019 DSM PROGRAM PERFORMANCE

5. In 2019, Idaho Power offered its customers a mature portfolio of energy efficiency programs and demand response programs, participated in market transformation efforts through NEEA, and offered several educational initiatives and other activities. As noted above and explained in more detail in the Direct Testimony of Pawel P. Goralski ("Goralski Testimony") filed contemporaneously with this Application, Idaho

Power's annual energy savings combined with NEEA estimated annual energy savings increased by 10 percent over 2018 energy savings—enough energy to supply electricity to almost 18,000 average homes a year in Idaho Power's service area. DSM 2019 Annual Report at 1.

6. On a system-wide basis, Idaho Power's 203,041 MWh of incremental annual energy efficiency savings in 2019, including the estimated NEEA market transformation savings, were comprised of 40,380 MWh from the residential sector, 134,435 MWh from the commercial/industrial sector, and 10,118 MWh from the irrigation sector, and an estimated 18,108 MWh¹ of energy efficiency market transformation savings through NEEA initiatives. DSM 2019 Annual Report at 5 and 142. The Custom Projects option in the Commercial and Industrial Energy Efficiency Program constituted 38 percent of Idaho Power's direct program savings, while the residential sector Energy Efficient Lighting and Educational Distributions programs constituted 67 percent of the residential savings. *Id.* at 5.

7. Idaho Power successfully operated all three of its demand response programs in 2019. From an enrolled capacity of 397 MW, the total actual demand reduction from the Company's demand response programs was 333 MW. DSM 2019 Annual Report at 1, Goralski Testimony at 11. This value represents the maximum realized, non-coincident load reduction from all three programs.

8. Table 1 on page 5 of the Goralski Testimony contains a list of Idaho Power's DSM programs by sector, operational type, and location. That table is illustrative of the broad suite of programs that Idaho Power offers to its customers in energy efficiency, demand response, and education. Idaho Power's energy efficiency portfolio was cost-

¹ Because Idaho Power will not receive final 2019 savings from NEEA until May 2020, the NEEA-attributable savings is an estimate provided to Idaho Power by NEEA.

effective, resulting in a 2.72 benefit/cost ratio when evaluated from a Utility Cost Test (“UCT”) perspective, a 2.12 benefit/cost ratio when evaluated from a Total Resource Cost (“TRC”) test perspective, and 2.79 benefit/cost ratio when evaluated from a Participant Cost Test (“PCT”) perspective.

IV. 2019 DSM EXPENSES AND ADJUSTMENTS

9. Funding for the Idaho DSM programs in 2019 came from several sources. The Idaho Rider funds are collected directly from customers on their monthly bills at 2.75 percent of base rate revenues.² Additionally, Idaho demand response program incentives are included in base rates and tracked annually through the PCA. Energy efficiency and demand response-related expenses not funded through the Rider are included as part of Idaho Power’s ongoing operations and maintenance (“O&M”) costs.

10. In 2019, the Company’s total system-wide expenditures on DSM-related activities totaled \$48,584,696. DSM 2019 Annual Report at 16, Appendix 2 at 160. This includes expenditures for customers in Oregon and other O&M expenses that are not before the Commission as part of this prudence request. In this filing, Idaho Power seeks a determination that a total of \$45,079,479 were prudently incurred in 2019 (\$38,083,244 in Rider expenses and \$6,996,236 in demand response program incentives). A summary of 2019 program expenditures by program, customer sector, and funding source for which the Company is seeking a prudence determination is provided in the Goralski Testimony, Exhibit No. 1.

11. Idaho Power identified one accounting adjustment for 2019 shown in Exhibit No. 1 to the Goralski Testimony. The 2019 adjustment of \$13,264 relates to 2018 Oregon activity for the Multifamily Energy Savings Program that was inadvertently charged to the

² In accordance with Order No. 34345 in Case No. IPC-E-19-06, Idaho Power reduced the Idaho Rider percentage from 3.75 percent to 2.75 percent effective June 1, 2019.

Idaho Energy Efficiency Rider. Idaho Power made a correcting accounting entry in 2019 to move the charges to the Oregon Energy Efficiency Rider and credit the amount to the Idaho Energy Efficiency Rider. The reversing entry is excluded from the 2019 DSM expenses to accurately represent the amount incurred related to 2019 DSM efforts. Goralski Testimony at 13-14.

V. DSM PROGRAM COST-EFFECTIVENESS AND EVALUATIONS

12. The DSM 2019 Annual Report and accompanying Goralski Testimony provide a sufficient basis for the Commission to determine whether Idaho Power's DSM expenses were prudently incurred.

13. For purposes of calculating cost-effectiveness, the DSM 2019 Annual Report uses the benefit/cost methodologies used in previous DSM annual reports, including the TRC test, the UCT, and the PCT. Idaho Power calculates cost-effectiveness from the TRC, UCT, and PCT perspectives at the program level, except for those programs with no customer costs, in which case the PCT is not applicable. Goralski Testimony at 18. When it determines that a program is not cost-effective from one of these tests, Idaho Power works with the Energy Efficiency Advisory Group ("EEAG") to get input on a continued offering for Commission approval. *Id.*

14. As directed in Case No. IPC-E-19-11,³ the UCT perspective will be the primary test for evaluating energy efficiency cost-effectiveness in the 2021 Integrated Resource Plan ("IRP") planning cycle. Changes to the cost-effectiveness test for energy efficiency will be carried out over the 2020 program year to synchronize with the Company's annual planning cycle. A new DSM Potential Study based on the UCT perspective is currently underway and is expected to be finalized in the second quarter of

³ In Final Order No. 34469, the Commission directed Idaho Power use the UCT perspective for DSM programs in the integrated resource planning context. Order Nos. 34469 at 9 and 34503 at 4.

2020. This timeline provides an opportunity for the Company to engage EEAG in the review of the impacts to current and potential programs, as well as incorporate EEAG feedback in developing the underlying energy efficiency assumptions included in the Potential Study. The Company will also evaluate immediate opportunities to add measures that are cost-effective under the UCT perspective to existing programs during 2020.

15. The DSM 2019 Annual Report, Supplement 1, includes detailed results of the cost-effectiveness tests by program and by measure. The Historical DSM Expense and Performance report included in Supplement 2 shows the historical results from 2002-2019 for each of Idaho Power's energy efficiency programs and the levelized cost per kilowatt-hours for each program by year. Idaho Power's cost-effectiveness test results for 2019 energy efficiency programs are summarized as follows:

a. Portfolio Basis. On a portfolio basis, Idaho Power's energy efficiency programs are cost-effective, passing the UCT, the TRC test, and the PCT with ratios of 2.72, 2.12, and 2.79, respectively. Goralski Testimony at 17, Table 3. The Company's energy efficiency programs' customer sector portfolios were also cost-effective from a TRC test, UCT, and PCT perspective. Goralski Testimony at 17, Table 3.

b. Program Basis. On an individual program basis, in 2019, 11 of the 16 energy efficiency programs offered in Idaho for which the Company calculates cost-effectiveness were cost-effective under both the TRC test and UCT. Of the five programs that did not pass at least one of the tests, the Weatherization Assistance for Qualified Customers and Weatherization Solutions for Eligible Customers programs failed to achieve a benefit/cost ratio of greater than 1.0 for both the TRC test and UCT; the Energy House Calls program had a benefit/cost ratio of less than 1.0 for the UCT but greater than 1.0 for the TRC test; the Heating & Cooling Efficiency Program had a benefit/cost ratio of

greater than 1.0 for the UCT and PCT, but less than 1.0 for the TRC test; and the Residential New Construction Pilot Program had a benefit cost ratio of greater than 1.0 for the UCT and PCT, but less than 1.0 for the TRC test. As explained in pages 20-25 of the Goralski Testimony, some of the programs offer other benefits that are difficult to quantify, and Idaho Power intends to continue the programs in 2020 and work with stakeholders and seek to adjust the programs to make them more cost-effective.

c. Measures Basis. In 2019, Idaho Power evaluated the benefits and costs of 285 measures from both the TRC test and UCT perspective. Goralski Testimony at 18. Of those measures, 52 individual measures in various programs are shown not to be cost-effective from either the UCT or TRC test perspective. DSM 2019 Annual Report, Supplement 1.

16. For 2019, Idaho Power determined the cost-effectiveness of its demand response programs based on the levelized annual cost of a 170 MW deferred resource over a 20-year life that was established in the settlement reached in Case No. IPC-E-13-14 and subsequently approved in Commission Order No. 32923. While benefit/cost ratios are not currently calculated for the three demand response programs, in 2019, the system-wide cost of operating the three demand response programs was approximately \$8.3 million (\$7.4 million of incentives and \$0.9 million of other costs). Goralski Testimony at 19. The amounts attributable to the Idaho-only jurisdiction were \$7.8 million (\$7.0 million of incentives and \$0.8 million of other costs). *Id.* Idaho Power estimates that if the three programs were dispatched for the full 60 hours allowed, the total costs would have been approximately \$11.5 million on a system-wide basis. *Id.* The 2019 total program costs are less than the value of demand, calculated in the 2017 IRP to be \$19.8 million. *Id.* at 20.

17. Program Evaluations. In addition to the annual cost-effectiveness analysis that the Company conducts for each program, the results of which are included in Supplement 1 to the DSM 2019 Annual Report, the Company solicits and contracts with independent, third-party consultants to provide program evaluations. Evaluations verify that program specifications are met, provide viable recommendations for program improvement, and validate energy savings estimates achieved through Idaho Power's programs. In 2019, these independent, third-party consultants conducted two combined program impact and process evaluations, two program option impact evaluations, two program summary analyses, a savings estimate analysis, and a demand reduction analysis. Goralski Testimony at 26-27. In 2019, Idaho Power also administered surveys on several programs to measure program satisfaction. Copies of these reports for evaluations and studies, as well as Idaho Power's program evaluation plan for 2020-2021, can be found in the DSM 2019 Annual Report, Supplement 2.

VI. STAKEHOLDER INPUT

18. Idaho Power relies on input from EEAG to provide a customer and public-interest review of energy efficiency and demand response programs and expenses. The EEAG provides input on enhancing existing DSM programs and on implementing new DSM programs. Currently, EEAG consists of members representing a cross section of customers from the residential, industrial, commercial, and irrigation sectors, as well as representatives for low-income individuals, environmental organizations, state agencies, public utility commissions, and Idaho Power.

19. In 2019, the Company held four meetings and one webinar with EEAG. During these meetings, Idaho Power discussed and requested recommendations on a broad range of DSM issues and requested feedback on new program ideas and new measure proposals, marketing methods, and specific measure details.

VII. FLEX PEAK REPORTING REQUIREMENTS

20. As part of Case No. IPC-E-15-03 where the Company filed to implement a Company-managed demand response program for commercial and industrial customers, the Flex Peak Program, the Commission directed the Company to file an end-of-season report each year within 80 days after the Flex Peak Program season ends for that year as part of the Order approving the program. Order No. 33292 at 8.

21. Because Supplement 2 of the DSM Annual Report contains reports for all three of Idaho Power's demand response programs, including the Flex Peak Program with all the Commission-ordered metrics, the Company requests to streamline the current reporting requirements by eliminating the separate annual Flex Peak Program reporting requirement to be filed 80 days after season end. Idaho Power commits to continue to report on the Flex Peak Program, and its two other demand response programs, as part of its annual DSM filing, centralizing all demand response program reporting in a single case and on a single schedule.

VIII. MODIFIED PROCEDURE

22. Idaho Power believes that a technical hearing is not necessary to consider the issues presented herein and respectfully requests that this Application be processed under Modified Procedure; i.e., by written submissions rather than by hearing. RP 201, *et seq.* Idaho Power has, however, contemporaneously filed the Goralski Testimony in support of this Application. The Company stands ready to present the testimony in support of this Application in a technical hearing if the Commission determines such a hearing is required.

IX. COMMUNICATIONS AND SERVICE OF PLEADINGS

23. Communications and service of pleadings with reference to this Application should be sent to the following:

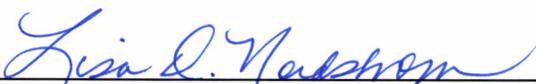
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X. REQUEST FOR RELIEF

24. As described in greater detail above, Idaho Power respectfully requests that the Commission issue an order designating Idaho Power's DSM expenses of \$45,079,479 as prudently incurred DSM expenses. Additionally, because the Flex Peak Program information is repeated in the Company's annual DSM filing, the Company requests to streamline reporting processes by eliminating the separate, annual reporting requirement in Case No. IPC-E-15-03.

DATED at Boise, Idaho, this 13th day of March 2020.



LISA D. NORDSTROM
Attorney for Idaho Power Company

**BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION
CASE NO. IPC-E-20-15**

IDAHO POWER COMPANY

ATTACHMENT 1

***DEMAND-SIDE MANAGEMENT
2019 ANNUAL REPORT***

