

**INTERMOUNTAIN GAS COMPANY**

**CASE NO. INT-G-22-03**

**APPLICATION**

**AND**

**EXHIBITS**

**In the Matter of the Application of INTERMOUNTAIN GAS COMPANY  
For a Determination of 2021 Energy Efficiency Expenses as Prudently Incurred**

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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

In the Matter of the Application of  
INTERMOUNTAIN GAS COMPANY  
for a Determination of 2021 Energy  
Efficiency Expenses as Prudently  
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**Case No. INT-G-22-03**

**APPLICATION**

Intermountain Gas Company (“Intermountain” or “Company”), a subsidiary of MDU Resources Group, Inc. with general offices located at 555 South Cole Road, Boise, Idaho, pursuant to the Rules of Procedure of the Idaho Public Utilities Commission (“Commission”), 1) submits its *2021 Energy Efficiency Annual Report* and 2) makes application to the Commission for an order designating \$4,028,174 of 2021 Energy Efficiency expenditures as prudently incurred.

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In support of this Application, Intermountain alleges and states as follows.

## I. INTRODUCTION

Intermountain is a gas utility, subject to the jurisdiction of the Commission, engaged in the sale of and distribution of natural gas within the State of Idaho under authority of Commission Certificate No. 219, issued December 2, 1955, as amended and supplemented by Order No. 6564, dated October 3, 1962.

Intermountain provides natural gas service to the following Idaho communities and counties and adjoining areas:

Ada County - Boise, Eagle, Garden City, Kuna, Meridian, and Star;  
Bannock County - Arimo, Chubbuck, Inkom, Lava Hot Springs, McCammon, and Pocatello;  
Bear Lake County - Georgetown, and Montpelier;  
Bingham County - Aberdeen, Basalt, Blackfoot, Firth, Fort Hall, Moreland/Riverside, and Shelley;  
Blaine County - Bellevue, Hailey, Ketchum, and Sun Valley;  
Bonneville County - Ammon, Idaho Falls, Iona, and Ucon;  
Canyon County - Caldwell, Greenleaf, Middleton, Nampa, Parma, and Wilder;  
Caribou County - Bancroft, Grace, and Soda Springs;  
Cassia County - Burley, Declo, Malta, and Raft River;  
Elmore County - Glenns Ferry, Hammett, and Mountain Home;  
Fremont County - Parker, and St. Anthony;  
Gem County - Emmett;  
Gooding County - Bliss, Gooding, and Wendell;  
Jefferson County - Lewisville, Menan, Rigby, and Ririe;  
Jerome County - Jerome;  
Lincoln County - Shoshone;  
Madison County - Rexburg, and Sugar City;  
Minidoka County - Heyburn, Paul, and Rupert;  
Owyhee County - Bruneau, Marsing, and Homedale;  
Payette County - Fruitland, New Plymouth, and Payette;  
Power County - American Falls;  
Twin Falls County - Buhl, Filer, Hansen, Kimberly, Murtaugh, and Twin Falls;  
Washington County - Weiser.

Intermountain's properties in these locations consist of transmission pipelines, liquefied natural gas storage facilities, compressor stations, distribution mains, services, meters and regulators, and general plant and equipment.

## II. BACKGROUND

In the Company's General Rate Case No. INT-G-16-02, Intermountain petitioned the Commission for authority to begin a residential Energy Efficiency Program ("EE Program"). The Commission granted the Company's request in Order No. 33757 and 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. As such, we look forward to seeing the Company's program develop." Case No. INT-G-16-02, Order No. 33757 at 37.

Subsequently, in Case No. INT-G-17-03, the Company requested authority to implement Rate Schedule EE – Residential Energy Efficiency Rebate Program, which outlined the program offerings, and Rate Schedule EEC-RS – Energy Efficiency Charge, which established a charge to fund the program. In Order No. 33888, the Commission approved both rate schedules effective October 1, 2017.

In Case No. INT-G-19-04, Intermountain requested that the Commission approve the Company's 2017-2018 EE Program expenses as prudently incurred. In Order No. 34536, the Commission approved the prudence of the expenses with several conditions attached. Those conditions were to commission a third-party Evaluation, Measurement and Verification ("EM&V") study, review and update the avoided cost calculation with the Energy Efficiency Stakeholder Committee ("EESC"), immediately and continuously monitor, evaluate, and update its EE Program incentives with the best available data, and discontinue the 80% AFUE condensing fireplace incentive.

To allow all interested customers to participate in the Residential Energy Efficiency Rebate Program, and to continue to grow the Program, Intermountain requested authority to revise Rate

Schedule EEC-RS (“EEC-RS”) from \$0.00367 to \$0.02093 per therm in Case No. INT-G-19-05. The Commission approved the requested revision in Order No. 34454, effective October 1, 2019.

In Case No. INT-G-20-06, Intermountain requested that the Commission approve the Company’s 2019 EE Program expenses as prudently incurred. In Order No. 34980, the Commission approved the prudence of the expenses. The Company also requested significant changes to the program based on its first ever EM&V study that was filed as part of the case. The Commission approved the proposed modifications effective April 1, 2021. The Commission also ordered the Company to continue to review its avoided costs and update its avoided cost calculations based on the review, and to immediately and continuously monitor, evaluate, and update its EE Program incentives with the best available data.

In Case No. INT-G-21-03, Intermountain requested that the Commission approve the Company’s 2020 EE Program expenses as prudently incurred. In Order No. 35313, the Commission approved the prudence of the expenses. The Commission stated, “We commend the Company for continuing to adjust its young EE Program to deliver cost effective energy savings to customers.” The Commission also ordered the Company to continuously monitor, evaluate and update its EE Program incentives with the best available data using the most accurate evaluation method to do so. The Commission acknowledged the overfunded rider balance of \$1,318,197 and permitted the Company to carry forward the balance to meet anticipated increased Program participation, with the understanding the Company will seek adjustment if increased participation does not materialize.

During program year 2021, the Company retired, modified, or added residential program incentives as approved in Order No. 34980. The Residential EE Program was available to all residential rate class customers in the Company’s service territory.

Order No. 34941 in Case No. INT-G-20-04 authorized the Company to implement a Commercial Energy Efficiency program in Rate Schedule EE-GS and established a funding mechanism for program costs in Rate Schedule EEC-GS (“EEC-GS”). The Commission directed the Company to develop an EM&V plan, file an Annual Commercial EE Program Report, include representatives from the GS-1 rate class in its EESC, and immediately and continuously monitor, evaluate, and update its Commercial EE Program incentives with the best available data. The Company launched its Commercial EE Program on April 1, 2021, consisting of incentives for commercial space heating and commercial kitchen equipment. The Commercial EE Program was available to all GS-1 Commercial rate class customers in the Company’s service territory.

The Company’s *2021 Energy Efficiency Annual Report* (“Annual Report”) is included as Attachment 1 to this Application and incorporated by reference. The Annual Report consists of the main document and a supplement. The main report provides a review of the Company’s EE Portfolio, which consists of the Residential Program and the Commercial Program. The report outlines finances, cost-effectiveness, and performance by measure for each Program. A review of outreach and educational activities, discussion of the Company’s participation in a collaborative effort to accelerate market introduction of gas heat pump technologies, and future plans complete the Annual Report. Annual Report at 3.

Supplement 1: 2021 Cost-Effectiveness (“Supplement”) to the Annual Report outlines the cost-effectiveness for the EE Program and for each individual rebate offered. It also includes a proposed schedule to ensure formal EM&V for each rebate on a regular basis. This regular cycle of EM&V will help to guarantee the cost-effectiveness of the EE Program going forward.

### **III. REVENUES**

The EE Program expenditures are funded through collections from customers via Energy Efficiency Charges. The EEC-RS of \$0.02093 per therm funds the Residential EE Program. Total Residential EE Program revenues for calendar year 2021 were \$5,393,824. Annual Report at 6.

The EEC-GS of \$0.00320 funds the Commercial EE Program. The revenue for the first nine months of the Commercial program was \$234,906. Annual Report at 20.

### **IV. EXPENDITURES**

Expenditures for the Residential and Commercial Programs combined for January 1, 2021 through December 31, 2021 were \$4,028,174. Of this amount, \$3,301,552, or approximately 82%, is related to energy efficiency rebates paid directly to residential and commercial customers. Residential rebates accounted for \$3,287,716 and Commercial rebates accounted for \$13,836. Annual Report at 6 and 20.

In addition to the amount spent on energy efficiency rebates, the Company incurred \$726,622 of Portfolio level expenses, Residential and Commercial combined, for labor, program delivery and market transformation. As a Portfolio, this was approximately 10% less than 2020 expenditures. The Company increased expenditures in program delivery and market transformation, but did not incur any expenses for special studies such as CPA or EM&V. Labor expenses were relatively flat with 2021 labor expenditures totaling \$638,847, representing a slight decrease of \$3,540 when compared with 2020.

Expenditures were allocated between the Residential and Commercial program by an 80/20 split to calculate program level cost effectiveness. This allocation was based on program uptake estimates from the 2019 CPA and is intended to divide costs reasonably in light of the newly formed commercial program. Based on this allocation, Residential and Commercial labor expenses

were \$511,077 and \$127,770, respectively. Program delivery expenses are direct assigned to their respective program, either Residential or Commercial, when they can be specifically identified. After all direct costs are assigned, the remaining pool of program costs are split between the Residential program and Commercial program, also based on the 80/20 ratio, with total program delivery expenses totaling \$79,064 for the residential program and \$8,711 for the commercial program. Within each program, expenses are allocated to each rebate based on the rebate count as a percentage of all rebates. Any cost incurred solely for a particular rebate is directly assigned to that rebate. Because 2021 was spent educating customers regarding the existence of the Commercial Program, the Company will continue to monitor and evaluate whether a fixed ratio is an appropriate method for allocating costs between the two programs.

Intermountain is committed to working to secure an energy efficient future. In 2021 Intermountain renewed its membership in the North American Natural Gas Heat Pump Collaborative (Collaborative) to help advance the adoption of gas heat pump technology. With efficiencies of over 100%, gas heat pump technology promises to deliver significant efficiency gains when compared to traditional heat and water heat technology. The Market Transformation expense of \$24,500 represents the Company's membership in the Collaborative. Intermountain believes the continued investment in this collaborative effort will provide our customers with significant energy savings and lower energy bills in the years to come. Annual Report at 28.

## **V. DEFERRAL BALANCE**

The Residential Program began the year with an over-collected deferral balance of \$1,318,197. The mid-year program revision in the residential rebate offering caused some unanticipated changes in rebate payment levels. The Whole Home new construction rebate was one of the most redeemed rebates. This rebate was revised to a two-tiered rebate of \$900 or \$700, both



of which were lower than the previous \$1,200 rebate amount. Not only did the lower rebate amount impact rebate payment levels, but no \$900 rebates have yet been paid due to the learning curve required to meet the higher energy performance targets of the \$900 Tier I rebate. Because the Whole Home new construction rebates are lower than the previous new construction rebate, and because most of the participation has been in the lowest tier rather than split more evenly between the two rebates as anticipated by the Company, rebate payments attributed to the new construction rebates have been much lower than forecast. In addition, worldwide supply chain issues have delayed project completion times and limited the availability of high-efficiency equipment, resulting in fewer rebates being issued in 2021 than forecast. All of these issues resulted in growth of the over-collected balance to \$2,834,164 at December 31, 2021. Annual Report at 6. Because the balance has continued to grow throughout 2022, the Company plans to refund a portion of the over-collected balance to residential customers through its Purchased Gas Adjustment filing, effective October 1, 2022. Additionally, the Company plans to file a separate case to adjust the EEC-RS going forward based on the best available forecast data.

The Commercial Program went into effect on April 1, 2021. After nine months, the Commercial rider balance was \$84,589 over-collected at December 31, 2021. As the Commercial Program continues to gain awareness and participation with GS-1 customers, the Company will continue to monitor the rider balance to avoid over or under collection and file for adjustments as necessary. Annual Report at 20.

## **VI. THERM SAVINGS**

The 2021 program year was one of evolution. Residential Program modifications were implemented on April 1, 2021, which included retiring under-performing rebates, modifying existing rebates and adding new rebates to the offering. Rebates that were being retired or modified

were effective January through March 31, 2021. Rebates that were modified or added to the Program offering were effective April 1, 2021. The Residential Program achieved 776,887 therm savings in 2021. Annual Report at 7. In 2021 Intermountain paid out 5,553 rebates to customers, which represented a 22% increase over the previous year. The furnace rebate and new construction rebate were again the two most redeemed rebates, followed by smart thermostats which were added to the EE Program in April.

The new Commercial EE Program consists of three incentives for space heating and three commercial cooking equipment incentives. In its nine months of existence, the Commercial Program achieved 8,603 therm savings. Annual Report at 21. There were four high-efficiency condensing boiler rebates redeemed as well as four fryers, two commercial kitchen steamers and six commercial energy savings kits.

The Company is encouraged by the continued growth of the EE Program, and looks forward to working with customers, the Commission, and other stakeholders to maximize participation in and the cost-effectiveness of the EE Program going forward.

## **VII. AVOIDED COSTS**

In Case No. INT-G-19-04, Order No. 34536, the Commission directed “the Company and its Energy Advisory Group to review the Company’s avoided cost calculations concurrently with the EM&V study.”

Through a series of meetings in 2020, Intermountain and its Avoided Cost Subcommittee (“Subcommittee”) agreed upon a method for calculating avoided commodity and transportation costs but was unable to finalize a method to account for avoided distribution costs.

In Case No. INT-G-20-06, Order No. 34980, the Commission directed the Company to “continue to review avoided costs and update its avoided cost calculations based on the review.”

Accordingly, the Company reconvened the Avoided Cost subcommittee on March 9, 2022 following the filing of the Company's 2021 Integrated Resource Plan ("IRP"), to finalize a method to account for avoided distribution costs. The Company presented to the group a distribution cost model that incorporated IRP data and confidential 5-Year capital expenditure plan data to calculate the present value of deferring infrastructure projects by way of demand reduction. The Subcommittee expressed concerns with the restrictions that would result from using confidential plan data within the model. Intermountain recognized these considerations and updated the model to utilize publicly available historical expenditure data. The Company provided this updated model to the Subcommittee on April 14, 2022 and requested feedback. Comments received afterward expressed uncertainty that historical expenditures can serve as a viable proxy for future costs. Additionally, a proposal was made that the model should only consider costs for the set of large projects identified in the IRP. Intermountain acknowledges these suggestions and believes the next IRP cycle will be the best process for further review of the distribution cost component. For the 2021 Annual Report, and until a method for calculating avoided distribution costs is agreed upon by the Subcommittee, the distribution cost component of the Avoided Cost will remain at zero.

For this filing, the Company used the Avoided Costs as calculated in the IRP (see Case No. INT-G-21-06, Exhibit No.5). The Company has reproduced these Avoided Costs as Exhibit No. 1, which is incorporated by reference. Additionally, the Subcommittee meeting minutes are included in Exhibit No. 2 and incorporated by reference.

## **VIII. COST-EFFECTIVENESS**

Intermountain reports the cost-effectiveness of its EE Program based on two industry standard metrics: the Utility Cost Test ("UCT") and the Total Resource Cost ("TRC"). The UCT measures cost-effectiveness from the utility company's perspective and takes into consideration

avoided supply costs, program administration costs, and incentives paid by the utility. The TRC measures cost-effectiveness from the customer's perspective and focuses on avoided supply costs, program administration costs and net participant costs. Although both are common industry metrics for measuring cost-effectiveness, the Company relies more on the UCT because it measures the cost-effectiveness of items directly under the Company's control.

The avoided costs, as outlined in Exhibit No. 1, have been used in all cost-effectiveness tests included as part of the Annual Report.

## **IX. STAKEHOLDER MEETINGS**

The Energy Efficiency Stakeholder Committee has been a valuable resource for the Company as it builds the EE Program. As outlined in the Annual Report, Intermountain hosted two full EESC meetings to address both the Residential and Commercial Program. The meetings included good representation from a variety of groups including representatives from the Commission Staff, the Governor's Office of Energy and Mineral Resources, and a not-for-profit residential home builder. Home energy raters representing both sides of the state attended. The Company recruited both Commercial HVAC experts and representatives from a state-wide commercial kitchen equipment supplier to participate on the EESC. In addition to commercial industry experts, city and county representatives involved in energy efficiency and sustainability, and familiar with both the residential and commercial sectors, also participated on the Committee. Minutes from these two meetings are included in Exhibit No. 2.

## **X. MODIFIED PROCEDURE**

Intermountain requests that this matter be handled under modified procedure pursuant to Rules 201-204 of the Commission's Rules of Procedure. Intermountain stands ready for immediate consideration of this matter.

**XI. REQUEST FOR RELIEF**

Intermountain respectfully petitions the Idaho Public Utilities Commission as follows:


- a. That the Commission issue an order designating \$4,028,174 of 2021 Energy Efficiency expenditures as prudently incurred,
- b. That this Application be heard and acted upon without hearing under modified procedure, and
- c. For such other relief as this Commission may determine just and proper.

DATED: July 12, 2022

INTERMOUNTAIN GAS COMPANY

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By \_\_\_\_\_  
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