

IOWA UTILITIES BOARD
Regulatory Analysis Section

Docket Nos.: EEP-2018-0003

Utility: Interstate Power and Light
Company

File Date/Due Date: October 15, 2020 / N/A

Memo Date: November 16, 2020

TO: The Board

FROM: Brenda Biddle and Trisha Quijano

SUBJECT: Recommendation for Interstate Power and Light Company's
Proposed Modification

I. Background

On October 15, 2020, Interstate Power and Light Company (IPL) filed an Application for Limited Modification of its Energy Efficiency Plan (Modification). The Modification seeks to implement a Smart/WI-FI Thermostat Demand Response Pilot program for residential customers as part of its Demand Response Plan. IPL included in the filing a description of the program, participation and impact (savings) goals, proposed budget impacts, and a cost-effectiveness analysis.

On October 21, 2020, Utilities Board (Board) staff filed staff correspondence in the Board's electronic filing system that requested IPL file additional information and respond to questions.

On October 26, 2020, the Environmental Law and Policy Center (ELPC) and the Iowa Environmental Council (IEC) filed joint comments supporting IPL's proposed modification. ELPC/IEC urged IPL to take steps to maximize participation in the proposed pilot program and suggested IPL host a collaborative meeting after 12 to 18 months of implementing the pilot to discuss the successes and challenges of the program.

On October 29, 2020, the Office of Consumer Advocate (OCA), a division of the Iowa Department of Justice, filed a response stating that it does not object to the pilot. OCA agreed with ELPC/IEC's suggestion that IPL hold a collaborative meeting 12 to 18 months after the pilot has been implemented. OCA also noted that IPL should follow the Board's directive, included in the final order¹ approving

¹ Final Order, Docket No. EEP-2018-0003, Ordering Clause 4, page 114.

the 2019-2023 energy efficiency plan, that information related to the pilot program be included in IPL's energy efficiency annual reports.

On November 2, 2020, IPL filed a response to staff correspondence dated October 21, 2020. The filing included responses to staff's questions as well as a revised Modification filing to update budget and cost-effectiveness information.

II. Legal Standards

Iowa Code § 476.6(15)(c)

(1) The board shall conduct contested case proceedings for review of energy efficiency plans, demand response plans, and budgets filed by gas and electric utilities required to be rate-regulated under this chapter.

(2) Notwithstanding the goals developed pursuant to paragraph "b", the board shall not require or allow a gas utility to adopt an energy efficiency plan that results in projected cumulative average annual costs that exceed one and one-half percent of the gas utility's expected annual Iowa retail rate revenue from retail customers in the state, shall not require or allow an electric utility to adopt an energy efficiency plan that results in projected cumulative average annual costs that exceed two percent of the electric utility's expected annual Iowa retail rate revenue from retail customers in the state, and shall not require or allow an electric utility to adopt a demand response plan that results in projected cumulative average annual costs that exceed two percent of the electric utility's expected annual Iowa retail rate revenue from retail customers in the state. For purposes of determining the two percent threshold amount, the board shall exclude from an electric utility's expected annual Iowa retail rate revenue the revenues expected from customers that have received exemptions from energy efficiency plans pursuant to paragraph "a". This subparagraph shall apply to energy efficiency plans and demand response plans that are effective on or after January 1, 2019.

(3) The board may approve, reject, or modify the plans and budgets. Notwithstanding the provisions of section 17A.19, subsection 5, in an application for judicial review of the board's decision concerning a utility's plan or budget, the reviewing court shall not order a stay.

(4) The board shall approve, reject, or modify a plan filed pursuant to this subsection no later than March 31, 2019. If the board fails to approve, reject, or modify a plan filed by a gas or electric utility on or before such date, any plan filed by the gas or electric utility that was approved by the board prior to May 4, 2018, shall be terminated. The board shall not require or allow a gas or electric

utility to implement an energy efficiency plan or demand response plan that does not meet the requirements of this subsection.

(5) Whenever a request to modify an approved plan or budget is filed subsequently by a gas or electric utility required to be rate-regulated under this chapter, the board shall promptly initiate a formal proceeding if the board determines that any reasonable ground exists for investigating the request. The formal proceeding may be initiated at any time by the board on its own motion. Implementation of board-approved plans or budgets shall be considered continuous in nature and shall be subject to investigation at any time by the board or the office of the consumer advocate.

199 Iowa Administrative Code (IAC) 35.10(476) Modification of an approved plan.

35.10(1) An approved energy efficiency plan or an approved demand response plan and associated budget may be modified if the modification is approved by the board.

a. Electric utilities may request a modification to an approved energy efficiency plan due to changes in the funding as a result of customers requesting exemptions from the electric energy efficiency plan.

b. Natural gas and electric utilities may request modification of an approved energy efficiency plan, or electric utilities may request modification of an approved demand response plan, for any reason.

c. The board, on its own motion, may consider modification of the energy efficiency or demand response plan and budget.

35.10(2) All applications to modify shall be filed in the same docket in which the energy efficiency or demand response plan was approved. All parties to the docket in which the energy efficiency or demand response plan was approved shall be served copies of the application to modify and shall have 14 days to file an objection or agreement. Objections should be specifically related to the contents of the modification. Failure to file timely objection shall be deemed agreement.

35.10(3) Each application to modify an approved energy efficiency or demand response plan shall include:

a. A statement of the proposed modification and the party's interest in the modification.

b. An analysis supporting the requested modification.

c. An estimated implementation schedule for the modification.

d. A statement of the effect of the modification on attainment of the utility's performance standards and on projected results, including cost-effectiveness, of the utility's implementation of its plan.

35.10(4) If the board finds that any reasonable grounds exist to investigate the proposed modification, a procedural schedule shall

be set and the board shall take action within 90 days after the modification request is filed.

35.10(5) If an application to modify is filed and the board finds that there is no reason to investigate, then the board shall issue an order within 90 days after the modification request is filed stating the reasons for the board's decision relating to the application.

35.10(6) If the board rejects or modifies a utility's plan, the board may require the utility to file a modified plan and may specify the minimum acceptable contents of the modified plan.

III. Analysis

IPL proposes to modify its Demand Response Plan by adding a Smart/Wi-Fi Thermostat Demand Response Pilot program for residential customers that will run parallel to its existing Residential Direct Load Control program for the remainder of the 2019-2023 plan cycle. IPL proposes three tracks for pilot enrollment that include: 1) bring your own device, 2) self-install, and 3) direct install. Customers that participate in the pilot will receive a one-time \$50 incentive upon enrollment and are eligible for additional rebates for the Smart/Wi-Fi thermostat through the Residential Prescriptive Rebate program. Summer demand response program participants will also receive a \$25 participation incentive (via a mailed VISA prepaid card) at the end of each summer cooling season, and those customers enrolled in the winter demand response program will receive a \$25 participation incentive at the end of the winter heating season.

IPL anticipates enrolling 5,000 participants in the pilot for each of the summer 2021 through summer 2023 cycles and 1,000 participants in the winter 2021-22 and winter 2022-23 cycles. In total, IPL proposes additional spending of nearly \$4 million for the pilot program during the 2020 through 2023 plan years. The spending includes approximately \$1.6 million for incentives, \$1.9 million for administration and \$0.5 million for advertising and promotion. The societal cost-effectiveness for the proposed pilot is 2.09.

IPL proposes to implement the pilot in December 2020 or upon Board approval. According to IPL, the proposed pilot program will increase summer demand response reductions by 270 MW in 2021 (1.9 percent) to 2,280 MW in 2023 (5.7 percent). Additionally, IPL noted that although the pilot's net societal benefits are positive (greater than 1.0), the overall cost-effectiveness for the energy efficiency and demand response plan will decrease from 2.99 to 2.98.

Staff has reviewed the proposed Modification and believes IPL has provided the information required by 199 IAC 35.10(3) and the information requested by Board staff. Staff has also reviewed the proposed demand response budget including the pilot program and calculated the percentage of that budget to the forecasted electric revenue to ensure that the proposed budget does not exceed the 2 percent threshold outlined in Iowa Code § 476.6(15)(c)(2).

ELPC/IEC supports the proposed Modification and suggests IPL host a future collaborative meeting to discuss the successes and challenges of the program. OCA does not object to the Modification and agrees that IPL should host a future collaborative meeting related to the proposed pilot and include information related to the pilot in its energy efficiency annual reports.

Staff recommends the Board approve IPL's proposed Modification. Staff recommends the Board require IPL to include pilot-related information in its energy efficiency annual reports and encourage IPL to host a future collaborative to discuss the pilot with interested stakeholders.

IV. Recommendation

Staff recommends the Board approve the attached draft order approving Interstate Power and Light Company's Application for Limited Modification of its Energy Efficiency Plan filed on October 15, 2020, and revised on November 2, 2020.

/bkb