

**STATE OF IOWA  
BEFORE THE IOWA UTILITIES BOARD**

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<b>IN RE:</b>	:	
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<b>INTERSTATE POWER AND LIGHT COMPANY,</b>	:	<b>Docket No. EEP-2012-0001</b>
<b>MIDAMERICAN ENERGY COMPANY,</b>	:	<b>Docket No. EEP-2012-0002</b>
<b>AND BLACK HILLS/IOWA GAS UTILITY COMPANY, LLC, d/b/a BLACK HILLS ENERGY</b>	:	<b>Docket No. EEP-2013-0001</b>
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**MIDAMERICAN ENERGY COMPANY’S COMMENTS ON NET-TO-GROSS REPORT**

**COMES NOW** MidAmerican Energy Company (MidAmerican) and files its Comments with the Iowa Utilities Board (Board) pursuant to the Board’s Order Requiring Comments on Net-To Gross Report issued December 21, 2015, states the following:

**I. Background**

On December 16, 2013, the Board issued an order approving the current energy efficiency plan for MidAmerican in Docket No. EEP-2012-0002. The Board also approved energy efficiency plans for Interstate Power and Light Company (IPL) in Docket No. EEP-2012-0001 and Black Hills/Iowa Gas Utility Company, LLC, d/b/a Black Hills Energy (Black Hills) in Docket No. EEP-2013-0001. The Board approved settlement agreements for MidAmerican, IPL and Black Hills, which provided for a collaborative review of the Net-To-Gross (NTG) assumptions included in the utility plans by the three utilities and interested stakeholders.

As the Board noted in its Order, the Board’s energy efficiency rules in 199 IAC 35.8(2) provide that the threshold of cost-effectiveness for a utility's energy efficiency plan as a whole is

a benefit/cost ratio of 1.0 or greater, and the ratios below that for individual programs must be justified by the utility. Additionally, subsection "c" of the rule provides, in part, that "[t]he utility shall estimate gross and net capacity and energy savings, accounting for free riders, take-back effects, and measure degradation." Utilities have previously met this requirement by relying on a deemed NTG ratio of 1.0 for past energy efficiency plans, based on research that was conducted as part of the utilities' joint assessment of potential, which is conducted prior to new plan filings.

The collaborative group of signers of the settlement agreements formed an oversight committee that included the three utilities, the Office of Consumer Advocate (OCA), a division of the Iowa Department of Justice, and the Iowa Environmental Council and the Environmental Law and Policy Center (Environmental Intervenors). The oversight committee drafted a request for proposal (RFP) that outlined the desired outcomes of the NTG study. The Iowa Utility Association issued the RFP which generated seven proposals. Ultimately, the oversight committee awarded the contract to Navigant.

Navigant began work in December 2014 and provided an initial draft report to the oversight committee in July 2015. The final report was filed on November 25, 2015, and is called the Iowa Energy Efficiency Net-to-Gross Report (Final Report).

Navigant's Final Report provided background information on Iowa's NTG approach, described various NTG approaches and best practices, and recommended NTG approaches for Iowa's investor-owned energy efficiency programs. The Final Report also recommended that energy efficiency programs be divided into three categories for purposes of NTG research. The oversight committee agreed with this approach. The categories included:

- Programs that continue with a deemed NTG value of 1.0 due to low benefits and net savings, and where previous research suggests that the NTG value would be close to 1.0;
- Programs for which secondary research will be conducted to establish deemed values

other than 1.0 because previous research indicates that 1.0 is not likely to be an accurate NTG value, but the expense of primary research is not justified; and

- Programs that contribute large savings to the utilities' energy efficiency portfolio and warrant the expense of primary NTG research.

The Final Report classified the investor-owned utilities' energy efficiency programs based on these categories and provided cost estimates for applicable NTG methodologies for each of the utilities' program. The report outlined the following recommendations for Iowa stakeholders to consider:

1. Continue with a deemed NTG value of 1.0 for programs with low net benefits and savings, and where research has found programs are likely to have a NTG value close to 1.0.
2. Continue to apply state-of-the-industry net savings research methods to demand management programs such as demand response and direct load management programs, and for residential behavior programs such as Opower Home Energy Reports.
3. Conduct secondary research to determine and establish deemed values other than 1.0 for programs where the costs of primary NTG research are not justified, but research shows a NTG value of 1.0 to be unlikely.
4. Conduct primary NTG research to estimate NTG values and/or common practice market baselines for key programs contributing large savings to the utility's DSM portfolio, using any or multiple methods outlined in this report.
5. For programs warranting primary NTG research, market-based methods may be used as the primary research methodology, providing a comprehensive understanding of energy efficiency markets, facilitating development of common practice market baselines, and/or generating estimates of the free-ridership and spillover components of NTG values.
6. NTG research should begin immediately rather than during the next five-year planning cycle, and resulting NTG values should be applied prospectively.
7. NTG research should be conducted at a minimum once per each five-year planning cycle, but for programs contributing large savings to the portfolio, programs in rapidly changing markets, primary research may need to be conducted every two to three years and possibly more frequently. Ultimately, the research findings will provide guidance as to when additional or new NTG research should be conducted.

8. Periodic review of all established deemed NTG values should be conducted to ensure they remain relevant and appropriate.

According to the Final Report, the oversight committee continues to discuss strategies for researching and applying NTG values and is working to find a mutually agreeable path. The Board, however, is requesting further comments so that all parties to the energy efficiency dockets have the opportunity to provide individual comments on how Navigant's NTG research recommendations could impact IPL's, MidAmerican's, and Black Hills' current and future energy efficiency plans. Additionally, the Board requested the parties to indicate whether they agree or disagree with the various recommendations; whether implementing some or all of these recommendations would require the utilities to modify existing Evaluation, Measurement, and Verification (EM&V) plans or energy efficiency budgets; and, note any obstacles to implementing the recommendations. Pursuant to the Board's request, MidAmerican offers the following comments to the Final Report. MidAmerican's comments are limited to the specific impact to MidAmerican's current energy efficiency plan.

## **II. MidAmerican Comments**

MidAmerican generally supports the recommendations in Table 2 on page 9 of the Iowa Energy Efficiency Net-to-Gross Report. The recommendations appear to strike a reasonable balance between costs to customers and the need for better program information. Implementation of the recommendations will help align Iowa's energy efficiency evaluations more closely with the best practices in other states and better prepare for potential inclusion of energy efficiency savings as an option for compliance with the Environmental Protection Agency's Clean Power Plan. MidAmerican has the following additional comments, however.

- a. MidAmerican does not agree with Recommendation Number 6 that net-to-gross research must begin immediately. MidAmerican instead suggests incorporating the

research into other planning and EM&V activities, such as the cross-cutting approach to assessing MidAmerican's progress toward market effects for select programs presented in MidAmerican's Strategic Evaluation Plan, to the greatest extent possible in order to allow for efficient collection of the information.

For example, the report recommends additional surveys be conducted for several programs. MidAmerican recommends that the Board allow the utilities to incorporate the surveys recommended in the report into their next evaluations specific to the programs for which those surveys are recommended. MidAmerican also believes it would be most efficient to allow for joint information gathering efforts for joint utility programs such as commercial new construction. It would also be most efficient for those programs where the sales data approach is recommended to allow the utilities to gather the additional data as part of the joint assessment process. These programs would include residential and nonresidential prescriptive programs and upstream lighting programs.

- b. Even if the recommended information is gathered in the manner suggested by MidAmerican, the costs of performing these analyses will not be trivial. If the data collection efforts are done during the current plan period, it will be necessary to increase budgets for future plan years to account for the increase in costs related to the data collection. While MidAmerican does not anticipate the added costs will cause any of its programs to no longer be cost effective, the impacts on cost-effectiveness will need to be re-evaluated after more accurate cost estimates are obtained through an RFP process.

