ITEM NO. CA4

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: March 8, 2016

REGULAR ____ **CONSENT** X **EFFECTIVE DATE** March 9, 2016

DATE: March 2, 2016

TO: Public Utility Commission

FROM: Michael Breish MB

THROUGH: Jason Eisdorfer JE and Aster Adams AA for

SUBJECT: IDAHO POWER COMPANY: (Docket No. ADV 212/Advice No. 16-03) Requests Approval of New Schedule 71 – Educational Distributions

STAFF RECOMMENDATION:

Staff recommends the Commission allow Idaho Power Company's (Company or Idaho Power) Advice No. 16-03 to go into effect March 9, 2016.

ISSUE:

Whether the two energy efficiency programs proposed by Idaho Power are cost effective and satisfy the Commission's criteria for energy efficiency programs.

APPLICABLE LAW:

Under ORS 757.205, energy utilities must file tariffs for services provided to retail customers.

OAR 860-027-0310 specifies that the Commission encourages energy utilities to acquire cost-effective conservation resources and authorizes energy utilities to apply for Commission approval of programs designed to promote the acquisition of cost-effective conservation resources.

OAR 860-027-0310 defines conservation as any reduction in electric power or natural gas consumption as the result of increase in efficiency of energy use, production, or distribution. "Cost-effective" relates to an energy conservation measure's cost, life cycle, and the cost of alternative energy facilities. An energy utility's cost-effectiveness

calculations should be consistent with the utility's most recently acknowledged least-cost plan pursuant to Order No. 89-507.[1]
Below are excerpts from OAR 860-027-0310(2) where the Commission's policies for evaluating conservation programs proposed by utilities are stated:

- Incentive:
    - Acquisition of least-cost resources should be the energy utility's most profitable course of action. An energy utility should have an incentive to acquire all least-cost resources, but it should not have an incentive to pursue conservation past the point at which it is no longer cost-effective.
    - The most important criterion for evaluating an incentive program is its effect on the energy utility's resource acquisition strategy.
    - An energy utility should have the incentive to acquire any resource at the minimum total cost.

- Impact
    - Incentive programs should be as consistent as possible with the Commission objective of promoting rate stability.

Commission Order No. 94-590 in Docket UM 551 specifies the following:

- The total resource cost test (TRC) must be used to determine if energy efficiency measures and programs are cost effective.[2]
- A utility should calculate cost savings and other non-energy benefits if they are significant and there is a reasonable and practical way for calculating them.[3]

Utilities should offer incentives to end-users sufficient to meet or exceed acknowledged least-cost plan conservation targets.[4]

DISCUSSION AND ANALYSIS:

Background

On February 8, 2016, Idaho Power filed Advice No. 16-03 to approve the Company's proposed Schedule 71, Education Distributions, which allows the Company to engage in

[1] OAR 860-027-0310(1)(c).
[2] Order No. 94-590 at 14 (UM 551).
[3] Ibid., 15.
[4] Ibid.

two broad, education efforts in Oregon: the Student Energy Efficiency Kit (SEEK) Program and a general Give-Away Opportunities program.
Idaho Power plans to implement two broad efforts under proposed Schedule 71. First, Idaho Power will distribute energy efficiency kits under the SEEK Program, which the Company has operated in its Idaho service territory for several years. The purpose of the program is to provide fourth to sixth grade students "quality, age-appropriate instruction regarding the wise use of electricity."[5] Resource Action Programs with the assistance of Idaho Power's Community Education Representatives distribute these kits to schools located in the Company's service territory, where participating teachers receive curriculum and supporting material and students receive guides and work material. The kit currently contains:

- Three light emitting diode (LED) bulbs
- A high-efficiency showerhead
- A LED nightlight
- A furnace filter alarm
- A water-flow rate test bag
- A shower timer
- A digital thermometer

Contact information is provided for any additional help students and their families may need. Students complete surveys and worksheets at the end of the school year, indicating which specific measures were installed as well as general feedback. Idaho Power calculates savings based on these reported installations.

In its review of the SEEK program's reasonableness, Staff reviewed the program's performance in the Idaho portion of the Company's service territory. Staff notes that in 2014, 6,312 kits were delivered to 208 classrooms in 73 schools for a total of approximately 1,491 MWh of first-year savings.[6] The program is also cost effective as shown later in this Staff Memo.

The second educational effort Idaho Power is proposing to implement under Schedule 71 is the opportunity to distribute give-away items, which Idaho Power asserts complements the Company's current informational educational efforts by means of printed or presented material. Using Regional Technical Forum and other source data, Idaho Power can estimate the real energy savings these give-away items produce. Idaho Power currently proposes three broad categories of give-away items to customers:

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[5] Idaho Power's Cover Letter, at page 1, Advice No. 16-03, February 8, 2016.
[6] Idaho Power's 2014 Annual Demand-side Management Report, at page 150, March 15, 2015.

1. LED bulbs
2. Residential Energy Efficiency Kits – which can include the following measures: "LED bulb(s), 2.0 gallons per minute or lower showerhead(s), faucet aerator(s), and/or load sensing power strip.[7]
3. Other – Examples include indoor drying racks or smart power strips, but is intended to be an undefined category.

Idaho Power provided the Utility Cost Test (UCT) and Total Resource Cost Test (TRC) ratios, without the program administration costs, for SEEK and the first two measures in the general give-away program. These ratios are as follows:[8]

Measure	**UCT**	**TRC**
Student Energy Efficiency Kits	3.88	4.47
LED Bulbs	1.00	2.37
Residential Energy Efficiency Kits[9]	1.00	1.65

The table above shows that these proposed measures under Schedule 71 are cost effective.

Idaho Power has yet to determine the specific items it will distribute under the "other" category, hence why it is not reporting a UCT or TRC for that subcategory. Idaho Power states that items distributed which fall under the "other" category will produce measurable savings and that "the primary driver for the distribution [of "other" items] is to educate customers about energy efficiency, and promote energy efficiency and behavior change."[10] Qualifying items must either be cost effective or are expected to be cost effective. Idaho Power includes additional, non-energy benefits that can be derived from the distribution of undefined give-away items, including "educating customers about energy efficiency, expediting the opportunity for customers to experience newer technology, and allowing Idaho Power to gather data or validate potential energy savings resulting from behavior change."[11]

Idaho Power intends to distribute these give-away items at a variety of events and locations, including by direct mail, home and garden shows, county fairs, or home

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[7] Idaho Power's Cover Letter, at page 2, Advice No. 16-03, February 8, 2016.
[8] *See* Commission Order No. 94-590, section 10, which states that administrative costs should not be applied to individual measures within a program.
[9] The kit Idaho Power used in this analysis includes six LED bulbs, one showerhead, and two faucet aerators.
[10] Ibid.
[11] Ibid.

consultations. Idaho Power also plans to work with Community Action Partnership organizations to facilitate delivery to customers.

Expenditures related to the undefined "other" category should not exceed 20 percent of the program budget or $10,000, whichever is less, according to the Company. Ultimately, Idaho Power anticipates that the "other" category could serve as a means to test new ideas and distribute new energy efficient technologies that could be adopted on a larger, measure- or program-wide scale. Because of the increasingly diverse and developing field of residential demand-side management technologies and applications, Staff finds this to be a prudent opportunity for the Company to explore cost effective energy efficiency opportunities.

Staff held a phone call with Idaho Power on February 1, 2016, to discuss concerns related mostly to the "other" category. Largely, Staff wanted to ensure that Idaho Power's decisions regarding which items to distribute under the undefined category were transparent and that detailed results would be reported in order to enable Staff's sufficient review of reasonableness and appropriateness. Staff also had a few questions regarding how the results of the SEEK program are to be measured and verified. Staff appreciated Idaho Powers responses and clarifications, which it found were all sufficient.

To address the concern regarding status and results of items distributed under the "other" category, Idaho Power plans to report all measures, savings, and costs on all measures, including the "other" undefined category, in the Company's Annual Demand-Side Management Report. Upon review of the initial reporting results, Staff will confer with Idaho Power to discuss any opportunities for improvement.

Staff is satisfied with Idaho Power's proposed implementation of the give-away plan and agrees with Idaho Power's assessment regarding the cost-effectiveness of the proposed programs. Staff concludes that the filing satisfies the Commission's criteria for cost effectiveness and believes the proposed new schedule is reasonable. Thus, Staff recommends the Commission approve the Company's proposed Schedule 71.

PROPOSED COMMISSION MOTION:

Idaho Power's Advice No. 16-03 be allowed to go into effect on March 9, 2016.