

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: December 17, 2019**

REGULAR \_\_\_\_\_ CONSENT  X  EFFECTIVE DATE  December 18, 2019

**DATE:** November 26, 2019

**TO:** Public Utility Commission

**FROM:** Paul Rossow

**THROUGH:** Michael Dougherty and JP Batmale **SIGNED**

**SUBJECT:** IDAHO POWER COMPANY:  
(Docket No. UM 1710)  
Request for Cost-Effectiveness Exceptions for Specific Demand-Side  
Management Electric Measures and Programs.

**STAFF RECOMMENDATION:**

Staff recommends the Commission allow Idaho Power Company's (Idaho Power or Company) request to extend the cost-effectiveness exception for two measures in its Demand-Side Management Programs: 0-5 Ton Heat Pump Units that meet Consortium for Energy Efficiency Tiers 1 and 2 (Heat Pump Units) and Smart Power Strips.

**DISCUSSION:**

Issue

Whether the Commission should grant Idaho Power's request for another extension of cost-effectiveness waivers for two non-cost-effective measures.

Applicable Rule or Law

Under ORS 757.205, every public utility must file tariffs for services provided for retail customers. The Commission may approve tariff changes if they are deemed to be fair, just, and reasonable. ORS 757.210. Tariff revisions may be made by filing revised sheets with the information required under the Commission's administrative rules, including OAR 860-022-0025. OAR 860-022-0025(2) specifically requires that each energy utility changing existing tariffs or schedules must include in its filing a statement plainly indicating the increase, decrease, or other change made with the filing, the number of customers affected by the proposed change, and the resulting change in

annual revenue; and the reasons or grounds relied upon in support of the proposed change.

Filings that propose any change in rates, tolls, charges, rules, or regulations must be filed with the Commission at least 30 days before the effective date of the change. ORS 757.220; OAR 860-022-0015. Tariff filings to be effective on less than 30 days following notice of the change may be authorized with a waiver of less than statutory notice pursuant to ORS 757.220 and OAR 860-022-0020.

Under OAR 860-027-0310(2), the Commission encourages energy utilities to acquire cost-effective conservation resources. "Cost-effective" is defined in OAR 860-030-0010. The Commissioner determines cost-effectiveness through a Total Resource Cost (TRC) test, which is a ratio of energy benefits to total program costs. If benefits exceed costs, resulting in a TRC greater than one, then the measure is considered cost-effective.

With Order No. 94-590 issued in Docket No. UM 551, the Commission provides for the inclusion of non-cost-effective measures in utility Demand-Side Management (DSM) programs if those measures meet specific conditions. The available conditions to qualify for an exception are:

- A. The measure produces significant non-quantifiable non-energy benefits. In this case, the incentive payment should be set no greater than the cost-effectiveness limit less the perceived value of bill savings, e.g., two years of bill savings;
- B. Inclusion of the measure will increase market acceptance and is expected to lead to reduced cost of the measure;
- C. The measure is included for consistent with other DSM programs in the region;
- D. Inclusion of the measure helps to increase participation in a cost-effective program;
- E. The package of measures cannot be changed frequently, and the measure will be cost-effective during the period the program is offered;
- F. The measure or package of measures is included in a pilot or research project intended to be offered to a limited number of customers;
- G. The measure is required by law or is consistent with Commission policy and/or direction.

## Analysis

### *Background*

After conducting an annual review of its current DSM Electric Measures and Programs, Idaho Power determined that no residential, irrigation, or commercial and industrial DSM measures or programs require new cost-effective exceptions. However, two measures require an extension of a previously-allowed exception.

Under Order 18-295 effective August 15, 2018, the Company was granted an 18-month exception period expiring on April 15, 2020, for its Heat Pump Unit and Smart Power Strip measures. Idaho Power now asks to extend the extension for the Heat Pump Units through December 31, 2020, and the Smart Power Strip's extension through December 31, 2021.

For Commercial and Industrial programs, the Company uses a technical reference manual (TRM) developed by ADM Associates, Inc. as the primary source of savings and cost assumptions. Savings and cost assumptions for measures and programs, including those offered by Idaho Power, are periodically updated by the Regional Technical Forum (RTF) and in the TRM. Because of revised values and measures programs can become non cost-effective.

For Heat Pump Units, the Company anticipates receipt of a new TRM workbook with updated savings values in the second half of 2020. Since the 18-month exception was granted, no new savings assumptions have become available to reevaluate measure program design. Subsequently, no Heat Pump Units have been installed within its Oregon jurisdiction. Furthermore, the Company normally makes programmatic changes on January 1. The requested approximate eight-month extension would allow for receipt of a new TRM workbook but would also synchronize measure changes with all other Idaho Power DSM program changes.

With regard to Smart Power Strips, the additional approximate 20-month extension would allow the Company to monitor for measure price reductions which might improve measure cost-effectiveness, and synchronizes with the release of new saving assumptions by the RTF, which is expected to occur by the planning measure sunset date of November 30, 2021. Furthermore, Smart Power Strips are included in Commercial Energy Efficiency Kits (kits) and might be available in the Small Business Direct Install offering to provide non-lighting energy savings if inclusion of the measure in the combination with the lighting measures does not bring the TRC cost-effectiveness of the offering under 1.0. The projected TRC is 1.12 for the offering, but the Company will have an opportunity to reevaluate energy savings assumptions and cost-

effectiveness, and make modifications if needed, as the offering progresses through its jurisdiction.

Between the granted 18-month exception date of August 15, 2018, and the most recent month the Company has data available of August 30, 2019, the Company distributed 104 kits containing the Smart Power Strips to Oregon customers.

In January 2019, updated RTF savings for Smart Power Strips were released, resulting in a decline of the TRC test to 0.37 for both Retrofit and New Construction, excluding administrative costs, from previous TRC test cost-effectiveness of 0.69 and 0.77, respectively. Though the cost-effectiveness declined, the Company did not have any Oregon Retrofit or New Construction projects with this measure in 2018. While the RTF kilowatt-hour savings decreased, another factor contributing to the decline is the measures cost of \$39.33, whereas Bonneville Power Administration recently used a value of \$25.42 per unit in calculating cost-effectiveness under Version 8.0 of the Unit Energy Savings Measure List effective October 1, 2019,<sup>1</sup> suggesting that measure price reductions are emerging. Using the same savings and unit cost assumptions as BPA, Idaho Power's cost-effectiveness under the TRC test improves to 0.88 (excluding administrative costs).

Although the measures cited above have limited participation in Oregon, Idaho Power endeavors to keep consistency of the Program across its Idaho and Oregon jurisdictions. Contractors work both states when selling retrofit projects. Idaho Contractors cross over to Oregon and vice versa. Offering two separate program designs would create confusion in the marketplace and could inhibit participation.

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<sup>1</sup> [https://www.bpa.gov/EE/Policy/Solutions/Documents/UES\\_Measure\\_List\\_Version\\_8.0.xlsx](https://www.bpa.gov/EE/Policy/Solutions/Documents/UES_Measure_List_Version_8.0.xlsx)

The table below summarizes the two measures for which the Company is seeking exceptions.

Measure Grouping	Utility Cost test	TRC test	Order No. 94-590 Conditions <sup>2</sup>
0 – 5 Ton HP Units that Meets CEE Tier 1 and 2	2.30 (Tier 1) 1.44 (Tier 2)	0.50 (Tier 1) 0.71 (Tier 2)	C and D B, C and D
Smart Power Strips	1.31 (Retrofit and New Construction)	0.37 (Retrofit and New Construction)	C and D

### *Summary*

Staff recognizes Idaho Power's determination that no residential, irrigation, or commercial and industrial sector DSM measures or programs require new cost-effectiveness exceptions. Staff is concerned with both the Heat Pump Units' and Smart Power Strips' low TRC test. However, Staff supports Idaho Power's request to extend the cost-effectiveness exception for both measures in order to analyze the Heat Pump measure with new values in the anticipated TRM workbook and the Smart Power Strips measure with new savings assumptions by the Regional Technical Forum. Staff recommends that the Commission grant an exception for both measures: Heat Pump Units' requested date through December 31, 2020, and the Smart Power Strip's requested date through December 31, 2021.

### Conclusion

Staff recommends that the Commission acknowledge that no residential, irrigation, or commercial and industrial DSM measures or programs require new cost-effective exceptions and grant the extension of the cost-effectiveness requirement for the Heat Pump Units and Smart Power Strips as requested by Idaho Power.

### **PROPOSED COMMISSION MOTION:**

Acknowledge no residential, irrigation, or commercial and industrial DSM measures or programs require new cost-effective exceptions and grant Idaho Power's extension requests.

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<sup>2</sup> Order No. 94-590 qualifying conditions referenced in the measure grouping table: B (increase market acceptance), C (program consistency), and D (increases participation).