

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: June 23, 2015

REGULAR ____ CONSENT X EFFECTIVE DATE _____ N/A _____

DATE: June 15, 2015

TO: Public Utility Commission

FROM: Michael Breish *MB*

THROUGH: *J* Jason Eisdorfer and *AA* Aster Adams

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

STAFF RECOMMENDATION:

Staff recommends the Commission grant Idaho Power Company (Idaho Power or Company) the requested cost-effective exceptions for the measures and program described below. Staff also recommends the Commission confirm or clarify the applicability of the cost-effectiveness standards to low-income weatherization programs.

DISCUSSION:

Applicable Commission Order

Idaho Power is requesting exceptions that were established by the Commission in Order No. 94-590 issued in UM 551. The available conditions to qualify for an exception are:¹

- 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;

¹ For the remainder of this memo, reference to a specific condition from Order No. 94-590 will be cited simply by its letter, for example, "Condition C." The conditions are set forth in Order No. 94-590 at page 18.

- C. The measure is included for consistency 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:

Introduction and summary

On February 11, 2015, Idaho Power filed a request in UM 1710 for cost-effective exceptions for four demand-side management (DSM) measures and one program. The measures are available to residential and irrigation customers, while the program provides financial assistance to third-party agencies who assist in weatherization efforts for low-income households.

The February 11, 2015 filing is the second iteration of Idaho Power's request; the first one was submitted on November 4, 2014. That initial filing contained a request for one measure exception and one program exception that have since been modified and no longer require an exception. On November 21, 2014, Idaho Power filed Advice No. 14-11 and on December 9, 2014, the Company filed Advice Filing No. 14-13, both of which sought to suspend and alter the respective programs.² Because the Commission approved Advice Filing Nos. 14-11 and 14-13, resolving the cost-ineffective status of the respective measure and program, Staff then requested Idaho Power to update its UM 1710 filings to reflect the status of all measures and programs, and request exceptions for those that the Company wished to retain but were still not cost effective.

Idaho Power re-filed its request for cost-effective exceptions on February 11, 2015. In this filing, Idaho Power also requests the Commission to clarify whether Order No. 94-590 standards apply to the Company's "weatherization assistance for qualified customers" (WAQC) program.

² Respectively; Schedule 73, Home Products Program and Schedule 70 -Appliance Recycling Program.

Staff also seeks to establish a scheduled annual filing of all future cost-effective exceptions requests by Idaho Power. Staff thanks the Company for its cooperation in this effort in determining what is the appropriate scheduling and structure of such a filing.

Below is a table containing the measures' and program's respective utility cost test (UCT) ratio and the total resource cost (TRC) test ratio:

Measure/Program Name	UCT	TCR
Ductless heat pump pilot ³	0.36 - 3.83	0.63 - 0.89
Water-source heat pumps ⁴	6.23, 10.51	0.70, 0.92
Heat pump conversion to 8.50 HSPF ⁵	6.45	0.81
Rebuilt or new brass impact sprinklers	4.74	0.90
Weatherization Assistance for Qualified Customers ⁶	0.51	0.42

Included in Staff's analysis of the filing was one set of data requests sent to the Company.

For the following reasons, Staff concludes that Idaho Power's February 2015 filing satisfies the criteria for exceptions for the measures and program at issue.

Discussion

Staff appreciates Idaho Power's commitment to offering a variety of DSM measures and programs to its customers and the Company's efforts to maintain those offerings when exceptions allow the Company to do so. The Regional Technical Forum (RTF) periodically updates its savings and cost assumptions for DSM programs and measures, including those offered by Idaho Power. The RTF is "an advisory committee

³ Range accounts for combinations for three weather zones

⁴ The first value in each column is for open loop water source heat pumps replacing an air-source heat pump, the second value in each column is for open loop water-source heat pumps replacing an electric, oil, or propane forced air furnace.

⁵ For heating zone 1, cooling zone 3; all other weather zone combinations are cost effective.

⁶ Data from Idaho Power's 2014 Demand-side Management Annual Report, Supplement 1: Cost-Effectiveness

established in 1999 to develop standards to verify and evaluate conservation savings.”⁷ Idaho Power uses RTF’s costs and savings assumptions for the planning and evaluation of its programs and measures when historical data is either unavailable or insufficient. Because of the RTF’s recently revised values, the Company’s program and measures covered by this filing became cost ineffective.

The Company’s Cost-Effective Exception Requests

Ductless Heat Pump Pilot (three weather zone combinations)

Staff agrees with Idaho Power that the Ductless Heat Pump (“DHP”) pilot program meets Conditions A and C. The non-energy benefits (NEB) exception, set forth in Condition A, may include improvements to indoor air quality. Such improvements to indoor air quality are certainly a benefit provided by the DHP program and Idaho Power’s Oregon customers will benefit from their continued offering of the program.

Regional entities including Bonneville Power Administration (BPA), Energy Trust of Oregon (ETO), and Rocky Mountain Power (RMP) offer similar measures.

Water-source heat pumps (two installation combinations)

Staff agrees with Idaho Power that the water-source heat pumps measure meets Conditions C and D. The Heating and Cooling Efficiency Program under which the water-source heat pumps measure is categorized is cost effective overall and regional entities, including BPA and RMP, offer similar measures. Despite the fact that Idaho Power has not received any request for this program in Oregon, Staff appreciates the Company’s intention to continue offering the program to those customers that reside in Oregon. Idaho Power will continue to market this measure to customers in Oregon.

Heat pump conversion to 8.50 Heating Seasonal Performance Factor

Staff has reviewed Idaho Power’s comments in support of this requested exception and agrees that this measure meets Conditions C and D. The Heating and Cooling Efficiency Program under which the heat pump conversion measure is categorized is overall cost effective and RMP offers a similar measure.

Rebuilt or new brass impact sprinklers

Staff has reviewed Idaho Power’s comments in support of this requested exception and agrees with Idaho Power that this measure meets Conditions A, C and D. New or rebuilt sprinklers reduce water usage and increase crop yield, the Irrigation Efficiency Program under which the rebuilt or new brass impact sprinklers is categorized is overall cost

⁷ <http://rtf.nwcouncil.org/about.htm>, accessed April 29, 2015.

effective and BPA offers a similar measure. In light of increasingly challenging water environments in Eastern Oregon and Idaho, the continuation of this program is imperative.

Because of increasing and recent water availability issues, Staff asked Idaho Power two questions involving forecasted participation and outreach efforts of this measure. Idaho Power directed Staff to the Company's annual DSM report, where Idaho Power discusses the various efforts it pursues to engage irrigation customers with the irrigation-DSM measures and programs. Staff is pleased to see that these efforts are correlated with increasing adoption rates of the rebuilt or new brass impact sprinklers measure.⁸

Weatherization Assistance for Qualified Customers Program

Due to legislation that provides funding of low-income weatherization projects through the public purpose charge, Idaho Power opines that the cost-effectiveness requirements set forth in Order No. 94-590 do not apply to WAQC programs.⁹ Idaho Power, in its initial UM 1710 submission filed on November 4, 2014, asked for clarification of this issue.

In response, Staff explained to the Company that it understood the Commission earlier had adopted Staff's recommendation that "[low-income] electric efficiency programs are not held to the same UM 551 [Order No. 94-590] cost-effectiveness standards as non-low-income programs."¹⁰ Staff reached this conclusion because of the Commission's resolution of issues in its Order No. 14-322 (UM 1622). Specifically, while the Commission did not make an explicit determination in Order No. 14-332 regarding the application of the cost-effectiveness requirement to low-income weatherization programs, such as WAQC, it seemed to implicitly adopt Staff's recommendation that the requirements do not apply to such programs. See Order No. 14-322 at 41, 71.¹¹ Staff recommends the Commission either affirm Staff's understanding of the Order's previous resolution of this issue or provide clarification as to whether and how the UM 551 cost-effectiveness standards apply to low-income weatherization programs.

⁸ Idaho Power Company's Responses to the Public Utility Commission of Oregon Staff's Data Requests 4 and 5, May 14, 2015.

⁹ ORS 757.612(3)(b)(C).

¹⁰ Order No. 14-332, UM 1622, October 1, 2014, Appendix A, 41.

¹¹ "Staff supports the Commission acknowledging as part of the order for this docket that, as with electric efficiency programs gas low income energy efficiency programs are not held to the same UM 551 cost effectiveness standards as non-low income programs," Order No. 14-322 at 41; and "NWN [Northwest Natural] recommends the Commission provide clear acknowledgement that low income weatherization programs are invested in for many reasons and are not expected to meet the cost effectiveness standards in UM 551. Staff agrees with NWN that low income weatherization programs are not intended to meet UM 551 cost effectiveness standards and for clarification recommends the Commission acknowledge that fact in the final order for this docket." Order No. 14-322 at 71.

Annual Filing

In the effort to enhance and streamline the process for filing and reviewing DSM cost-effective exception requests, Staff has requested Idaho Power consolidate such requests into a single, annual filing. Doing so would enable Staff and the Commission to assess the measures and programs in a more comprehensive analysis than permitted by the piecemeal manner these exceptions have been requested thus far.

Staff believes that a global review enabled by a consolidated submission will benefit Idaho Power customers due to the increasingly diverse and interdependent characteristics of Idaho Power's DSM offerings. Additionally, such a filing will be advantageous for the Company due to the greater understanding of the Company's intentions afforded to Staff by a single filing. These programs and measures do not individually exist in a vacuum; their respective successes rely on overall robust DSM operation and coordination. Idaho Power is planning to submit an annual filing if one is needed.

Staff recommends that the Commission require Idaho Power to file an annual filing that includes all cost-effective exception requests only if the Company needs such exceptions. In years where Idaho Power has no requests, Staff requests the Company file its annual DSM report electronically in the UM 1710 docket. Staff understands that the Company has no objection to this request.

PROPOSED COMMISSION MOTION:

1. Idaho Power's request for cost-effective exceptions for specific DSM measures be granted;
2. Idaho Power file its request for cost-effective exceptions for specific DSM measures on an annual basis or, in years where Idaho Power has no need for such a request, the Company file its annual DSM report electronically in the UM 1710 docket; and
3. The Commission to confirm that its cost-effectiveness standards set forth in Order No. 94-590 do not apply to low-income weatherization programs including Idaho Power's WAQC program.