

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

REGULAR  CONSENT  EFFECTIVE DATE June 29, 2015

DATE: June 15, 2015

TO: Public Utility Commission

FROM: Michael Breish *MB*

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

SUBJECT: IDAHO POWER COMPANY: (Docket No. ADV 38/Advice No. 15-07)  
Requests Modifications to Schedule 72 – Heating and Cooling Efficiency  
Program – and Cancellation of Schedule 71 – Ductless Heat Pump Pilot  
Program.

**STAFF RECOMMENDATION:**

Staff recommends the Commission allow Idaho Power Company's (Company or Idaho Power) Advice No. 15-07 to go into effect June 29, 2015.

**DISCUSSION:**

Introduction and summary

On May 12, 2015, Idaho Power filed Advice No. 15-07 to 1) cancel Schedule 71, Ductless Heat Pump Pilot program and incorporate the single Ductless Heat Pump (DHP) pilot program offered under Schedule 71 as a measure offered in Schedule 72, Heating and Cooling Efficiency Program; and 2) add three additional measures to Schedule 72. Staff reviewed Advice No. 15-07 to determine whether the four proposed additions to Schedule 72 are cost-effective and should be authorized.

Applicable Statutes, Rules, and Commission Orders

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 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.<sup>1</sup>

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.<sup>2</sup>
- 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.<sup>3</sup>
- Utilities should offer incentives to end-users sufficient to meet or exceed acknowledged least-cost plan conservation targets.<sup>4</sup>

### Background

Incentives offered under Idaho Power's Schedule 72 Heating and Cooling Efficiency program are available to residential customers or owners or managers of rental

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<sup>1</sup> OAR 860-027-0310(1)(c).

<sup>2</sup> Order No. 94-590 at 14 (UM 551).

<sup>3</sup> Ibid., 15.

<sup>4</sup> Ibid.

properties as well as home builders and developers who construct homes in the Company's service territory. The program offers incentives for qualified heating and cooling equipment as well as energy saving services to eligible customers and developers.

Through the Heating and Cooling Efficiency program, Idaho Power currently provides qualifying customers and developers the following incentives:

- High Efficiency Air Source or Open Loop Water Source Heat Pump: Proper Sizing & Installation
- Evaporative Cooler: Purchase & Installation

Advice No. 15-07 modifies two separate schedules:

- Adds four new measures to Schedule 72:
  - Single Family Home Duct Sealing
  - Electronically Commutated Air Handler Motor (ECM)
  - Residential Whole House Fan
  - Ductless Heat Pump (DHP)<sup>5</sup>
- Cancels Schedule 71, Ductless Heat Pump Pilot

The specific measures that are being introduced and their associated Utility Cost Test (UCT) and TRC ratios are as follows:

| <b>Measure Name</b> | <b>UCT</b>             | <b>TRC</b>             |
|---------------------|------------------------|------------------------|
| Duct Sealing        | 2.06                   | 1.43                   |
| ECM                 | 1.94                   | 1.05                   |
| Whole House Fan     | 3.05                   | 1.10                   |
| DHP                 | 0.36-3.83 <sup>6</sup> | 0.63-0.89 <sup>7</sup> |

In UM 1710, which is also before the Commission at the June 23, 2015 Public Meeting, Idaho Power requests a cost-effectiveness exception to the DHP pilot program on the grounds that the program provides non-energy benefits and is consistent with other demand-side management measures or programs offered regionally, both of which are

<sup>5</sup> This measure is exactly the same as Schedule 71.

<sup>6,7</sup> Range of cost/benefit ratios represents different weather zones.

among reasons for exception approved by the Commission in Order No. 94-590. In its report to the Commission regarding Idaho Power's request for exception, Staff agrees with Idaho Power's reasoning and believes that Idaho Power should continue to offer the DHP pilot program to its customers despite the current lack of cost effectiveness. The DHP measure Idaho Power proposes to add to Schedule 72 is identical to what is offered in the Schedule 71 pilot program. Staff supports incorporating the DHP measure into Schedule 72.

The existing services provided under the Heating and Cooling program are cost effective.

Staff concludes that the filing satisfies the Commission's criteria for cost effectiveness subject to the Commission's approval of Staff recommendation in Docket No. UM 1710 (Consent Agenda Item 2) that Idaho Power's request for cost-effective exceptions for the specific DSM measures and program be granted and believes the proposed modifications to the program and tariff are reasonable. Thus, recommends the Commission approve the Company's proposed changes.

**PROPOSED COMMISSION MOTION:**

Idaho Power's Advice No. 15-07 be allowed to go into effect on June 29, 2015.