

PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT

PUBLIC MEETING DATE: December 15, 2015

REGULAR  CONSENT  EFFECTIVE DATE December 16, 2015

DATE: December 7, 2015

TO: Public Utility Commission

FROM: Scott Gibbens *SG*  
*I*

THROUGH: Jason Eisdorfer and Marc Hellman *Agg*

SUBJECT: IDAHO POWER COMPANY: (Docket No. ADV 162/Advice No. 15-13)  
Requests Suspension of Schedule 70: Appliance Recycling Program.

**STAFF RECOMMENDATION:**

Staff recommends that the Public Utility Commission of Oregon (Commission) approve Idaho Power Company's (Idaho Power or Company) Advice No. 15-13 filing and allow it to take effect December 16, 2015, on less than statutory notice. Staff further recommends the Commission impose the following additional requirements:

- 1) The Company will provide a status update to the Commission of the appliance recycling program by June 16, 2016; and
- 2) Unless already re-opened or terminated through a subsequent filing, Idaho Power shall work with Staff to finalize a plan for the future of Schedule 70 by December 16, 2016.

**ISSUE:**

The main issue for consideration is whether the Commission should approve Idaho Power's request to suspend Schedule 70, Appliance Recycling Program, under which customers may recycle qualifying refrigerators at no cost and whether it should do so on less than statutory notice.

**APPLICABLE LAW:**

The Commission reviews proposed tariffs filed under ORS 757.205 to determine whether they are fair, just and reasonable. See ORS 756.040.

OAR 860-022-0025(2) requires utilities proposing to change a tariff to: (a) plainly indicate the increase, decrease, or other proposed change; (b) set forth the number of customers affected by the proposed change and the resulting change in annual revenue; and (c) provide a detailed statement setting forth 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. See ORS 757.220 and OAR 860-022-0020. 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.

#### **ANALYSIS:**

On December 4, 2015, Idaho Power filed a request to suspend, effective December 16, 2016, Schedule 70 with less than statutory notice. Schedule 70 is a program designed to encourage the removal and recycling of less efficient appliances by providing a removal service from the home and recycling of the appliance at no cost to the customers. Customers are permitted removal of two units per customer, per year; provided that the unit is residential grade, 10 to 30 cubic feet and empty at the time of pick-up.

Idaho Power used JACO Environmental (JACO or Contractor) to handle the pick-up and recycling of the refrigerators. The contractor ceased operations abruptly on November 23, 2015.<sup>1</sup> The Contractor had been in business for 26 years operating in 28 states.

Fifty-six Oregon customers took part in the program in 2014 and 45 customers had recycled an appliance during 2015 with JACO. The drop in participation is most likely due to the removal of the \$30 incentive in January of 2015.

In Staff's analysis, Staff reviewed the initial application and Staff reports from Advice No. 14-13 and Advice No. 15-10, the current application, the Company's Schedule 70, research into the appliance recycling industry, and a conversation with an Idaho Power employee with knowledge of the filing. Due to the expedited nature of the filing, no information requests were filed.

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<sup>1</sup> At the time of filing, three Oregon customers held appointments for appliance recycling, Idaho Power made other arrangements to recycle the refrigerators for those customers.

Due to the extraordinary circumstances, it was not feasible for the Company to provide a 30 day notice of the program suspension. In Idaho Power's filing for Advice No. 15-10, it states that the Contractor provides most services including customer service and scheduling, unit pick up, unit recycling, reporting, and marketing assistance. Due to the abrupt nature of closure and the large percentage of service provided by the contractor, Staff believes Idaho Power's request is warranted. It is not reasonable to require Idaho Power to continue to offer a program that is has no internal means of operating at this time. Doing so would result in a financial and logistical burden to the Company and could potentially harm rate payers.

Although beneficial to customers, the program does not provide a necessary or time-sensitive service. Staff believes that the longer the program remains suspended, the greater the potential negative impact on customers. This led Staff to attempt to determine a reasonable amount of time which could be expected for the utility to find a cost-effective replacement contractor.

In analyzing Idaho Power's ability to re-open the program, Staff noted that the Commission has approved two incentive adjustments to Schedule 70 in the last year. On January 13, 2015, the Commission approved the removal of a \$30 rebate paid to customers who participated in the program. On September 8, 2015, the Commission approved the addition of a two-LED light bulb incentive to participating customers. Both filings were in an attempt to provide a recycling program high in demand that maintained the Commission required level of cost effectiveness. Notably, the Program suffered from a Utility Cost Test benefit cost ratio of 0.84 prior to the removal of the \$30 incentive. Staff believes that the prior filings indicate that the circumstances surrounding the program make it potentially difficult to design. In addition, Idaho Power serves a mostly rural portion of Oregon which may result in higher costs than similar programs offered by other utilities.

Staff also researched other utilities that have been affected by the closure of the Contractor. West Penn Power, Duquesne Light, Duke Energy, and Idaho Power (in Idaho), were among the utilities that have temporarily suspended an appliance recycling program. Rocky Mountain Power is currently applying for suspension in Wyoming and has already suspended their program in Idaho. Seattle City Light and Puget Sound Energy temporarily suspended the program but have already found an acceptable replacement contractor and have re-opened the program. Staff noted that while the Seattle utilities were able to re-open their programs, the majority of utilities are continuing to evaluate how best to move forward. Portland General Electric and Pacific Power utilize the Energy Trust of Oregon (administered through ARCA Inc.) to manage their refrigerator recycling program and were unaffected by the closure of JACO.

Staff finds that like Idaho Power, the majority of utilities are still attempting to identify a cost-effective alternative to JACO. In speaking with Idaho Power they stated that the sudden closure has left many utilities searching for a replacement and so companies that offer similar services may be busy. This finding, coupled with the issues and unique circumstances surrounding Idaho Power's service territory, lead Staff to believe that it may reasonably take the Company some time to determine the best option for the suspended schedule.

On the other hand, Staff believes it prudent for the Commission to encourage Idaho Power to explore cost-effective alternative options efficiently in order to reduce the impact on customers. Two Seattle utilities have identified a solution in a matter of weeks, which although anecdotal, provides some argument that a new contractor may be found quickly.

In order to minimize customer impact, Staff recommends the Commission require Idaho Power to provide it an update on the progress of finding a replacement contractor who can administer the Program in a cost-effective manner. Staff's recommended timeline, allows for two Energy Efficiency Advisory Group (EEAG) meetings prior to the Company's report. In the initial filing for Advice No. 14-13 the Company states that the proposed changes were discussed at the EEAG meetings. Staff's proposed timeline would also allow a full calendar year to implement a plan, to accommodate any contractual issues.

Staff believes that the suspension of Schedule 70 is an unfortunate but necessary action. Staff therefore recommends the approval of Advice No.15-13 on less than statutory notice. Staff further recommends that the Commission impose the following additional requirements:

- 1) The Company will provide a status update to the Commission of the appliance recycling program by June 16, 2016; and
- 2) Unless already re-opened or terminated through a subsequent filing, Idaho Power shall work with Staff to finalize a plan for the future of Schedule 70 by December 16, 2016.

The Company was provided a draft copy of this memo and has no concerns.

**PROPOSED COMMISSION MOTION:**

Idaho Power's Advice No. 15-13 be approved and allowed to go into effect December 16, 2015, with a waiver of the statutory notice requirement, and impose the additional requirements recommended by Staff.