

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

REGULAR CONSENT EFFECTIVE DATE January 1, 2020

DATE: December 9, 2019

TO: Public Utility Commission

FROM: Paul Rossow

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

SUBJECT: IDAHO POWER:
(Docket No. ADV 1032/Advice No. 19-11)
Modifies Schedule 89 Commercial and Industrial Energy Efficiency and
Schedule 27 Irrigation Efficiency Rewards Program.

STAFF RECOMMENDATION:

Staff recommends that the Commission approve Idaho Power (Company) Advice No. 19-11 proposing to add a new initiative, new proscriptive measures, and modify or remove existing measures, effective on January 1, 2020.

DISCUSSION:

Issue

Whether the Commission should approve Idaho Power Advice No. 19-22, proposed modifications.

Applicable Rule or Law

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.

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

Under OAR 860-027-0310, the Commission encourages energy utilities to acquire cost-effective conservation resources. Energy utilities may apply for Commission approval of programs designed to promote the acquisition of cost-effective conservation resources. Under OAR 860-027-0310(2), the Commission reviews proposed programs and modifications to programs to consider whether the program (1) includes cost-effective measures, incents cost minimization, and is not easily manipulated by the utility; (2) is predictable; (3) is simple; and (4) fairly allocates risks and rewards between shareholders and ratepayers, minimizes cross-subsidization by non-participants, and does not impose rate pressure. In developing cost-effective conservation programs, energy utilities may balance the emphasis given to each policy listed above. Greater focus on one policy may come at the expense of another policy, if the whole proposal is reasonable.

Analysis

Background

On October 30, 2019, the Company filed tariff revisions in Advice No. 19-11. The filing proposes to do the following:

- Add an energy efficiency initiative titled Small Business Direct Install (SBDI) offering.
- Add new prescriptive measures for the energy efficiency offerings contained within the Schedule 89, the Commercial and Industrial Energy Efficiency program (C&I Program).
- Modify or remove several existing measures.

The following two schedules will be impacted by the proposed changes:

Schedule 89, Commercial and Industrial Energy Efficiency program: This program is an incentive-based program designed to help reduce the costs of installing energy efficiency features in existing and new commercial and industrial buildings. The program provides incentives for a variety of prescriptive lighting and non-lighting measures, as well as a custom path for projects which fall outside the prescriptive offerings.

Schedule 27, Irrigation Efficiency Rewards Program: This program is an incentive-based program designed to help cover a portion of the costs of designing and installing energy efficiency features into a new or existing irrigation system. The primary goal is to encourage agricultural irrigation customers to install or modify irrigation systems in order to reduce peak demand and energy consumption. Idaho Power is requesting two changes to this program. The first is a proposal of a new layout to improve the readability of the program provisions. The second change is to add a new initiative, the Green Motors Initiative.

Small Business Direct Install

The proposed new SBDI offering, added to Schedule 89, provides for the direct install of multiple energy saving products for the Company's small business customers at no cost to the customer. This proposed SBDI offering applies to small business customers using up to 25,000 kilowatt-hours (kWh) annually that are served under a commercial schedule in the Company's Oregon service area. The proposed SBDI offering is designed to reduce electricity use and lower customer bills in this customer group.

The Company's Energy Efficiency Advisory Group received feedback from stakeholders identifying an opportunity to expand its C&I Program to the Company's small business customers. This customer group often has limited financial and staff resources to research and participate in energy efficiency programs. The proposed SBDI offering will provide a direct install for this customer group consisting of approximately 1,800 metered service locations in the Company's Oregon service area.

Idaho Power has contracted with a third party (program implementer) to recruit customers for participation and perform the direct install of qualified lighting (Light Emitting Diode (LED) bulbs, LED tubes, and new LED fixtures) and non-lighting smart power strip measures.

The Company plans on operating the SBDI offering over a three year period, which began in November 2019 in its Idaho service area. Moving across the Company's service area, Idaho Power proposes to reach its Oregon customers on January 1, 2020, effective date. The program implementer intends to perform the following activities:

- Recruitment of customers.
- Procurement and storage of equipment to be installed at customer sites.
- Provide customer warranty on product and installation.
- Selection and supervision of local installers.
- Coordination of installation schedules.
- Project management of the installation.
- Provide Idaho Power with project and program data.

- Complete customer satisfaction surveys and manage customer disputes.

Idaho Power states that to determine the cost-effectiveness of a measure or program, Idaho Power relies on the Electric Power Research Institute End Use Technical Assessment Guide (TAG) and, when applicable, Commission Order No. 94-590 issued in Oregon Docket No. UM 551. Because the Company is not able to estimate the number of individual measures that will be installed per year, the SBDI offering cost-effectiveness is based on annual projected savings of 2,850,000 kWhs from approximately 1,000 locations participating annually. The Company uses the Utility Cost (UC) test and the Total Resource Cost (TRC) test as defined in the TAG.

The table below summarizes the SBDI offering program for which the Company is proposing.

Program	With Program Administrative Costs	
	UC	TRC
Small Business Direct Install	1.00	1.12

Staff finds that Idaho Power's proposed approach is in keeping with best-practices in the energy efficiency program industry.

Energy Management

Idaho Power proposes adding an Energy Management incentive to the Custom portion of the C&I Program, under Schedule 89. The Custom Projects offering as a subset of the C&I Program is designed to incent cost-effective energy efficiency projects, normally having a 10-year-plus measure life. The Company proposes to add an incentive option for Energy Management to support energy-saving projects through a clearly defined incentive structure. The Company notes that operational and maintenance measures covered under the Energy Management offering present potential savings without negatively affecting the customer's service or product. Idaho Power's goal is to generate cost-effective energy saving from measures with low or no-cost operation and maintenance improvements. This type of offering has been very successful at Energy Trust and was pioneered by Northwest Energy Efficiency Alliance over a decade ago.

Idaho Power's Energy Management describes those operational improvements in commercial and industrial facilities which result in cost-effective savings from reduced energy utilization compared to current operations as determined by the Company. According to the Company, such improvement projects may include tune-ups, industrial system optimization or retro-commission, strategic energy management (SEM), and other non-capital measures. SEM helps build strong partnerships and relationships between customers and Idaho Power, resulting in increased faster implementation of

capital projects. The benefit the customer receives from participating in SEM is help from energy coaches to achieve continuous improvement in energy performance over a longer-term period.

This engagement comes with costs in the form of contracted engineering support. Tune ups, system optimization, and retro-commissions can resolve or address problems that have developed throughout the building's life as equipment has aged or the demand has changed. The customer cost is minimal and the cost of the project to Idaho Power is a contracted tune-up engineer.

Idaho Power's existing Cost Share Custom Projects incentive provides for up to \$0.18 per kWh saved, or 70 percent of the eligible project cost, whichever is less. Energy management projects offered under the Company's umbrella of Custom Projects are refrigeration tune-ups, commercial retro-commissioning, and SEM cohorts that have included Refrigeration Operator Coaching for Energy Efficiency, Wastewater Energy Efficiency, Water Supply Optimization, and the Continuous Energy Improvement for Schools. The Company has paid incentives for these offerings under the Cost Share Custom Projects incentive structure at an average of \$0.033/kWh saved with a cap at 70 percent of the eligible cost, due to the low-cost nature of the measures. According to the Company, the incentive structure does not align well with the shorter measure lives typical of energy management measures. The Company's reports that the proposal to adjust the incentive to \$0.025/kWh saved up to 100 percent of the eligible cost addresses the issue of shorter measure life and align more closely with other nearby utilities' energy management measures.

Prescriptive Retrofits Incentives

The Company proposes the following Prescriptive Retrofits Incentive measure changes:

- Retitle the LED hardwired conversion measure for clarity and increase the incentive to improve program participation. Since its addition, Idaho Power program staff have received requests from program participants for further clarity on what qualifies for this measure. The Company proposes to retitle this measure LED hardwired conversion/LED Level 1 retrofit kit to reflect that the more entry level retrofit kits (typically lower cost, component-type kits) are included in this measure and are referred to as Level 1 retrofit kits. Idaho Power proposes to use Level 2 retrofit kits on other measures, as described below. Level 2 retrofit kits are typically at a higher price point with increased quality. The Company also proposes to increase this measure incentive from \$0.05 interior and \$0.02 exterior per kWh reduced to \$0.10 interior and \$0.08 exterior per kWh reduced, as it was determined that the \$0.05 and \$0.02 incentives were too low to spur customer participation. LED hardwired conversions and LED retrofit kits

will be updated on the Company's lighting tool found on the Retrofits website¹ on January 1, 2020, to provide a reference for which incentive level customers qualify, Level 1 or Level 2.

- Retitle to provide clarity to the types of retrofit kits eligible for these measures.
- Modify LED fixture with networked controls measure to include LED Level 2 retrofit kits. Many of the newer, higher quality retrofit kits are now compatible with networked lighting controls.
- Increase the LED sign lighting incentive from \$0.10/kWh interior and \$0.06/kWh exterior to \$0.12/kWh interior and \$0.10/kWh exterior. The Company added a new LED sign lighting measure to incent specialty LED sign lighting in 2018. The new measure was positively received by contractors and lighting tradespeople, but Idaho Power has not experienced the expected participation. After reviewing the average costs for this measure, the Company proposes to raise the incentive to help increase program participation.

The Company is also proposing to remove the Complete Lighting Upgrade (CLU) incentive listed in the Table 1 Notes (Item 2) of Schedule 89. The CLU incentive is to incent customer to retrofit all the interior lighting of their facility, rather than only selecting a few items with the greatest incentives. Additionally, the CLU incentive is not requested frequently. With the Company's restructuring of some of its new LED fixtures to incorporate lighting controls, the Company believes the CLU no longer provides motivation for customers to make the upgrades they otherwise would not make.

Custom Project Incentives

The Company proposes a housekeeping change to remove the second qualification requirement for Customer Project incentives – "Projects must not be started or equipment ordered until after the Customer has obtained written approval from the Company." The Idaho Power Commercial and Industrial Energy Efficiency Procedures Manual covers the terms and conditions of the program and the pre-approval application process. Having this language in the custom section of the tariff schedule is not consistent with the new construction and retrofits section of Schedule 89.

Green Motors Initiative – Schedule 89 and Schedule 27

The Company proposes three housekeeping modifications:

- Reduce horsepower eligibility to 15 horsepower from 25, which conforms with the Regional Technical Forum,²
- Add language clarifying that not all motors may qualify due to extenuating circumstances, such as damaged stator or motor, and

¹ <https://www.idahopower.com/energy-environment/ways-to-save/savings-for-your-business/retrofits/>.

² Idaho Power does not have any record of any Oregon customer being denied incentives for 15 and 20 horsepower motors since 2012.

- Update the website address for listing of Green Motors Initiative Member Service Centers.³

Conclusion

Staff believes Idaho Power has provided a sufficient basis for the proposed modifications and supports them. Idaho Power anticipates the new SBDI will be cost-effective. Staff also finds the new SBDI is sufficiently simple and predictable and fairly allocates costs and benefits and minimizes cross-subsidization by non-participants. With respect to the modifications to other measures, Staff concludes these modifications will improve the programs and help to ensure the policies in OAR 860-0270-0130(2) are met.

Based on the foregoing, Staff recommends that the Commission allow the advice filing to go into effect and support the proposed modifications, along with the housekeeping changes to the Green Motors Initiative included in both Schedule 89 and Schedule 27.

PROPOSED COMMISSION MOTION:

Allow Idaho Power's revised Schedule 89 Commercial and Industrial Energy Efficiency and Schedule 27 Irrigation Efficiency Rewards Program tariffs and proposed housekeeping change as described in Advice No. 19-11 to go into effect on January 1, 2020.

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³ <https://www.greenmotors.org/motor-service-centers>.