

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: July 13, 2021**

REGULAR  CONSENT  EFFECTIVE DATE July 18, 2021

**DATE:** July 2, 2021

**TO:** Public Utility Commission

**FROM:** Anna Kim

**THROUGH:** Bryan Conway, JP Batmale, and Sarah Hall **SIGNED**

**SUBJECT:** IDAHO POWER COMPANY:  
(Docket No. ADV 1283/Advice No. 21-07)  
Modifications to Schedule 78 - Residential Energy Conservation Program

**STAFF RECOMMENDATION:**

The Commission should approve Idaho Power Company's (Idaho Power or Company) Advice No. 21-07 with updates to the values used in Idaho's cost-effectiveness limits for residential conservation measures, effective on or after July 18, 2021, and approve a waiver from OAR 860-030-0010(5) starting in 2021 and forward.

**DISCUSSION:**

Issue

Whether the Commission should approve Idaho Power's Advice No. 21-07, updating the values used in Idaho's cost-effectiveness limits (CEL) for residential conservation measures identified in Schedule 78. Whether the Company's request for a waiver from OAR 860-030-0010(5) should be approved, so that starting in 2021 and thereafter, the Company can file updates to Schedule 78 within 30 days after the acknowledgement of an Integrated Resource Plan (IRP), rather than 30 days after an update to UM 1730.

Applicable Law

ORS 757.205 requires all public utilities to file with the Commission all rates, tolls, and charges that it has established.

ORS 469.633 and ORS 469.635 require all investor-owned utilities to have an approved residential energy conservation program that makes available to all residential

customers utility information about energy conservation measures; and makes energy conservation measure financing available to dwelling owners.

Generally, energy efficiency programs offered by a utility must be cost-effective or meet the criteria for a cost-effectiveness exception set out in the Commission's guidelines for calculation and use of conservation cost-effectiveness limits in Order No. 94-590.

ORS 469.631(4) and OAR 860-030-0010 define "cost effective" and lists the types and life-cycles of energy conservation measures.

Unless otherwise exempted, OAR 860-030-0010(1) provides that "cost-effective," as defined in ORS 469.631(4), relates to an energy conservation measure's cost, life cycle, and the cost of alternative energy facilities.

Pursuant to Order No. 89-507, an energy utility's cost-effectiveness calculations should be consistent with the utility's most recently acknowledged least-cost plan. OAR 860-030-0010(5) requires that the Company file an update within 30 days of a submission in compliance with OAR 860-029-0040 or 860-030-0007.

OAR 860-030-0000 allows the Commission to waive any of the Division 030 rules for good cause shown.

### Analysis

#### *Schedule 78 Update*

On June 18, 2021, Idaho Power filed Advice No. 21-07 requesting authorization to update its Schedule 78, Residential Energy Conservation Program ("Program"). The Company proposes updates by basing its CEL computation on Demand Side Management (DSM) Alternate Cost inputs from the Company's 2019 Integrated Resource Plan. This methodology is consistent with Staff recommendations in ADV 339, to make calculations for Schedule 78 measures consistent with the methodology for other energy efficiency measures offered by the Company.<sup>1</sup>

OAR 860-030-0010 deems the measure lifecycles, i.e. expected life of the measure, for specific measures as listed in Schedule 78. The tables below summarizes the updated inputs used for the CELs and the CEL calculations.

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<sup>1</sup> Staff Report, *Idaho Power Company: (Docket No. ADV 339/Advice No. 16-11) Schedule 78 - Residential Energy Conservation Program*, Item No. CA3 (Aug. 16, 2016).

*Inputs*

Nominal Discount Rate <sup>2</sup>	7.12%
Escalation Rate <sup>3</sup>	2.20%
Line Losses <sup>4</sup>	9.60%
Real Discount Rate <sup>5</sup>	4.81%

*Cost-Effectiveness Limits*

Measure Life	Present Value Alternate Costs Mid-Year (\$/kWh)	Avoided Losses (\$/kWh)	10% Conservation Credit (\$/KWh)	Oregon Cost-Effective Limit (\$/kWh)
Storm doors - 7 Years	19.068	1.096	1.100	\$0.23
Storm windows - 15 Years	36.895	1.096	1.100	\$0.44
Chapter 53 windows - 25 Years	52.192	1.096	1.100	\$0.63
Attic/Ceiling/Wall/Floor/Doors/Windows - 30 Years	57.453	1.096	1.100	\$0.69

*Waiver of OAR 860-030-0010(5)*

As a consequence of the methodological change adopted in ADV 339, there is a mismatch between the filing requirements and the data sources. While the methodology uses data from the most recently acknowledged IRP, OAR 860-030-0010(5) requires the Company to update Schedule 78 within 30 days after approval of the utility's avoided cost filing in Docket No. UM 1730. The Company proposes a waiver from OAR 860-030-0010(5) and direction to instead file an update to CELs within 30 days of the acknowledgement of an IRP.

Staff supports this request, which would allow updates to more closely align with the availability of new data.

The administrative rules requiring electric utilities to update energy conservation measures for the deemed measures and measure lifecycles in Schedule 78 were last updated in 2005. In the previous 2018 filing updating avoided cost numbers for

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<sup>2</sup> Nominal Discount Rate is Discount rate (weighted average cost of capital) from Table DSM Financial Assumptions on page 18 of Second Amended 2019 Idaho Power IRP Technical Appendix C.

<sup>3</sup> Escalation Rate is Financial escalation factor from Table DSM Financial Assumptions on page 18 of Second Amended 2019 Idaho Power IRP Technical Appendix C.

<sup>4</sup> Lines losses is Non-summer secondary losses from Table DSM Financial Assumptions on page 18 of Second Amended 2019 Idaho Power IRP Technical Appendix C.

<sup>5</sup> Real Discount Rate is a result of the calculation:  $((1+\text{Nominal Discount Rate})/(1+\text{Escalation Rate}))-1$ .

Schedule 78, Staff proposed to work with Idaho Power in 2019 to determine if it would be appropriate to propose updates to these rules or a waiver from them.<sup>6</sup>

In 2019, Staff discussed these options with the Company but concluded that there was no need to pursue changes. In a call on June 29, 2021, the Company proposed to revisit this topic prior to the Company's 2023 IRP. Staff supports this proposal and welcomes further discussion.

### Conclusion

Based on the conference call as well as a review of the data submitted by Idaho Power, Staff believes it is appropriate to update the Program CEL computation with the DSM Alternate Cost inputs from the 2019 Integrated Resource Plan acknowledged by the Commission on April 15, 2021. Staff recommends that the Company be granted a waiver from OAR 860-030-0010(5), so that the Company can file updates to Schedule 78 within 30 days after the acknowledgement of an IRP going forward.

### **PROPOSED COMMISSION MOTION:**

Approve Idaho Power Company's Advice No. 21-07, updating the values used in the quantification of the CELs for residential conservation measures, effective on or after July 18, 2021. Approve a waiver from OAR 860-030-0010(5), so that starting in 2021 and thereafter, the Company can file updates to Schedule 78 within 30 days after the acknowledgement of an Integrated Resource Plan rather than 30 days after an update to Avoided Costs.

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<sup>6</sup> Staff Report, *Idaho Power Company: (Docket No. ADV 808/Advice No.18-07) Schedule 78: Residential Energy Conservation Program*, Item No. CA1, p. 3 (July 31, 2018).