

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT**

PUBLIC MEETING DATE: September 7, 2021

REGULAR **CONSENT** **EFFECTIVE DATE** September 8, 2021

DATE: August 31, 2021

TO: Public Utility Commission

FROM: Nick Sayen

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

SUBJECT: IDAHO POWER COMPANY:
(Docket No. ADV 1300/Advice No. 21-08)
Proposes reductions to incentives for six efficiency measures in Schedule 89, Commercial and Industrial Energy Efficiency.

STAFF RECOMMENDATION:

Staff recommends that the Public Utility Commission of Oregon (Commission) approve Idaho Power Company's (Idaho Power or Company) Advice No. 21-08. This filing proposes reductions to incentives for three prescriptive retrofit, and three new construction, efficiency measures in Schedule 89, Commercial and Industrial Energy Efficiency (C&I Program). The filing proposes to be effective with service on and after September 8, 2021.

DISCUSSION:

Issue

Whether the Commission should approve Idaho Power Company's advice filing proposing reductions to incentives for three prescriptive retrofit, and three new construction, efficiency measures in Schedule 89.

Applicable Rule or Law

Under ORS 757.210 the Commission may approve tariff changes if they are deemed to be fair, just, and reasonable. 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 proposed change and the resulting change in annual revenue; and the reasons or grounds relied upon in support of the proposed change.

According to ORS 757.220 and OAR 860-022-0015, 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.

OAR 860-027-0310 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

In this memo, Staff provides background to the Company's proposed changes, a summary of the changes, and a brief review of their impact and Staff's evaluation. The memo concludes with Staff's recommendation.

Background

The C&I Program is an incentive-based efficiency program designed to help reduce the costs of installing energy efficiency measures in existing and new commercial and industrial buildings. The C&I Program provides incentives for prescriptive measures, as well as a custom rebate path for projects that fall outside the prescriptive offerings. In 2020, Idaho Power claimed approximately 130 million kilowatt-hours (kWh) of annual savings for the program on a system-wide basis, and just over 4 million kWh of annual savings in Oregon.¹

¹ See Initial Utility Filing, Docket No. ADV 1300, <https://edocs.puc.state.or.us/efdocs/UAA/uaa145014.pdf>.

On April 9, 2021, Idaho Power filed Advice No. 21-03 in which the Company proposed over 90 changes to the C&I Program affecting measures for existing buildings (retrofits) and measures for new buildings (or major renovations). These changes were driven by: 1) an update to the Company's Technical Reference Manual (TRM); 2) updates by the Northwest Power and Conservation Council's Regional Technical Forum of various efficiency measures included in the C&I Program; and 3) an update to the implementation of the Company's Demand Side Management alternate costs. The Company's cost-effectiveness models were refreshed to reflect these updates, and the new cost-effectiveness calculations led to the proposed changes. Staff recommended approval of Advice No. 21-03, and the Commission approved the proposed changes at the June 1, 2021, Public Meeting.

This filing revisits several changes to Advice No. 21-03 to correct an error in the assumptions used for calculating incentives for automatic high-speed doors, both retrofit and new construction. The TRM update restructured the basis for these incentives from a "per door" unit to a "per square-foot of door opening" unit. For example, the incentive for the *Freezer to dock automatic high-speed door* measure was \$8,000/door and was restructured to \$320/square-foot of door opening. This change provided flexibility. A smaller door would receive a reduced incentive, and a larger door would receive an increased incentive. The incentive for an average door was intended to stay the same.²

A Summary of Proposed Changes

The Company proposes reducing prescriptive incentives for three high-speed door retrofit measures in the Food Service Equipment category (Table 5 of Schedule 89).³

TABLE 5: RETROFIT – FOOD SERVICE EQUIPMENT

1. Reduce the incentive for *Freezer to dock automatic high-speed door* from \$320/square-foot of door opening to \$100/square-foot of door opening.
2. Reduce the incentive for *Freezer to refrigerator automatic high-speed door* from \$160/square-foot of door opening to \$50/square-foot of door opening.
3. Reduce the incentive for *Refrigerator to dock automatic high-speed door* from \$80/square-foot of door opening to \$25/square-foot of door opening.

The Company also proposes reducing prescriptive incentives for three high-speed door new construction measures in the Refrigeration category (Table 12 of Schedule 89).

² As explained by Idaho Power via email to Staff during analysis of Advice No. 21-03, the change was not intended to increase or decrease the incentive on average.

³ See Schedule 89 Commercial and Industrial Energy Efficiency for the current tariff, <https://docs.idahopower.com/pdfs/aboutus/ratesregulatory/tariffs/310.pdf>

TABLE 12: REFRIGERATION FOR NEW CONSTRUCTION, EXPANSION, OR MAJOR RENOVATIONS

Measure Type: Automatic High-Speed Doors

1. Reduce the incentive for *Dock to refrigerator* from \$80/square-foot of door opening to \$25/square-foot of door opening.
2. Reduce the incentive for *Freezer to refrigerator* from \$160/square-foot of door opening to \$50/square-foot of door opening.
3. Reduce the incentive for *Freezer to dock* from \$320/square-foot of door opening to \$100/square-foot of door opening.

In this filing, Idaho Power explains that after Advice No. 21-03 went into effect on June 15, 2021, the Company received a question from a contractor regarding the incentive amount for the automatic high-speed door offerings. The contractor's question prompted Idaho Power to conduct additional analysis of the measure calculations. The Company also engaged the consultant that updated the TRM in 2020 with this question. The consultant further reviewed the underlying assumptions used for the savings and cost values in the TRM update.

Through this process, the Company determined that the restructuring of the incentives from a per door unit, to a per square-foot unit, incorrectly used a 25 square-foot door as the baseline. In fact, an 80 square-foot door is the most common size door in the program, and should have served as the baseline. Accurate identification of the baseline is key to restructuring the incentives in order to maintain the incentive for an average door (as was the Company's intent). The incorrect baseline caused the measure savings and costs to be overvalued. An average door of 80 square-feet received an incentive of \$8,000 for implementing this measure prior to the TRM update. After the TRM update, the same average door received an incentive of \$25,600 (with no actual change in energy savings).⁴ Idaho Power notes in this filing that the Company strives to design incentives that do not exceed measure costs. Yet the current incentive levels, using the incorrect baseline, exceed 100 percent of the measure costs.

The TRM was revised to correct this error.⁵ The per square-foot incentives now assume an average door size of 80 square-feet. The changes proposed in this filing will revise Schedule 89 to correct this error.

Impact of Proposed Changes and Staff's Evaluation

Potential impacts to cost-effectiveness, and to program participation, are important considerations in evaluating these proposed changes. In this filing, Idaho Power states

⁴ 80 square-foot door X \$320/square-foot = \$25,600 incentive.

⁵ See Technical Reference Manual 3.1, Prepared for Idaho Power Company, July 28, 2021, <https://docs.idahopower.com/pdfs/EnergyEfficiency/Reports/2020TRM.pdf>.

that the proposed changes pass the Total Resource Cost (TRC) cost-effectiveness test. The Company also states there was no uptake of these measures in 2020 in Oregon, and believes there will be no impact on participation due to the changes.

The Company provided a spreadsheet with incentive calculations using the revised baseline of an 80 square-foot door. Staff focused review on this spreadsheet and found the calculations are consistent with the Company's explanation. The spreadsheet also demonstrates that the proposed incentive reductions would achieve the Company's original intention: to keep the incentive for an average door the same as it was prior to the TRM update.

Conclusion

The TRM update in 2020 mistakenly inflated incentives for high-speed door measures in restructuring the basis for the incentives. Advice No. 21-03 updated Schedule 89 with these inflated incentives. This resulted in incentives that exceeded measure costs, a practice Idaho Power avoids. Advice No. 21-08 corrects these mistakes in Schedule 89, returning the incentives to prior levels on average. Idaho Power has stated the proposed changes pass the TRC and does not believe there will be an impact on participation due to the proposed changes. For these reasons, Staff supports the proposed incentive reductions in Advice No. 21-08.

PROPOSED COMMISSION MOTION:

Approve Idaho Power Company's Advice No. 21-08, proposing reductions to incentives for three prescriptive retrofit, and three new construction efficiency, measures in Schedule 89, Commercial and Industrial Energy Efficiency, effective with service on and after September 8, 2021.