

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: November 30, 2021**

REGULAR CONSENT EFFECTIVE DATE December 1, 2021

DATE: November 22, 2021

TO: Public Utility Commission

FROM: Nick Sayen

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

SUBJECT: IDAHO POWER COMPANY:
(Docket No. ADV 1326/Advice No. 21-09)
Proposes modifications to Schedule 75 and requests approval for a cost-effectiveness exception.

STAFF RECOMMENDATION:

Approve Idaho Power Company's (Idaho Power or Company) Advice No. 21-09.

DISCUSSION:

Issue

Whether the Commission should approve Idaho Power's advice filing requesting modifications to Schedule 75, which revises the Company's lighting buydown program, and requests approval of a cost-effectiveness exception.

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.

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.

Order No. 94-590 in Docket No. UM 551 establishes guidelines for cost effectiveness of energy efficiency measures. Section 13 of the Order details seven conditions under which exceptions to Oregon's two cost effectiveness tests may be granted by the Commission. The exceptions listed in the Order are as follows:

- A. The measure produces significant non-quantifiable non-energy benefits. In this case, the incentive payment should be set at no greater than the cost effective limit (defined as present value of avoided costs plus 10 percent) less the perceived value of bill savings, e.g., two years of bill savings.
- B. Inclusion of the measure will increase market acceptance and is expected to lead to reduced cost of the measure.
- C. The measure is included for consistency with other demand side management (DSM) programs in the region.
- D. Inclusion of the measure helps to increase participation in a cost effective program.
- E. The package of measures cannot be changed frequently and the measure will be cost effective during the period the program is offered.
- F. The measure or package of measures is included in a pilot or research project intended to be offered to a limited number of customers.
- G. The measure is required by law or is consistent with Commission policy and/or direction.¹

¹ The cost effectiveness test required under Order No. 94-590 is the Total Resource Cost Test (TRC). *In The Matter Of An Investigation Into The Calculation And Use Of Conservation Cost-effectiveness Levels*, Docket No. UM 551, Order No. 94-590 (April 6, 1994). Energy Trust has used this test since its inception to guide what measures can be offered by Energy Trust programs. Orders entered in Docket No. UM 551 also allow for the use of other cost effectiveness tests. Energy Trust uses the Utility Cost Test (UCT) to set the maximum allowable incentive amount that can be offered to participants.

Analysis

This filing proposes modifications to Schedule 75, the Company's lighting buydown program, and requests approval for a cost-effectiveness exception. The filing proposes to be effective with service effective December 1, 2021. Staff provides background to the Company's proposed changes, summarizes the proposed changes, discusses the cost-effectiveness exception request, and notes impacts to other programs and stakeholder feedback. The memo concludes with Staff's recommendation.

Background

Bonneville Power Administration (BPA) administered the Simple Steps Program as a regional point-of-sale buydown program. As a buydown program, it provided incentives directly to manufacturers or retailers, who then passed savings on to the customer at the point of sale. Simple Steps began in 2010, and original offerings in Oregon included CFL and LED bulbs, specialty bulbs, light fixtures, showerheads, and clothes washers. Idaho Power's Schedule 75 describes the Simple Steps Program, as offered by the Company and administered by BPA.

In 2020, BPA determined Simple Steps would no longer be cost effective and discontinued it. The change in Program cost-effectiveness was due to ongoing lighting market transformation towards high-efficiency bulbs, a decrease in deemed savings, and administrative costs.

During this time, Idaho Power began to consider the feasibility of a cost-effective replacement to Simple Steps. The Company began consulting with its Energy Efficiency Advisory Group (EEAG) and engaged the Energy Trust of Oregon to learn about the organization's lighting buydown program. The Energy Trust buydown program works with specific market channels in which LED bulbs are a smaller share of lighting sales. Such channels include mass merchandise, grocery, and so-called "dollar store" retailers. Idaho Power also noted the Northwest Energy Efficiency Alliance's 2019 Residential Lighting Market Analysis, which identified these retailers as having substantial opportunity to increase LED bulb market share.²

In the Fall 2020, Idaho Power requested a proposal from a consultant to design a lighting buydown program like that offered by Energy Trust. The Company reviewed several proposals from the consultant to develop a cost-effective option. Ultimately this work led to the program proposed in this filing.

² Northwest Energy Efficiency Alliance, *2019 Residential Lighting Market Analysis*, Page 4, <https://neea.org/img/documents/2019-Residential-Lighting-Market-Analysis.pdf>.

A Summary of Proposed Changes

Schedule 75 does not currently list the measures included in the program, or the incentives for those measures. This is because BPA administered the Simple Steps Program, and thus determined measures and incentive levels. Although this filing will transition the program to Idaho Power administration, the Company’s proposed changes do not include measure or incentive information either. However, in discussing the proposed program with Staff the Company has committed to including measure and incentive level information, as in other Idaho Power tariffs,³ in the next update to Schedule 75, expected to be December 2022.

Idaho Power did provide Staff a cost-effectiveness workpaper for the proposed program, and this spreadsheet included measure-level information. In sum, the proposed program will provide point-of-sale incentives for: 1) eight kinds of general purpose, reflector/recessed can, and specialty LED *bulbs* sold at mass merchandise, grocery, dollar, and small hardware stores, and 2) thirteen kinds of LED *fixtures* sold at all retail market channels, do-it-yourself, and membership stores. Incentives for bulbs range from \$0.50/unit to \$2.00/unit, while incentives for fixtures range from \$0.50/unit to \$4.00/unit. Key measure-level information from the cost-effectiveness workpaper is presented in the table below.

Measure Description	Measure Unit	Annual Gross Energy Savings (kWh/yr)	Incentive / Unit	TRC Ratio
Retail_LED_Decorative and Mini-Base_250 to 1049 lumens	bulb	4.67	\$1.00	1.15
Retail_LED_Globe_250 to 1049 lumens	bulb	3.49	\$0.50	0.87
Retail_LED_General Purpose, Dimmable, and Three-Way_1050 to 1489 lumens	bulb	7.17	\$1.00	1.60
Retail_LED_General Purpose, Dimmable, and Three-Way_1490 to 2600 lumens	bulb	6.60	\$1.00	1.44
Retail_LED_General Purpose, Dimmable, and Three-Way_250 to 1049 lumens	bulb	4.50	\$0.50	1.24
Retail_LED_Reflectors and Outdoor_1050 to 1489 lumens	bulb	4.14	\$1.00	2.47
Retail_LED_Reflectors and Outdoor_1490 to 2600 lumens	bulb	8.84	\$2.00	4.56

³ For example Schedule 89, <https://docs.idahopower.com/pdfs/aboutus/ratesregulatory/tariffs/310.pdf>, Schedule 72, <https://docs.idahopower.com/pdfs/aboutus/ratesregulatory/tariffs/290.pdf>, or Schedule 27, <https://docs.idahopower.com/pdfs/aboutus/ratesregulatory/tariffs/273.pdf>.

Measure Description	Measure Unit	Annual Gross Energy Savings (kWh/yr)	Incentive / Unit	TRC Ratio
Retail_LED_Reflectors and Outdoor_250 to 1049 lumens	bulb	4.65	\$1.00	2.47
Retail_Bathroom Vanity_1000 to 1999 lumens	fixture	5.35	\$1.00	1.43
Retail_Bathroom Vanity_2000 to 3999 lumens	fixture	10.42	\$2.00	1.46
Retail_Ceiling and Wall Flush Mount _500 to 999 lumens	fixture	3.33	\$0.50	1.93
Retail_Ceiling and Wall Flush Mount _1000 to 1999 lumens	fixture	6.13	\$1.00	1.89
Retail_Ceiling and Wall Flush Mount _2000 to 3999 lumens	fixture	11.93	\$2.00	1.94
Ceiling and Wall Flush Mount _4000 to 7999 lumens	fixture	22.35	\$3.00	1.92
Retail_Downlight Fixture_500 to 999 lumens	fixture	2.13	\$1.00	4.65
Retail_Downlight Fixture_1000 to 1999 lumens	fixture	3.91	\$1.00	5.08
Retail_Downlight Fixture_2000 to 3999 lumens	fixture	7.62	\$1.00	4.85
Retail_Exterior Porch_500 to 999 lumens	fixture	3.38	\$0.75	2.54
Retail_Exterior Porch_1000 to 1999 lumens	fixture	6.22	\$1.00	2.54
Retail_Exterior Porch_2000 to 3999 lumens	fixture	12.11	\$3.00	2.50
Exterior Porch_4000 to 7999 lumens	fixture	22.68	\$4.00	2.50

Idaho Power is requesting several modifications to Schedule 75 to accommodate this new program. These modifications, along with Staff's evaluation, follow:

1. Change the tariff schedule name to "Buydown Program." The filing notes this would remove reference to the BPA-administered, discontinued program, and generally reflect the updated offering.

Staff's evaluation: Having reviewed the proposed tariff language, Staff supports this change.

2. Remove the appliance and showerhead measures from the program. The filing notes the Regional Technical Forum workbook on claimed savings for showerheads was

deactivated in mid-2020. The filing also notes that the appliance buy-down offering, as proposed by their consultant is not cost-effective under the TRC cost-effectiveness test.

Staff's evaluation: The Northwest Power and Conservation Council's Regional Technical Forum (RTF)⁴ is a technical advisory committee established in 1999 to provide the Pacific Northwest with consistent and reliable quantification of energy savings estimates for specific efficient technologies or actions. The energy savings estimates generated through the regular, public, transparent processes of the RTF enable accurate estimates of the region's efficiency potential. The RTF deactivated savings for showerheads in June 2020,⁵ and Staff supports removal of showerhead measures as a change consistent with the RTF.

Staff understands that the appliance buydown, as proposed by Idaho Power's consultant, was not cost-effective under the TRC cost-effectiveness test. The filing also states that Idaho Power is still in the process of exploring opportunities to replace the appliance measures the Simple Steps Program provided. Given these circumstances, Staff supports removal of appliance measures.

3. Remove the compact fluorescent lighting (CFL) measures. The filing notes that generally, manufacturers have transitioned from CFLs to LEDs and that "CFLs have also been removed from the RTF workbook."

Staff's evaluation: Staff understands that the RTF Residential Lighting Workbook analysis began assuming ENERGY STAR v2.0 lamps were LEDs, rather than CFLs, beginning with Workbook 5.0 in February 2017 (though the Workbook noted certain CFLs were eligible for ENERGY STAR 2.0).⁶ As such, and irrespective of manufacturer's general trends, Staff supports removal of CFL measures as a change consistent with the RTF.

4. Add language clarifying the lighting offerings are specific to LED light bulbs to provide clarity around the qualifying products:

Staff's evaluation: Having reviewed the proposed tariff language, Staff supports this change.

Cost-effectiveness Exception Request

Idaho Power requests an exception to energy efficiency measure cost-effectiveness for one measure: globe LEDs in the 250-1049 lumen range. Measures that are below a

⁴ See <https://rtf.nwcouncil.org/>.

⁵ See <https://rtf.nwcouncil.org/deactivated-measures>.

⁶ See <https://nwcouncil.app.box.com/v/ResLightingv5-0>.

TRC of 1.0 fail cost-effectiveness criteria, and the TRC for this measure was 0.87. The filing notes this measure is 2.58 percent of 2020 Oregon Program savings, based on Oregon lighting savings specific to the mass merchandise, grocery, dollar, and small hardware stores. The Company seeks an exception under criteria C and D, and seeks the exception through December 2022.

With respect to criteria C, that the measure is included for consistency with other demand side management (DSM) programs in the region, Idaho Power argues that the measure is currently included in Energy Trust's buydown program, and that the Company intends to include the measure in the new program in its Idaho service territory as well. In considering the current customer and geographic coverage of the Energy Trust buydown program extended to additional portions of eastern Oregon, as well as to southern Idaho, including the Boise metro area, Staff finds the Company's argument to be reasonable.

With respect to criteria D, that inclusion of the measure helps to increase participation in a cost-effective program, Idaho Power argues that including the measure supports the cost-effectiveness of the *entire* program by spreading the consultant's fixed monthly contract fees over a greater number of units. Staff finds this argument to be reasonable. Further, Staff notes from the filing that the program's cost-effectiveness analysis is based on the consultant's *forecast* of sales; once actual program performance has been observed much more will be known about true cost-effectiveness. Given the Company's reasonable arguments, the fact that the measure in question represents a modest amount of program savings, and that the length of the exception is just over one year, Staff supports approving this exception request.

Impacts to Other Programs, and Stakeholder Feedback

As noted above, should the proposed program be implemented it would create a broadly consistent buydown offering across many areas of Oregon, and into southern Idaho. This larger base of potential customers could lead to additional opportunities for Energy Trust and Idaho Power to engage manufacturers and retailers. Further, the proposed program would provide incentives for high-efficiency lighting for Idaho Power residential customers, where none currently are offered.⁷

Idaho Power consulted the EEAG in development of the proposed offering. This included discussion during the August 2020, November 2020, and February 2021

⁷ Idaho Power currently offers residential customers incentives through the Heating and Cooling Efficiency Program, the A/C Cool Credit Program, and the Shade Tree Project. See <https://www.idahopower.com/energy-environment/ways-to-save/savings-for-your-home/rebates-and-offers/>.

EEAG meetings. EEAG members were supportive of Idaho Power pursuing a possible replacement to the discontinued BPA program.⁸

Conclusion

Idaho Power's proposed lighting buydown program would replace the Simple Steps Program discontinued by BPA in September 2020. The proposed program would provide cost-effective incentives for approximately 20 high-efficiency lighting measures. A separate measure is not cost-effective, but including it in the program would provide consistency with a similar offering from Energy Trust, and allow fixed program costs to be spread across more units. Idaho Power consulted with the EEAG in development of his program, and the EEAG was supportive.

PROPOSED COMMISSION MOTION:

Approve Idaho Power's Advice No. 21-09, proposing modifications to Schedule 75 revising the Company's lighting buydown program, and approve the requested cost-effectiveness exception.

⁸ See Demand-Side Management 2020 Annual Report, <https://docs.idahopower.com/pdfs/EnergyEfficiency/Reports/2020DSM.pdf>, and February 2021 Meeting Notes, <https://docs.idahopower.com/pdfs/EnergyEfficiency/EEAG/2021/2.10.21%20EEAG%20Notes%20final.pdf>