ITEM NO. CA2

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: June 28, 2022

REGULAR ____ CONSENT X EFFECTIVE DATE July 1, 2022

DATE: June 16, 2022

TO: Public Utility Commission

FROM: Anna Kim

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

SUBJECT: IDAHO POWER COMPANY:
(Docket No. ADV 1396/Advice No. 22-02)
Proposed modifications to Schedule 87, manufactured housing energy efficiency programs.

STAFF RECOMMENDATION:

Allow Idaho Power Company's (Idaho Power or Company) Advice No. 22-02 modifying Schedule 87 to remove the Energy House Calls Program, effective on or after July 1, 2022.

DISCUSSION:

Issue

Whether the Commission should allow Idaho Power to revise Schedule 87 to remove the Energy House Calls Program.

Applicable Law

Oregon Revised Statute (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 Oregon Administrative Rules (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.

In March 2022, the Company was granted a cost-effectiveness exception for the Energy House Calls Program through December 31, 2022.[1]

<u>Analysis</u>

On May 13, 2022, Idaho Power filed Advice No. 22-02 requesting authorization to update its Schedule 87, manufactured housing energy efficiency programs. The Company proposes to cancel the Rebate Advantage Manufactured Home Incentive Program (Program). The Company is proposing this change because the Program is no longer cost-effective and is not expected to become cost-effective in the future.

This memo will cover background on the program, cost-effectiveness changes, and impacts from the change.

Energy House Calls Program—Schedule 87
Schedule 87 offers two "programs" or delivery channels targeting manufactured homes. Through Schedule 87, the Company offers rebates on new construction manufactured homes through the Rebate Advantage Manufactured Home Incentive Program and energy efficiency home inspections and direct installations for existing homes through the Energy House Calls Program.

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[1] Order No. 22-095.

Staff notes that the Company identifies Energy House Calls as a “program.” The scope of a program is not clearly defined in the energy efficiency industry. Idaho Power tends to identify programs at a more granular level than Energy Trust of Oregon (Energy Trust).

The Energy House Calls Program offers home visits to manufactured homes that are heated with an electric furnace or heat pump. A contractor tests and seals duct system leaks. Homes with electric water heaters also receive low flow showerheads, faucet aerators, and water heater pipe wrap. Participants may also receive light emitting diodes (LEDs), air filters, water heater testing, and educational materials. This program allows only one visit per residence throughout the life of the program.

Staff notes that the direct install model of program delivery is particularly costly. Except for some specific cases, Energy Trust has largely moved away from this approach. The cost of paying for installation adds to the challenge of maintaining overall cost-effectiveness.

The Company paused the Program in March 2020 in response to the COVID-19 pandemic and only resumed work in October 2021.

Cost-effectiveness

In March 2022, the Company was granted an exception to cost-effectiveness requirements for the Program because the current program design was expected to be no longer cost-effective. The Company was granted an exception through December 31, 2022, so that the Company could have more time to assess whether to modify or terminate the program while working through the waitlist that accumulated during the pause in the program.[2] Since then, the Company has brought this topic to its Energy Efficiency Advisory Group (EEAG) on two occasions to discuss strategies to revise the Program. The Company ultimately concluded the Program should be discontinued.

In this filing, the Company explained that declining cost-effectiveness is due to three major factors: 1) declines in avoided costs between the outputs of Integrated Resource Plans (IRPs); 2) declining energy savings from LEDs compared to baseline; and 3) removal of low-flow showerheads and faucet aerators as energy saving measures.

Measures and programs that are below a Utility Cost Test (UCT) of 1.0 or a Total Resource Cost Test (TRC) of 1.0 fail cost-effectiveness criteria. Using results from the Company’s 2019 Second Amended IRP, the Company initially estimated the Program to

[2] Order No. 22-095.

have a cost-effectiveness of 0.7 UCT and 0.78 TRC. The Company indicated declines in avoided costs of 12 percent between the 2017 IRP and the 2019 Second Amended IRP.

Order No. 22-095 directed the Company to calculate cost-effectiveness using numbers from the 2021 IRP which is currently under review and not yet acknowledged.[3] When using these updated numbers, the Company noticed further declines in avoided costs between the 2019 Second Amended IRP and the 2021 IRP. Using these new numbers, the Company calculated a UCT of 0.65 and a TRC of 0.72 for the Program. While Staff had initially assumed avoided costs would increase due to more immediate resource needs, the Company explains that avoided costs are lower over the 20-year planning horizon.

The value of incentives for LEDs continues to decline. Staff notes that savings are based on upgrades from the baseline equipment that is currently installed. As LEDs become the predominant lighting, the benefit of providing more LEDs declines. Similarly, low-flow showerheads and faucet aerators no longer provide any savings as these technologies have become standard equipment. These changes are consistent throughout the region.

Staff agrees with the Company that program savings have declined significantly. With permanently reduced savings, it will be difficult for this program design to maintain cost-effectiveness in the long run. Any replacement to this program would require a different design with different measures or a different delivery channel

Impacts

This program provides direct install services to electrically heated existing manufactured homes that have not already received this service. The Company reports that there are fewer than fifty Oregon customers a year for this program, and that overall enrollment across its service territory has been declining.

Some of these measures are offered through other programs. LEDs will still be available to residential customers through retail buy-downs. The Company notes that the duct-sealing measure will still be available through the Weatherization Assistance for Qualified Customers Program (WAQCP) under Schedule 79, as well as air filters and water heater pipe wrap. Also available through WAQC

Staff concludes that cancelling this program will have a minor impact overall.

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[3] Order No. 22-095.

Conclusion

Based on a review of the data submitted by Idaho Power, discussions with Energy Trust, and Staff's observations on long-term trends in energy efficiency markets, Staff believes it is appropriate to cancel the Energy House Calls Program. Staff recommends that the Commission allow Advice No. 22-02 go into effect.

PROPOSED COMMISSION MOTION:

Allow Idaho Power Company's Advice No. 22-02, modifying Schedule 87 to remove the Energy House Calls Program, effective on or after July 1, 2022.

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