

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: October 31, 2023**

REGULAR **CONSENT** **EFFECTIVE DATE** November 1, 2023

DATE: October 23, 2023

TO: Public Utility Commission

FROM: Nick Sayen

THROUGH: JP Batmale and Sarah Hall **SIGNED**

SUBJECT: IDAHO POWER COMPANY:
(Docket No. ADV 1540 / Advice No. 23-10)
Reopens Schedule 68 for multi-family efficiency measures, and requests a cost-effectiveness exception for all measures at the program level.

STAFF RECOMMENDATION:

Staff recommends that the Oregon Public Utility Commission approve Idaho Power Company's request for authorization to modify its Schedule 68 (Multi-Family Energy Efficiency Incentive Program) and approve a cost-effectiveness exception for all measures at the program level through December 31, 2026.

DISCUSSION:

Issue

Whether the Public Utility Commission of Oregon (Commission) should approve Idaho Power Company's (Idaho Power, or Company) Advice No. 23-10 to modify Schedule 68 for multi-family efficiency measures, and approve a cost-effectiveness exception for all measures at the program level.

Applicable Rule or Law

Pursuant to ORS 757.205, every public utility must file tariffs for services provided for retail customers. The Commission may approve tariff changes if they are deemed to be fair, just, and reasonable. ORS 757.210.

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.

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.

ORS 757.054(3) states that to ensure prudent investments by an electric company in energy efficiency and demand response before the electric company acquires new generating resources, and in order to produce cost-effective energy savings, reduce customer demand for energy, reduce overall electrical system costs, increase the public health and safety and improve environmental benefits, electric companies serving customers in the state of Oregon shall: (a) plan for and pursue all available energy efficiency resources that are cost-effective, reliable, and feasible; and (b) as directed by the Commission through a rule or order...[.]

Additionally, OAR 860-027-0310(2), states that the Commission encourages energy utilities to acquire cost-effective conservation resources. "Cost-effective" is defined in OAR 860-030-0010.

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 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 no greater than the cost-effectiveness limit 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 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.

Analysis

In this filing Idaho Power proposes the Multi-Family Energy Efficiency Incentive Program (Program) to reduce the cost of installing efficiency features. The Company also requests a cost-effectiveness exception for all measures at the program level. Staff supports the Program and approval of a cost-effectiveness exception.

Background

Idaho Power began offering efficiency measures for multi-family structures under Schedule 68 in 2016. This prior offering provided direct installation of measures in buildings with five units or more per building at no cost to the property owners or managers. The offering was cost-effective under the Utility Cost Test (UCT) and Total Resource Cost Test (TRC).

Idaho Power temporarily suspended in-home program work in March 2020 due to the COVID-19 pandemic. However, when in-home work resumed in October 2021, updates to key assumptions around savings and avoided costs negatively impacted the cost-effectiveness of the Program. The Company discussed the offering with its Energy Efficiency Advisory Group (EEAG) in November 2021 and in January 2022 filed for a temporary program cost-effectiveness exception through December 31, 2022.¹ In its filing the Company committed to evaluate potential changes and gather stakeholder feedback in deciding to modify or close the offering.

In March 2022 the Commission adopted Staff's recommendation to approve the exception.² The Commission also adopted Staff's recommendations that Idaho Power conduct additional analysis and meet with EEAG stakeholders to discuss options, and use avoided cost numbers from its 2021 Integrated Resource Plan (IRP) in its analysis. In March 2022 Idaho Power met with EEAG stakeholders and committed to working with the Energy Trust of Oregon (Energy Trust) to compare multi-family offerings and understand key learnings or findings from Energy Trust's experience. This filing notes several key learnings from this work with Energy Trust:

¹ See Docket No. UM 1710, <https://edocs.puc.state.or.us/efdocs/HAQ/um1710haq143634.pdf>.

² See Order No. 22-095, <https://apps.puc.state.or.us/orders/2022ords/22-095.pdf>.

- Energy Trust multi-family offerings faced similar cost-effectiveness challenges requiring significant re-designs of its overall program, and ultimately discontinued the direct install program in 2020.
- Many multi-family measures were incorporated into Energy Trust retrofit, new construction, and HVAC programs where customers share some cost.
- Generally, in recent years, Energy Trust consolidated multi-family offerings into larger programs.

Due to continuing cost-effectiveness challenges the Company filed in November 2022 a request to close the prior offering as of January 1, 2023. Idaho Power committed to continue evaluating multi-family programs with the intention of developing an updated proposal in the future.³

Stakeholder Outreach

Staff notes that utilities that work with Energy Trust are subject to processes and thresholds for considering cost-effectiveness exceptions established in Docket Nos. UM 1622 and 1696.⁴ Though Idaho Power does not work with Energy Trust, and so is not subject to the same processes and thresholds, the Company did conduct a public review of this exception request which kept with the practices of a major cost-effectiveness exception.

Idaho Power discussed the Program at the May 2023 and August 2023 EEAG meetings. Staff reviewed meeting materials; discussions centered around structuring the proposal as an incentive-based program, as opposed to the previous, direct install offering, and what measures would be included. Staff is unaware of any stakeholder opposition to the Program, or the requested cost-effectiveness exception.

Idaho Power also met with Staff in September 2023 to propose launching the Program in its Oregon service territory to match the incentives and structure of its Idaho service territory.

Summary of Proposed Program

Idaho Power contracted to have a multi-family specific Technical Reference Manual (TRM) created this year. The Company used the potential measures and savings within

³ See Docket No. ADV 1450, <https://apps.puc.state.or.us/edockets/DocketNoLayout.asp?DocketID=23528>.

⁴ See Docket No. UM 1622, *In the Matter of Energy Trust of Oregon, Request for Approval of Exceptions to Cost Effectiveness Guidelines*, Order No. 14-332, <https://apps.puc.state.or.us/orders/2014ords/14-332.pdf>. Also see Docket No. UM 1696, *In the Matter of Energy Trust of Oregon, Cost Effectiveness Exception Request for Electric Measures*, Order Nos 17-395, <https://apps.puc.state.or.us/orders/2017ords/17-395.pdf>, and 17-457, <https://apps.puc.state.or.us/orders/2017ords/17-457.pdf>.

the TRM, as well as the input and analyses noted previously, to develop the new Program. The Program supports efficiency measures in existing, and new construction multi-family dwellings, with five or more individual units per building. A preliminary application is required on all projects prior to completion, as well as a final application and supporting documentation.

1. Proposed Measures

The measures for the Program are prescriptive and include:

- Ductless mini-split heat pumps
- Air-source heat pumps
- Package terminal air conditioners
- Package terminal heat pumps
- Smart thermostats
- Continuous exhaust fans
- Manual exhaust fans
- Reflective roof
- Efficient windows
- Low-E storm windows

2. Proposed Incentives

Incentives are structured on a per ton basis for heating and cooling equipment, a per unit basis for fans and thermostats, and a per square foot basis for roofing and windows. A professional assistance incentive will also be provided to a third-party architect or engineer that submits the application and documents required to complete the process.⁵

Request for Program Level Cost-Effectiveness Exception

While actual cost-effectiveness is dependent on participation, the Company forecasts the Program to achieve 268,294 kilowatt-hours (kWh) of savings in 2024 in Idaho and Oregon.⁶ This represents less than one percent of the Company's entire Residential Program savings of 28,525,103 kWh in 2022 in Idaho and Oregon.⁷ The Company forecasts a total budget (again Idaho and Oregon), including administration, of approximately \$125,600 (\$75,910 of which are incentives). This results in an overall

⁵ The third-party is eligible for an incentive equal to 20% of the participant's total incentive with a maximum amount capped at \$5,000 per project.

⁶ For context, in the final year of operation (2022), the prior offering achieved 41,959 kWh of savings from 97 units in three buildings in Idaho and Oregon. See *Demand Side Management 2022 Annual Report*, Table 7, page 23, https://docs.idahopower.com/pdfs/EnergyEfficiency/Reports/DSM_2022.pdf.

⁷ See *Demand Side Management 2022 Annual Report*, Table 7, page 23, https://docs.idahopower.com/pdfs/EnergyEfficiency/Reports/DSM_2022.pdf.

forecast of passing the UCT with a score of 1.32, but failing the TRC with a score of 0.50.⁸ The filing presents estimated cost-effectiveness ratios by measure in Table 1.

Idaho Power provided Staff workpapers demonstrating the calculations underpinning these forecasts. Calculations are provided for each measure, by service territory, with and without administration costs, and by new construction or retrofit. Staff reviewed the workpapers, and the calculations appear reasonable and accurate.

Staff notes that Table 1 in the filing presents measure level ratios without administration costs, but has mislabeled column headers. Staff confirmed the error in column headers with the Company. Table 1 was included in the workpapers with and without administration costs and with correct column headers, and Staff includes that version below. Several measures (air-source heat pumps, manual exhaust fan, and reflective roof) are forecast to pass the TRC for new construction only, while two measures (continuous exhaust fan and efficient windows) are forecast to pass the TRC for new construction and retrofits.

Corrected Table 1

Program/Measure	NEW CONSTRUCTION		RETROFITS		NEW CONSTRUCTION		RETROFITS	
	With Program Administration Costs		With Program Administration Costs		Without Program Administration Costs		Without Program Administration Costs	
	UCT	TRC	UCT	TRC	UCT	TRC	UCT	TRC
Ductless mini-split heat pump	1.27	0.33	1.54	0.23	2.19	0.36	3.12	0.24
Air-source heat pump – tier 1	1.37	1.54	1.31	0.29	2.47	2.83	2.28	0.32
Air-source heat pump – tier 2	1.05	1.16	1.35	0.29	1.59	1.76	2.40	0.32
PTAC – 10% better than code	1.22	0.20	1.33	0.06	1.49	0.20	1.66	0.06
PTAC – 20% better than code	1.14	0.36	1.24	0.08	1.37	0.37	1.52	0.08
PTHP – 10% better than code	1.44	0.58	1.83	0.21	2.80	0.71	4.85	0.22
PTHP – 20% better than code	1.33	0.42	1.70	0.11	2.43	0.48	4.04	0.12
Smart thermostat	0.81	0.17	0.81	0.17	1.52	0.19	1.52	0.19
Continuous exhaust fan	3.58	1.74	3.58	1.05	3.58	1.74	3.58	1.05
Manual exhaust fan	1.98	1.36	2.07	0.79	4.14	2.03	4.59	0.97
Reflective roof	1.64	1.80	1.64	0.06	2.17	2.38	2.17	0.06
Efficient window – Tier 1	2.43	1.44	2.43	1.44	5.24	2.03	5.24	2.03
Efficient window – Tier 2	2.49	1.44	2.49	1.44	5.51	2.02	5.51	2.02
Efficient window – Tier 3	2.32	1.44	2.32	1.44	4.74	2.03	4.74	2.03
Low-e storm windows	N/A	N/A	4.54	0.11	N/A	N/A	4.54	0.11

⁸ Scores greater than 1.0 are considered passing while scores of less than 1.0 are considered failing.

The Commission outlines specific cost-effectiveness guidelines for energy efficiency measures and programs in Order No. 94-590.⁹ It is the expectation of the Commission that measures pass the TRC, though measures that do not pass the TRC may be included in programs if they meet one or more of seven conditions outlined in Order No. 94-590 and referenced above. Idaho Power requests in this filing a program level cost-effectiveness exception for all measures in the Program on grounds that the Program: produces significant non-quantifiable non-energy benefits (condition A); and is included for consistency with other DSM programs in the region (condition C).

Regarding Condition A, the filing states the Program provides non-quantifiable energy savings and non-quantifiable non-energy benefits. For example, more efficient equipment may benefit residents by providing increased comfort and health. Residents may also benefit by saving money on future energy bills. Staff also notes that multi-family housing is often occupied by residents experiencing low-income or high energy burden, and so the Program may also provide equity related benefits.

Regarding Condition C, the filing notes Idaho Power will begin offering the Program in its Idaho service territory as it is expected to pass the UCT, meeting the cost-effectiveness requirement in that jurisdiction. Granting the requested exception will allow the Program to be offered in its Oregon service territory as well. The filing also states granting the exception will maintain consistency with other programs within the region, and Staff generally concurs as the Program appears broadly consistent with the Energy Trust offering for similar buildings.¹⁰

Staff finds the Company's request for an exception under Conditions A and C to be reasonable. Though several measures are forecast to pass the TRC, Staff notes substantial uncertainty in forecasting the performance of a new offering. In sum, Staff finds the Company's request for a program level cost-effectiveness exception also to be reasonable under the conditions set by the Commission in Order No. 94-590, and consistent with prior cost-effectiveness exemptions requested by Idaho Power and granted by the Commission.

Staff further notes that while the Program is forecast to fail the TRC, it is forecast to pass the UCT. In so doing, it should provide a resource to the utility at a lower cost than alternatives, and thus should put downward pressure on utility rates.

⁹ See Docket No. UM 551, Orders written prior to 1995 are not available on the PUC website.

¹⁰ See Energy Trust's Multifamily offering: <https://www.energytrust.org/programs/multifamily/>.

Conclusion

Staff supports Idaho Power's proposed Program as it will resume incentivizing efficiency improvements in multi-family structures, a gap in the Company's efficiency offerings since the end of 2022. While the Program is not forecast to pass the TRC, it is forecast to pass the UCT and should result in downward pressure on utility rates. Staff supports granting a cost-effectiveness exception for all measures at the program level through December 31, 2026, as doing so allows a consistent offering to customers in Oregon and Idaho.

PROPOSED COMMISSION MOTION:

Approve Idaho Power Company's request for authorization to modify its Schedule 68 (Multi-Family Energy Efficiency Incentive Program) and approve a cost-effectiveness exception for all measures at the program level through December 31, 2026.