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ELECTRONICALLY FILED

Public Utility Commission of Oregon
Filing Center
201 High Street SE, Suite 100
P.O. Box 1088
Salem, Oregon 97301

Re: Docket No. UM 1710 - Idaho Power Company's 2024 Request for Cost-Effectiveness
Exceptions for Specific Demand-Side Management Electric Measures and Programs

Attention Filing Center:

Public Utility Commission of Oregon ("Commission") Order No. 94-590, issued in UM 551, provides for the inclusion of non-cost-effective measures in utility Demand-Side Management ("DSM") programs if those measures meet specific conditions. In addition, Order No. 15-200, issued in UM 1710, requires Idaho Power Company ("Idaho Power" or "Company") to request approval, on an annual basis, of exceptions articulated in Order No. 94-590 for these measures so they may continue to be offered to Oregon customers through the Company's DSM program portfolio.

As part of its annual review, Idaho Power has identified one measure offered under its Schedule 89, Commercial and Industrial Energy Efficiency Programs ("Schedule 89") available to the Company's Commercial & Industrial ("C&I") customer segment that requires a cost-effectiveness exception.

Background

On September 29, 2023, Idaho Power filed its 2023 Integrated Resource Plan ("IRP") with the Commission in LC 84. The 2023 IRP included updated electric DSM avoided cost assumptions used to calculate the cost-effectiveness of Idaho Power's energy efficiency programs and measures. Idaho Power has evaluated how the 2023 IRP avoided costs will impact the cost-effectiveness of its measures and programs for program year 2024 and has identified it expects one measure in the New Construction option of Schedule 89 will not be cost-effective.

New Construction Heat Pump Measure

After evaluating all measure offerings using the 2023 IRP avoided costs, Idaho Power has identified one measure requiring a cost-effectiveness exception: air-cooled heat pumps ("HP") meeting the Consortium for Energy Efficiency ("CEE") Tier 2 specifications. This measure is offered under the C&I Energy Efficiency Program New Construction option. The New Construction option offers specific incentives for designing and building better-than-code energy-efficient features into a new construction, major renovation, addition, expansion, or a change-of-space project. For 2023, Idaho Power's preliminary savings estimates for the C&I New

Construction option in Schedule 89 are 10,642,465 kilowatt-hours (“kWh”) of annual savings on a system-wide basis, and 75,538 kWh of annual savings in its Oregon service area specifically. The estimated 2023 Oregon savings for the HP CEE Tier 2 measure are 2,688 kWh which represents 0.03 percent of the total C&I New Construction savings and less than 4 percent of the C&I New Construction Oregon savings. Table 1 below shows both the Utility Cost Test (“UCT”) and Total Resource Cost (“TRC”) test ratios for the CEE Tier 2 HP measure with the UCT and TRC ratios in the last two columns being calculated without administrative expenses.

Table 1. Non-Cost-Effective Measures:

Measure*		UCT Ratio	TRC Ratio	UCT Ratio (ex. Admin exp.)	TRC Ratio (ex. Admin exp.)
1.	Heat Pumps, Air Cooled (Cooling Mode). <= 5 tons. Split system & single package. Part B: Base to CEE Tier 2	0.81	0.93	0.86	0.99

In 2023, Idaho Power only incented on 1 project with this measure in Oregon, but there may be future projects that could include this measure. HP savings are based on the cooling savings alone and do not include any potential heating savings, which allows both gas and electrically heated customers to qualify for the measure. The Company believes that not limiting participation based on the customer’s heating source will reduce customer confusion and provide a greater potential for participation because gas heat is prevalent among C&I customers. However, the Company notes that if it included electric heat savings, the heat pumps would be cost-effective with a TRC of 2.21.

Additionally, Idaho Power recently launched Schedule 68, Multi-Family Energy Efficiency Incentive Program (“Schedule 68” or “Multi-Family Program”). Schedule 68 offers incentives on a variety of equipment including CEE Tier 2 air-cooled heat pumps in the residential units. The intent was to allow customers to receive an incentive for the same units in the commercial common areas under Schedule 89. In the Multi-family Program, CEE Tier 2 air cooled heat pumps are expected to be cost-effective because the program assumes a mix of cooling and heating savings. This inclusion of heating savings in the Multi-family Program was due to the likelihood of multi-family residential units being electrically heated.

The Company believes granting the Schedule 89 exception will limit customer confusion and enhance overall participation as Schedule 89 would apply to the communal spaces and Schedule 68 would apply to the residential units for a multifamily new construction project. Also to note, air-cooled heat pumps that meet CEE Tier 1 are still cost-effective with a TRC of 1.27, but there is an opportunity to increase the total amount of energy savings by encouraging the customer to go to CEE Tier 2. Since 2020, Idaho Power has experienced high participation in the CEE Tier 2 HP over the lower efficiency CEE Tier 1 HP as shown in Tables 2 and 3 below.

Table 2. Total Projects 2020-2023

Measure	2020	2021	2022	2023
Heat Pumps, Air Cooled (Cooling Mode). <= 5 tons. Split system & single package. Part B: Base to CEE Tier 2	12	10	4	7
Heat Pumps, Air Cooled (Cooling Mode). Split system & single package. Part B: Base to CEE Tier 1	5	4	2	5

Table 3. Oregon Projects 2020-2023

Measure	2020	2021	2022	2023
Heat Pumps, Air Cooled (Cooling Mode). <= 5 tons. Split system & single package. Part B: Base to CEE Tier 2	2	0	0	1
Heat Pumps, Air Cooled (Cooling Mode). Split system & single package. Part B: Base to CEE Tier 1	0	1	1	0

The state of Idaho had six projects that contained an incentive for a CEE Tier 2 heat pump as compared with Oregon’s one project in 2023. The Company anticipates continuing to offer the air-cooled heat pump CEE Tier 2 incentive in its Idaho service area as it has seen meaningful participation and to provide consistency with the recently launched Multi-family Program. Using the preliminary 2023 program activity and expenses along with the 2023 IRP avoided costs, it is estimated the C&I New Construction option will remain cost-effective in 2024 with a UCT ratio of 2.41 and a TRC ratio of 3.42.

Cost-Effectiveness Exceptions Request

The Company endeavors to maintain consistency in offerings across its service area and seeks an exception to allow for its continuation to offer this measure in both Idaho and Oregon. For the reasons stated above, Idaho Power requests the CEE Tier 2 air-cooled heat pump remain in the New Construction offering. The measure provides non-quantifiable non-energy benefits to customers, and the inclusion of this measures provides consistency in the program offering across the Company’s service area and DSM programs in the region. This is consistent with Order No. 94-590, conditions A and C.

- A. *The measure produces significant non-quantifiable non-energy benefits.*
- C. *The measure is included for consistency with other DSM programs in the region.*

Conclusion

Idaho Power requests a temporary cost-effectiveness exception for the CEE Tier 2 air-cooled heat pump measure through March 31, 2025. This will allow the Company to evaluate any necessary changes to Schedule 89 during the Company's annual program planning process that will occur in Q3 of 2024. The Company would file for any measure updates following that planning process.

The Company respectfully requests approval by March 31, 2024. If you have any questions regarding this filing, please contact Regulatory Analyst Zack Thompson at (208) 388-2892 or zthompson@idahopower.com.

Sincerely,



Connie Aschenbrenner

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