

ITEM NO. CA4

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: June 27, 2023**

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

DATE: June 20, 2023

TO: Public Utility Commission

FROM: Peter Kernan

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

SUBJECT: Idaho Power Company:
(ADV 1507/Advice No. 23-04)
Cancels Schedule 75 and removes midstream LED buydown program.

STAFF RECOMMENDATION:

Approve Idaho Power's Advice No. 23-03, removing midstream LED buydown program and cancelling Schedule 75, effective July 1, 2023.

DISCUSSION:

Issue

Whether the Commission should approve Idaho Power's Advice filing requesting to end the midstream LED buydown program and cancel Schedule 75.

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.

Analysis

Background

Idaho Power proposes to end the midstream light-emitting diode (LED) buydown program (buydown program) and cancel Schedule 75. The Company requests a July 1, 2023, effective date which aligns with full enforcement and penalties for the new lighting efficiency standard under the Energy Independence and Security Act (EISA). Staff provides background to the proposed changes, a summary of the changes, and an overview of impacts to other programs and stakeholder feedback.

The Northwest has over a decade of history implementing lighting buydown programs. Idaho Power further described the Simple Steps Program, as offered by the Company and administered by Bonneville Power Administration (BPA) in ADV 1326.¹ BPA administered the Simple Steps Program as a regional point-of-sale buydown program. Simple Steps 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.

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

¹ See ADV 1326, Idaho Power Advice No. 21-09 Modifications to Schedule 75, <https://edocs.puc.state.or.us/efdocs/HAU/adv1326hau112458.pdf>.

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 fall 2021, Idaho Power filed Advice No. 1326, in which the Company proposed a lighting buydown program to replace the Simple Steps program discontinued by BPA in 2020.³ Idaho Power proposed modifications to Schedule 75, the tariff to implement the buydown program, after the end of the Simple Steps program. The revised offering included 20 cost-effective lighting measures and, to maintain consistency with Energy Trust programs, an exception for a not cost-effective measure. On November 30, 2021, the Commission approved Advice No. 1326.

In April 2022, the U.S. Department of Energy (DOE) issued a Final Rule under EISA that requires a 45 lumen-per-watt backstop for light bulbs. In practice, the standard raises the baseline efficiency of light bulbs to that of an LED bulb. The new standard is currently effective, and DOE will begin full enforcement and penalties on July 1, 2023. After that date, it is anticipated that retailers will no longer carry inefficient light bulbs.

After the Final Rule, the Regional Technical Forum (RTF) reviewed and updated the savings assumptions for light bulbs. Due to the lack of "minimally compliant" light bulbs in the market, the RTF established the baseline bulb as an LED. This RTF update eliminated savings and the RTF removed measures for retail and by-request delivery channels. Idaho Power will use the updated RTF workbook after June 30, 2023.⁴

Summary of Proposed Changes

Idaho Power proposes to end the buydown program effective July 1, 2023, and make the necessary modifications to cancel Schedule 75. The Company selected the end date to align with the full enforcement and penalties of the EISA standard. The Company, in consultation with the EEAG, decided to maintain the program through

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

³ See ADV 1326, Idaho Power Advice No. 21-09 Modifications to Schedule 75, <https://edocs.puc.state.or.us/efdocs/HAU/adv1326hau112458.pdf>.

⁴ See ADV 1507, Idaho Power Advice No. 23-04 Modifications to Schedule 75, <https://edocs.puc.state.or.us/efdocs/UAA/uaa162830.pdf>.

June 30, 2023, to incentivize retailers who may have still been holding onto inefficient inventory despite the active EISA standard.

In 2022, Idaho Power's Oregon customers purchased 21,295 LED bulbs and saved 99,736 kWh.⁵ The program, including the Company's Idaho territory was cost-effective in 2022 with a Utility Cost Test ratio of 1.68 and a Total Resource Cost Test of 1.52.⁶ Going forward, a program would no longer be cost-effective due to the EISA standard and subsequent elimination of savings per updated RTF workbooks and measures.

Stakeholder Engagement and Feedback

Idaho Power engaged the EEAG multiple times in the past few years as the future of lighting savings have been in flux. The EEAG was consulted during the period of uncertainty when BPA ended Simple Steps and in 2019 when the DOE determined it was not economically feasible to implement the EISA lighting standard. It was after this period that Idaho Power's Buydown Program began. After DOE's 2022 Final Rule which reinstated the EISA standard, Idaho Power came back to the EEAG to discuss ending the program. Stakeholders raised the possibility of continuing the program into 2023 despite the EISA standard being active at the start of 2023. Stakeholders argued that if the Program continued to be cost-effective, it could help accelerate stock turnover for rural areas with small businesses that may be impacted. Further, stakeholders argued that it may counteract retailer efforts to sell their inventory of cheaper inefficient bulbs in early 2023. Idaho Power ultimately proposed continuing the Program until June 30, 2023, after which time the DOE starts full enforcement. Stakeholders encouraged and Idaho Power has monitored stores in the region. In 2023, Idaho Power started to discontinue retailers that no longer carry inefficient lighting.

Staff supports Idaho Power's decision to end the buydown program because of the EISA standard. The end of the program does not indicate a loss of future energy savings. To the contrary, the new EISA standard means that inefficient lighting will no longer be available for purchase and existing inefficient lighting will be replaced with higher efficiency units upon burnout.

⁵ See ADV 1507, Idaho Power Advice No. 23-04 Modifications to Schedule 75, p. 1, <https://edocs.puc.state.or.us/efdocs/UAA/uaa162830.pdf>.

⁶ See UM 1710, Idaho Power 2022 Demand-Side Management Annual Report, p. 47, <https://edocs.puc.state.or.us/efdocs/HAD/um1710had1300.pdf>; The cost effectiveness test required under Order No. 94-590 is the Total Resource Cost Test (TRC). See, Docket No. UM 551, Order No. 94-590, In the Matter of An Investigation into the Calculation and Use of Conservation Cost-effectiveness Levels, (April 6, 1994).

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Conclusion

Staff supports Idaho Power's proposal to end the midstream LED buydown program due to the increased efficiency requirements of the EISA lighting standard.

PROPOSED COMMISSION MOTION:

Approve Idaho Power's Advice No. 23-03, removing midstream LED buydown program and cancelling Schedule 75, effective July 1, 2023.

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