

**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: Joe Abraham

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

SUBJECT: IDAHO POWER COMPANY:
(Docket No. ADV 1541/Advice No. 23-11)
Updates Schedule 72 for heating and cooling efficiency measures and requests cost-effectiveness exception.

STAFF RECOMMENDATION:

Approve Idaho Power Company's Advice No. 23-11 filing to update Schedule 72 for heating and cooling efficiency measures, and grant a cost-effectiveness exception for all measures at the program level through December 31, 2026.

DISCUSSION:

Issue

Whether the Commission should allow Idaho Power Company (Idaho Power, IPC, or Company) to update Schedule 72 for heating and cooling efficiency measures, and grant a cost-effectiveness exception for all measures at the program level.

Applicable 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

Background

IPC's Schedule 72 includes the Company's Heating and Cooling Efficiency Program (Program). The Program provides IPC's residential customers in its Oregon service territory with energy efficient opportunities for space heating, cooling, and water heating services and equipment. Idaho Power also offers a similar residential energy efficiency program in its Idaho service area.

In correspondence with Staff during review of the filing, the Company reported that in 2022, the Program represented 17 percent, or 44,250 kWh, of IPC's Residential Sector savings and 27 percent, or \$28,983, of Residential Sector expenses in Oregon. Table 1 below includes the information provided by the Company in correspondence with Staff. Staff reviewed the Company's 2022 Demand-Side Management report and confirmed the values provided by IPC via correspondence approximately match those in the report.¹

Table 1. Oregon Program Savings and Expenses

Report Year 2022	Oregon Service Area	
	Savings	Expenses
Heating & Cooling Efficiency	44,250	\$28,983
Residential Sector	259,213	\$107,203
<i>% of Residential</i>	<i>17.07%</i>	<i>27.04%</i>
Total EE Portfolio without NEEA	2,137,922	\$1,162,300
<i>% of Oregon EE Portfolio</i>	<i>2.00%</i>	<i>9.20%</i>

In February 2017 in Order No. 17-060, the Commission approved an exception to Oregon's cost-effectiveness test for Schedule 72.² At that time, Staff recommended the Commission grant the exception at the program level, finding Schedule 72 still produced significant non-quantifiable non-energy benefits (exception Condition A), and was consistent with IPC's residential energy efficiency program in its Idaho service area (exception Condition C). At its December 18, 2017, public meeting and at the

¹ Idaho Power 2022 Demand-Side Management Report.
https://docs.idahopower.com/pdfs/EnergyEfficiency/Reports/DSM_2022.pdf.

² See Docket No. UM 1710. <https://apps.puc.state.or.us/orders/2017ords/17-060.pdf>

recommendation of Staff, the Commission approved Advice No. 17-09, in which IPC requested a cost-effectiveness exception for one measure in Schedule 72.³

In Order No. 17-060, Staff indicates Idaho Power relies on the Regional Technical Forum (RTF) as the primary resource of savings and cost assumptions for measures in the Program. The RTF periodically revises savings and cost assumptions. Because of these revisions, individual measures and the overall Program can become non-cost effective.

Changes to Idaho Power's Schedule 72

In Advice No. 23-11, IPC proposes several updates to Schedule 72 that include adding and removing specific measures and modifying incentives and applicability criteria.⁴ Staff briefly discusses those updates below. The Company also proposes several updates that add useful clarity for evaporative cooler and electronically commutated air handler motor measures. Staff finds the clarifying updates helpful.

Idaho Power proposes to remove one measure for replacing existing air source heat pumps that is no longer supported by the RTF. The Company also proposes to add two measures for central air conditioners and four measures for ground source heat pumps. IPC proposes to add the six additional measures because the Company also offers the measures in their Idaho service territory and seeks to maintain regional program consistency. Staff finds these updates to be reasonable and consistent with the workpapers provided by the Company.

IPC also proposes to modify participant incentives for several existing Program measures. The Company seeks to reduce incentives for duct sealing, ductless air source heat pumps, and smart thermostat measures to maintain Utility Cost Test (UCT) cost-effectiveness. Idaho Power also proposes to increase its incentive for one air source heat pump measure to offer the same incentive to all customers with the same equipment. Staff also finds these updates to be reasonable and consistent with the workpapers provided by the Company.

Finally, the Company seeks to expand the eligibility of two existing Program measures. First, IPC proposes to include manufactured housing in the types of residential homes eligible for duct sealing. Idaho Power previously offered duct sealing for manufactured housing in Schedule 87 but currently does not. Second, IPC proposes to expand its current incentive for heat pump water heaters to new construction, which the RTF

³ See Docket No. ADV 645. <https://apps.puc.state.or.us/edockets/DocketNoLayout.asp?DocketID=21082>.

⁴ See Docket No. ADV 1541.

<https://apps.puc.state.or.us/edockets/DocketNoLayout.asp?DocketID=23871>.

workbook now includes. Staff appreciates these updates to Schedule 72 and finds them consistent with the workpapers provided by the Company.

Request for Program Level Cost-Effectiveness Exception

In Advice No. 23-11, Idaho Power also requests the Commission grant a program-level cost-effectiveness exception for all measures in the Program. Staff finds that while all Program measures currently meet the UCT, only four Program measures meet the Total Resource Cost Test (TRC). See Table 1 in Advice Filing 23-11. However, the Commission may approve measures under one or more of the exceptions to the cost-effectiveness tests outlined in Order No. 94-590.⁵

In its request for a Program level exception, the Company states the Program provides non-quantifiable energy savings and non-quantifiable non-energy benefits to its customers. Specifically, Idaho Power identifies customer comfort during extreme temperatures as a non-quantifiable benefit of measures included in the Program. Staff understands that residents with a range of limitations, such as a fixed income or in-home medical devices, may have few options to remain safely comfortable in their homes during heat waves and cold snaps. Because of this, Staff generally agrees with the Company that the Program's measures do benefit residential customer comfort in non-quantifiable ways.

IPC also states in its request for an exception that the updates to the Program ensure it is consistent with other Demand Response Programs in the region. The Company has stated it will offer the same measures and Program in its Idaho service area, and that the updates serve to align the Program for Oregon and Idaho IPC customers. Staff agrees that in doing so the Company is seeking to maintain consistency with its Demand Response Programs in the region. Staff finds the Company's request for a program-level exception to be reasonable under the exceptions set by the Commission in Order No. 94-590, and consistent with prior cost-effectiveness exceptions requested by IPC and granted by the Commission.

As context, Energy Trust of Oregon is subject to processes and thresholds for considering cost effectiveness exceptions established in Docket Nos. UM 1622 and 1696.⁶ These orders codified a previous working arrangement in Docket No. UM 1622

⁵ See Docket No. UM 551. <https://apps.puc.state.or.us/edockets/DocketNoLayout.asp?DocketID=4744>

⁶ 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>.

whereby Staff could consider “minor” cost effectiveness exceptions under the following circumstances:

- The measure's TRC score is below 1 and above 0.8;
- The measure's savings do not comprise more than 5 percent of a program's annual savings; and,
- The measure's cost does not represent more than 5 percent of the program's annual budget.

If an Energy Trust measure does not meet all of the minor exception criteria above, the request goes through the Commission's major exception request process.⁷ For major exception requests, Energy Trust provides an official filing and requests an exception. OPUC Staff brings forward for Commission adoption Staff's recommendation and a procedural schedule to allow for public comment. Concluding the comment period, Staff then makes formal recommendations to the Commission at a public meeting.

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 in keeping with the practices of a major cost-effectiveness exception. The Company states in Advice No. 23-11 that it has discussed the proposed updates to Schedule 72 at its Energy Efficiency Advisory Group (EEAG) meetings in May and August of 2023. Staff has reviewed EEAG meeting materials provided by the IPC and finds that these updates did not generate controversy with stakeholders. Idaho Power also met with Staff in September of 2023 to discuss its proposed updates, which Staff also found at that time to not be controversial.

Conclusion

Idaho Power continues to offer its residential customers in Oregon with energy efficiency measures through Schedule 72. Staff recognizes the Program must be periodically updated as the RTF revises savings and cost assumptions, federal standards change, and other factors impact the Program. Staff also appreciates the Company's engagement with stakeholders and ensuring its offerings are both regionally consistent and consistent within the utility's territory.

⁷ *In the Matter of Energy Trust of Oregon, Request for Approval of Exceptions to Cost Effectiveness Guidelines*, Docket No. UM 1622, Order No. 14-332 (October 1, 2014).

Docket No. ADV 1541
October 23, 2023
Page 7

PROPOSED COMMISSION MOTION:

Approve Idaho Power Company's Advice No. 23-11 filing to update Schedule 72 for heating and cooling efficiency measures, and grant a cost-effectiveness exception for all measures at the program level through December 31, 2026.