

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: June 7, 2016

REGULAR _____ CONSENT X EFFECTIVE DATE June 8, 2016

DATE: May 31, 2016

TO: Public Utility Commission

FROM: JP Batmale *JB*

THROUGH: Jason Eisdorfer *E* and Michael Dougherty *M*

SUBJECT: IDAHO POWER COMPANY: (Docket No. ADV 286/Advice No. 16-07)
Reinstatement of Schedule 70, Appliance Recycling Program.

STAFF RECOMMENDATION:

Staff recommends that the Commission approve the reinstatement of the Idaho Power Company's (Idaho Power or Company) Schedule 70, Appliance Recycling Program (Program) with certain conditions for continuing the program in 2017.

DISCUSSION:

Issue

Whether the Commission should approve the Company's Advice No. 16-07 (Advice Filing), which seeks to reinstate the Company's Schedule 70 with conditions for continuing the Program in 2017.

Applicable Law

ORS 757.205 requires public utilities to file with the Commission the schedules, rules and regulations pursuant to which the utility provides service.

OAR 860-027-0310 specifies that the Commission encourages energy utilities to acquire cost-effective conservation resources and authorizes energy utilities to apply for Commission approval of programs designed to promote the acquisition of cost-effective conservation resources. Commission Order No. 94-590 adopts Guidelines for analyzing cost-effectiveness limits for conservation and energy efficiency measures, and provides a list of conditions under which measures that are not cost-effective should otherwise be included in utility programs. Specifically, Order No. 94-590 states that non-cost-effective measures may be included in utility programs if it is demonstrated that:

- a. The measure produces significant non-quantifiable non-energy benefits. In this case, the incentive payment should be set no greater than CEL less than 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.¹

Background

Idaho Power requests to reinstate its Schedule 70, Appliance Recycling Program, which was initially approved by the Commission in 2009. Under the initial Program design, customers were paid a \$30 incentive for the removal of a qualified appliance. In early January 2015, the Commission authorized Idaho Power Tariff Advice No. 14-13, wherein the Company requested to remove the \$30 incentive payment as a way to improve the cost-effectiveness of the Program. In August 2015, the Company requested authorization to provide two LED bulbs to each participating customer at the time of the appliance pick-up. The Company contracted with a third party contractor—JACO Environmental, Inc.—to administer the Program.

In November 2015, the contractor administering the Company's Appliance Recycling Program abruptly closed. The Company immediately filed Advice No. 15-13 seeking to suspend the Program until another contractor could be found that could cost-effectively administer the Program. The Commission agreed to this filing, with two additional Staff recommendations, on December 15, 2015, and the Program was suspended.

¹ *In re Calculation and Use of Cost-effectiveness Levels for Conservation*, OPUC Docket No. UM 551, Order No. 94-590 at 18 (Apr. 6, 1994).

By April 2016, the Company had entered into a contract with a new contractor, allowing the Company to resume Program operations in Idaho. The incentives being offered by the Company remain the same: free appliance pick-up and two free LED lightbulbs.

Because the Program was suspended for the first half of 2016, the Company expects participation levels for 2016 to be approximately 1,000 units. When the cost-effectiveness tests are applied at this projected participation level, the Program passes the Total Resource Cost (TRC test), but fails the Utility Cost (UC test).

Program Measure	With Program Administration Costs	
	UC	TRC
Appliance Recycling Program	0.88	1.16
Freezer Recycling Measure	0.80	1.02
Refrigerator Recycling Measure	0.93	1.21
LED bulbs Measure	1.33	2.12

Going forward, the Company estimates that total annual participation will be approximately 1,800 units. At this higher level of participation, the Program would pass both the TRC and UC tests.

Program Measure	With Program Administration Costs	
	UC	TRC
Appliance Recycling Program	1.05	1.38
Freezer Recycling Measure	0.97	1.23
Refrigerator Recycling Measure	1.12	1.46
LED bulbs Measure	1.33	2.12

In its filing, the Company also included an exception request for the freezer measure. The Program's freezer measure is expected to just barely fail the UC test. By allowing freezers into the Program, the Company asserts it will (a) increase overall participation and (b) increase cost-effectiveness by spreading a portion of the fixed administrative costs across more units.

Discussion and Analysis

The Company's measure savings values come from the Northwest Power and Conservation Council's Regional Technical Forum (RTF). In April 2016, the RTF finalized a revision of the Unit Energy Savings (UES) for recycled refrigerators and freezers. The RTF's revised savings values were based on the age of the appliance

being recycled; refrigerators and freezers built on or before 1992 save more energy than those built later. Please see the table below for details.

Measure	RTF Unit Energy Savings (kWh annually)			
	UES - Previous	UES - Revised		
		Vintage ≤ 1992	Vintage ≥ 1993	Combined
Refrigerators	356	535	79	289
Freezers	570	605	66	444

In responding to questions from Staff, the Company asserted that it could track and report the Vintage of all units picked-up by the Program in 2016. Staff appreciates this and believes this data will be valuable.

Staff is concerned, however, about future cost-effectiveness of this Program. It will not be entirely cost-effective at the projected 1,000 units in 2016 at the older UES values. In addition, the UES values will be different in 2017 as the Company has committed to using the RTF's revised UES values. Staff anticipates savings per unit will most likely decline in 2017, further challenging the Program's cost-effectiveness even at the projected 1,800 units. Further, the offering is somewhat reliant on lighting measures to improve overall cost-effectiveness.

For the following reasons, however, Staff concludes that Idaho Power's Program satisfies the criteria for exceptions from cost-effectiveness. First, the inclusion of the measure is consistent with the Company's Idaho offering. Second, the limited number of firms providing appliance recycling makes it difficult for the package of measures to be updated once the contract is in place. Because of the difficulty in negotiating new contracts and because fixed costs drive the overall cost-effectiveness of this measure, allowing broad participation raises the possibility for the measure to be cost-effective in 2016.

Conclusion

Based on its review and analysis, Staff recommends the Company's request to reinstate Schedule 70 be approved along with the granting of an exception for freezers. As a condition of this approval, Staff recommends the following conditions be imposed upon Idaho Power:

- The contractor must accurately record the year of production (Vintage) for all refrigerators and freezers picked up in 2016.

- Company staff must develop an estimated level of measure penetration by Vintage (e.g., ≤ 1992 and ≥ 1993) of refrigerators and freezers in the Company's territory using the 2016 data it collects and any other relevant data.
- When the Company attempts to determine Program cost-effectiveness for 2017, it must use both types of revised UES values (Vintage vs. All) and continue to break out the LED lighting measure separately.
- By the end of the first quarter of 2017, Idaho Power must share its projection for Program cost-effectiveness in 2017 along with its estimated levels of Program measure penetration utilizing the recommendations above and any other relevant data.

PROPOSED COMMISSION MOTION:

Approve Idaho Power's reinstatement of Schedule 70 tariff, as described in Advice No. 16-07, subject to the conditions outlined by Staff, and that the revised tariff be effective June 8, 2016.