

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 *2016*

THROUGH: Jason Eisdorfer and Michael Dougherty *m*

SUBJECT: IDAHO POWER COMPANY: (Docket No. ADV 292/Advice No. 16-08) Implementation of new energy efficiency Schedule 89, Commercial and Industrial Energy Efficiency, which combines three separate existing programs into one.

STAFF RECOMMENDATION:

Staff recommends that the Commission approve the implementation of Idaho Power Company's (Idaho Power or Company) new energy efficiency Schedule 89, a comprehensive Commercial and Industrial Energy Efficiency tariff, along with associated measure exceptions; and approve the discontinuation of Schedules 80, 81, and 83.

DISCUSSION:

Issue

Whether the Commission should approve the Company's Advice No. 16-08 (Advice Filing), which seeks to implement the Company's new Schedule 89 along with associated measure exceptions and also approve the discontinuation of Schedules 80, 81, and 83.

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

The Company currently offers three energy efficiency programs for commercial and industrial customers and those programs are only offered to a limited subset of customers. The Programs offered and their associated schedules are:

- Easy Upgrades (Schedule 80)
- Custom Efficiency (Schedule 81)
- Building Efficiency (Schedule 83)

Energy efficiency offerings under these Programs have been siloed administratively. The Company's three separate Commercial & Industrial (C&I) programs energy efficiency programs has led to customer uncertainty and mistakes in applications. As

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).

such, the Company has requested authorization to implement a new energy efficiency schedule in its tariff, Schedule 89, which would combine the three separate programs into one program. The creation of Schedule 89 will improve the Idaho Power customer experience by streamlining administrative overhead and processes under one program. Incentive applications and terms and conditions will all be standardized as much as possible.

The Company is also proposing to expand the availability of energy efficiency measures under Schedule 89. Previously, customers with C&I type loads but not on certain rates (i.e., Idaho Power rate Schedules 7, 9, and 19) were not eligible to participate. The language in the proposed Schedule 89 will allow a broader range of customers to participate in the Company's C&I energy efficiency offerings.

The Company is also using the creation of Schedule 89 to update its suite C&I energy efficiency measure offerings. Idaho Power has proposed adding new prescriptive measures and updating some existing measures to better reflect more recent market data and trends.

Lastly, the proposal to implement Schedule 89 requests extending existing cost-effectiveness exceptions and granting one new exception.

Discussion and Analysis

Schedule 89 encompasses four changes to the Company's current C&I energy efficiency offerings:

1. Combining three existing programs into one program under Schedule 89;
2. Increasing the availability of energy efficiency measures to more customers;
3. Updating and adding measures;
4. Cost-effectiveness exceptions.

Combining Programs:

All three of the existing programs have different benefit cost ratios (BCRs) and operational parameters. Staff was concerned about the combined program's overall transparency under Schedule 89. Below are the 2015 BCRs for each of the three existing programs.

Program Name & 2015 Program Costs	Description	2015 Total Resource Cost (TRC) Test	2015 Utility Cost (UC) Test
Easy Upgrades <i>\$4.4 Million</i>	Prescriptive measures; deemed or calculated savings Quick turn-around times	2.20	3.85
Custom Efficiency <i>\$9.0 Million</i>	Almost entirely custom analysis and custom incentives Quick to long turn-around times depending on customer	1.77	4.03
Building Efficiency <i>\$2.1 Million</i>	New Construction only; covers wide range of measures, design assistance, and custom analysis & incentives Long lead times and slow turn- around based on construction	3.70	7.63

The Company was able to address Staff's concerns regarding future reporting transparency. When reporting annual results under Schedule 89, the Company will continue to differentiate between offerings based on project type: Retrofit, Custom, and New Construction. This helps to address Staff's concerns, but Staff suggests that the Company consider taking additional steps to increase transparency by moving the reporting on Green Motors, Lighting projects and any other deemed or calculated savings measures from Custom to Retrofit. This would clarify the cost-effectiveness of the Retrofit and Custom Programs within Schedule 89.

Staff was also concerned about customer interaction with Idaho Power. The three existing programs currently have very different "go-to-market" approaches. In particular, the Building Efficiency program conducts different types of marketing activities. Staff was concerned about the more tailored outreach tools and marketing to architects, engineers, design professionals, and developers would be compromised under a single program. In response to follow-up questions, Idaho Power assured Staff that the different marketing approaches currently utilized will remain in place.

Increased Availability:

Idaho Power removed references to specific customer rates having access to the energy efficiency measures listed in Schedule 89. Staff is in support of this adjustment and does not believe it will negatively impact program cost-effectiveness.

Updating & Adding Measures:

Idaho Power proposed to update and add several prescriptive measures to its C&I energy efficiency offerings under Schedule 89. The range of measures falls under the following categories:

- Lighting
- Lighting controls
- HVAC
- HVAC controls
- Building Shell
- Smart power strips
- Standby generators
- Food Service equipment
- Variable Frequency Drives
- Appliances (New Construction)

Staff found to be valid all of the proposed changes and additions in these measure categories as part of Schedule 89. In each case, the Company's analysis utilized best-available market data and nearly all measures passed both BCR tests. Those that did not were included in the Cost-Effectiveness Exception Request. (See below.)

Under Schedule 89, Idaho Power also proposes changes to the design of the Custom incentives for its Custom Efficiency program. The Custom Efficiency program is different from the other programs in that a "measure" and its analysis are almost always specific to a particular project.

For custom projects, Idaho Power proposes removing the minimum annual savings limit for custom projects and changing incentive offer expiration dates. Staff finds this acceptable and consistent with the Custom program changes.

For self-directing sites implementing custom projects, Idaho Power proposes administrative changes to clarify participation and to align with the new incentive expiration policy. Staff finds this acceptable and consistent.

Cost-Effectiveness Exception Request:

Idaho Power is also requesting several cost-effectiveness exceptions in its filing. Specifically, there are five measures that have existing exceptions and one measure

that requires a new exception from the Commission. Staff has concluded that the rationale for continuing the current five exceptions remains valid under Docket No. UM 551. In addition, these existing measures constituted approximately 0.25 percent of all Idaho Power savings in Oregon in 2015.

The measure under Schedule 89 requiring an exception is a Heat Pump Variable Refrigerant Flow offering. It was previously cost-effective, but due to an increase in baseline efficiency, this measure no longer passes either the TRC or UC test. An exception could be granted under the market consistency criteria for cost-effectiveness exceptions as this measure is offered by the Company to its customers in Idaho. There were no Heat Pump Variable Refrigerant Flow measures installed in the Company's Oregon territory in 2015. Staff believes that the exception should be in place for 2016 for consistency with Idaho Power's offerings in Idaho but should be revisited in 2017.

Conclusion

For the reasons discussed more fully above, Staff recommends that the Commission approve Idaho Power's implementation of the new energy efficiency Schedule 89 along with associated measure exceptions, and that the Commission also approve the discontinuation of Schedules 80, 81, and 83.

PROPOSED COMMISSION MOTION:

Approve Idaho Power's implementation of its new energy efficiency Schedule 89 along with associated measure exceptions and also approve the discontinuation of Schedules 80, 81, and 83.