

ITEM NO. CA6

PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: February 21, 2017

REGULAR \_\_\_\_\_ CONSENT X EFFECTIVE DATE February 22, 2017

DATE: February 2, 2017

TO: Public Utility Commission

FROM: Paul Rossow <sup>PR</sup>

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THROUGH: Jason Eisdorfer and John Crider

SUBJECT: IDAHO POWER COMPANY: (Docket No. UM 1710) Request for cost-effective exceptions specific Demand-Side Management electric measures and programs.

**STAFF RECOMMENDATION:**

Staff recommends the Commission grant Idaho Power Company (Idaho Power or Company) the requested cost-effectiveness exceptions for the specific electric measures and programs describe below.

**DISCUSSION:**

Issue

The Commission requires that demand side (DSM) measures offered in Oregon be cost-effective unless one or more of specific exemptions to this cost-effectiveness requirement are applicable. The issue addressed in this memorandum is whether the Commission should allow Idaho Power to offer four non cost-effective DSM measures and one program offered by Idaho Power because they satisfy one or more of the criteria for exemption from the cost-effectiveness requirement.

Applicable Order

Order No. 94-590 issued in Docket No. UM 551 provides for the inclusion of non cost-effective measures in utility Demand-Side management (DSM) programs if those

measures meet specific conditions. The available conditions to qualify for an exception are:<sup>1</sup>

- 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 and summary*

On October 31, 2016, Idaho Power filed a request in UM 1710 for cost-effective exceptions for four demand-side management (DSM) measures and one program. The measures are available to commercial customers, while the program is available to residential customers. The Company is not requesting changes to any specific program tariffs.

For Commercial and Industrial programs, the Company uses a technical reference manual (TRM) developed by ADM Associates, Inc. as the primary source of savings and cost assumptions. For residential programs, the Company relies on the Regional Technical Forum (RTF) as the primary resource of savings and cost assumptions for each measure. Savings and cost assumptions for DSM measures and programs,

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<sup>1</sup> For the remainder of these comments reference to a specific condition from Order No. 94-590 will be cited by its letter, for example, "Condition A." The conditions are set forth in full in Order No. 94-590 at page 18.

including those offered by Idaho Power, are periodically updated by the TRF and in the TRM. Because of revised values, measures and program can become non cost-effective.

The four measures for which Idaho Power requests exceptions to the cost-effectiveness rule are all included in the Commercial & Industrial Energy Efficiency Program, which is cost-effective. Idaho Power seeks to continue to offer the four measures in Oregon in order to maintain consistent programs in Oregon and Idaho, and also because the availability of these measures may lead to increased participation in the overall program. Idaho Power asserts that having consistent DSM Programs in Idaho and Oregon is important for several reasons. Idaho Power explains that trade allies (contractors/suppliers) serve Idaho Power customers in both states. Idaho contractors and suppliers cross over to Oregon and vice versa. Offering different program designs would create confusion in the marketplace, could inhibit participation, and would add to administration costs. In addition, program infrastructure is designed to implement consistent programs across the service areas.<sup>2</sup>

With respect to the residential program, the Heating and Cooling Program, Idaho Power notes that it intends to modify the program to address the cost-effectiveness. In the meantime, Idaho Power believes the program meets two of the exceptions to cost-effectiveness – consistency with other programs and non-quantifiable non-energy benefits.<sup>3</sup>

### *The Company's Cost-Effective Exception Requests*

#### *Evaporative Pre-Coolers*

Staff agrees with Idaho Power that the evaporative pre-coolers measure meets Conditions C (consistency) and D (increase participation). Though Idaho Power has not paid an incentive on evaporative pre-cooler projects in Oregon, Staff acknowledges the Company's intention to continue offering the program to those customers that reside in Oregon.

#### *Wall Insulation – R2.5 to R19*

Staff agrees with Idaho Power that the wall insulation from R2.9 to R19 included in the Commercial and Industrial Energy Efficiency Program meets Conditions A (non-quantifiable benefits), C (program consistency), and D (increase participation). Although Idaho Power has not yet incented wall insulation projects in Oregon, Staff

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<sup>2</sup> UM 1710, Idaho Power Company's Request for Cost-Effective Exceptions for Specific Demand-Side Management Electric Measures and Programs, p. 2.

<sup>3</sup> Ibid., pp. 4-5.

appreciates the Company's intention to continue offering the measure to their Oregon customers.

*Standby Generator Engine Block Heater < 3 kW*

Staff agrees with Idaho Power that the standby generator engine block heater that generates less than 3kW's meets Conditions C (program consistency) and D (increase participation). Although the Company has not paid an incentive under this measure, Staff appreciates the Company's intention to continue offering the measure to their Oregon customers.

*Floating Suction Pressure Controller*

Staff agrees with Idaho Power that the floating suction pressure controller measure meets Conditions C (program consistency) and D (increase participation). Although the Company has not had any participants in Oregon, Staff appreciates the Company's intention to continue offering this measure to their Oregon customers.

*Heating and Cooling Efficiency Program*

Staff has reviewed Idaho Power's explanation in support of this requested exception and agrees with the Company that this measure meets Conditions A (non-quantifiable benefits) and C (program consistency). The ductless heat pumps (DHP) are the main driver that is lowering the cost-effectiveness of this program. Idaho Power states that it has joined other utilities in the region to offer DHP pilots in partnership with the Northwest Energy Efficiency Alliance ("NEEA"). NEEA and the RTF have spent the past several years researching the electric savings and non-energy benefits of the DHPs installed in the region. NEEA and the RTF are working to bring down the cost of the DHPs that will improve the measure's cost effectiveness.<sup>4</sup>

Below is a table containing the measures' and program's respective utility cost test (UCT) ratio and the total resource cost (TRC) test ratio:

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<sup>4</sup> UM 1710, Idaho Power Company's Request for Cost-Effective Exceptions for Specific Demand-Side Management Electric Measures and Programs, p. 5.

<b>Measure/Program Name</b>	<b>UCT</b>	<b>TRC</b>
Evaporative Pre-Coolers	8.23	0.95
Wall Insulation – R2.5 to R19	1.07	0.89
Standby Generator Engine Block Heater < 3 kW	6.07	0.94
Floating Suction Pressure Controller	4.11	0.95
Heating & Cooling Efficiency <sup>5</sup> Program	1.62	0.78

### Conclusion

Staff conducted a review of the Company's filing by reviewing the data submitted by Idaho Power and issuing data requests. Staff's review finds the proposed modifications to the non-cost-effective electric measures and program as exceptions to the cost-effectiveness test to be acceptable.

### **PROPOSED COMMISSION MOTION:**

Idaho Power Company's request for cost-effective exceptions for specific DSM measures and one program be granted.

UM 1710 IPC cost-effective exceptions request

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<sup>5</sup> Idaho Power Company's response to the Public Utility Commission of Oregon Staff's Data Request 6, December 1, 2016, clarifies that the application filed on October 31, 2016, for cost-effectiveness exceptions stated that the TRC benefit cost ratio for the Heating and Cooling Efficiency program was 0.80. The actual TRC is 0.78.