

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: March 9, 2021**

REGULAR CONSENT EFFECTIVE DATE March 10, 2021

DATE: March 1, 2021

TO: Public Utility Commission

FROM: Anna Kim

THROUGH: Bryan Conway, JP Batmale, and Sarah Hall **SIGNED**

SUBJECT: IDAHO POWER COMPANY:
(Docket No. UM 1710(4))
Request for Cost-Effectiveness Exceptions for Specific Demand-Side
Management Electric Measures and Programs.

STAFF RECOMMENDATION:

Staff recommends that the Commission approve exceptions to cost-effectiveness requirements for specific energy efficiency measures in Schedule 89 as requested by the Company.

DISCUSSION:

Issue

Whether to approve exceptions to cost-effectiveness requirements for specific measures in Schedule 89.

Applicable Law

Under 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. Tariff filings to be effective on less than 30 days following notice of the change may be authorized with a waiver of less than statutory notice pursuant to ORS 757.220 and OAR 860-022-0020.

Under OAR 860-027-0310(2), the Commission encourages energy utilities to acquire cost-effective conservation resources. "Cost-effective" is defined in OAR 860-030-0010. The Commissioner determines cost-effectiveness through a Total Resource Cost (TRC) test, which is a ratio of energy benefits to total program costs. If benefits exceed costs, resulting in a TRC greater than one, then the measure is considered cost-effective.

With Order No. 94-590 issued in Docket No. UM 551, the Commission 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:

- 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

Idaho Power requests exceptions to energy efficiency measure cost-effectiveness for multiple measures. Measures that are below a Utility Cost Test "UCT" of 1.0 and a Total Resource Cost Test "TRC" of 1.0 fail cost-effectiveness criteria. This analysis will address those measures, which are: 1) "welcome kits," 2) Rebate Advantage, and 3) irrigation measures.

Staff notes that there was a delay in this analysis based on Staff's discussions with the Company about its overall plan to switch to a single cost-effectiveness test in its Idaho territory. The Company indicated in its 2019 IRP the plan to switch from using UCT and TRC as screening measures to using UCT only for screening, while still calculating TRC. As discussed by Staff in Final Comments, the Company indicated it will go through a transition period to learn of new implications and implement the change.¹ Staff appreciates the Company's patience in this docket and their openness to discussing the development of the Company's overall measure strategy with Staff.

Welcome Kits

Idaho Power sends "welcome kits" to new customers, which include light bulbs, a night light, and marketing materials promoting energy efficiency products and services. The intent of the welcome kit is to introduce new customers to the Company's energy efficiency programs. These kits are distinctly different from other do-it-yourself or leave-behind kits, which are packages of cost-effective measures designed to provide savings to the appropriate programs.

The Company seeks a cost-effectiveness exception for this welcome kit measure because the cost-effectiveness of LEDs has dropped and they are no longer cost-effective in this format. The measure now has a 0.65 UCT and 0.88 TRC.

The Company seeks exceptions under criteria A and D, arguing that the welcome kits provide non-quantifiable non-energy benefits by making new customers aware of Idaho Power's energy efficiency programs, and making it more likely customers will participate in other programs. The Company states that it intends to explore shifting costs for this measure to the marketing budget for all energy efficiency programs.

Staff finds that Idaho Power's assertion that the welcome kits introduce new customers to Idaho Power's energy efficiency programs and raise customers' awareness of the programs is a reasonable one. Staff also agrees that this measure could increase participation in cost-effective programs.

Further, Staff is supportive of an exception that will allow the Company time to arrange for costs to be split between marketing and programs. Staff also proposes that the Company reconsider the current package of lights. Four LEDs may be excessive for the purpose and there may be an opportunity to test fewer bulbs, specialty products or other options. Staff recommends measure exceptions through March 31, 2022 so that the Company can finalize arrangements between marketing and program costs.

¹ LC 74, Idaho Power 2019 Integrated Resource Plan, Staff Final Comments p. 10.

Rebate Advantage

Rebate Advantage provides rebates for new, efficient manufactured homes that meet energy efficiency specifications. The Company provides incentives based on three criteria: efficiency standard, the location's heating zone, and the location's cooling zone. Idaho Power allows participants to use one of three, independent programs as "paths" to meet the Company's criteria for manufactured home incentives. Those paths are:

- Energy Star
- Northwest Energy-Efficient Manufactured Home Program (NEEM)
- EcoRated

Each path has a set of measures and incentives associated with the manufactured home's energy efficiency and location in Idaho Power's territory.

An update to cost-effectiveness estimates by the Regional Technical Forum (RTF) created at least a 10 percent drop in cost-effectiveness for nearly all of these measures. These updated measures pass the UCT (ranging from 1.27 to 2.25) but fail the TRC (ranging from 0.45 to 0.99). The most likely combination to be found in the Oregon territory (heating zone 2/cooling zone 3) would have a score of 1.69 UCT and 0.81 TRC for Energy Star and 1.94 UCT / 0.62 TRC for NEEM.

Thus, the Company is seeking exceptions for the following measures.

- ENERGY Star Homes in HZ 1; CZ 3
- ENERGY Star Homes in HZ 2; CZ 1
- ENERGY Star Homes in HZ 2; CZ 2
- ENERGY Star Homes in HZ 2; CZ 3
- ENERGY Star Homes in HZ 3; CZ 1
- NEEM homes in HZ 1; CZ 3
- NEEM homes in HZ 2; CZ 1
- NEEM homes in HZ 2; CZ 2
- NEEM homes in HZ 2; CZ 3
- NEEM homes in HZ 3; CZ 1
- EcoRated Homes in HZ 1; CZ 3 (2020 only)

The Company seeks exceptions under criteria A, B, and C, arguing that the measures produce non-quantifiable non-energy benefits, inclusion will lead to improved cost-effectiveness, and inclusion will sustain consistency with other programs in the region. The Company has identified opportunities to streamline costs and improve cost-effectiveness.

Staff agrees with criteria B--that supporting these measures will lead to market acceptance and ultimate improvement in cost-effectiveness. Staff also agrees with Criteria C – that it is beneficial to provide offerings that are consistent with other programs in the region.

Overall, Staff supports exceptions for these measures. Staff believes it is important to support energy efficient manufactured home options and realizes that Energy Trust of Oregon also struggles with the challenges of maintaining cost-effective options from year to year. While the TRCs are quite low for some of these options, there is also very limited participation. In 2019, the Company provided incentives for 109 homes, and only six of those were in Oregon.

Staff recommends that the Company be provided time to improve cost-effectiveness on these measures. Staff recommends that the Company discuss options with the Company's Energy Efficiency Advisory Group (EEAG) to improve cost-effectiveness of these measures and other means to improve market acceptance, including exploring potential changes to measure segmentation. Staff recommends measure exceptions through March 31, 2023, to give the Company time to test new strategies to improve cost-effectiveness in collaboration with EEAG.

Irrigation

Idaho Power provides incentives for flow control nozzles and wheel-line levelers that save energy by increasing the efficient application of water.

The Company is requesting an exception due to a drop in cost-effectiveness indicated by a recent study. A recent update to regional savings calculations by the RTF led to significant decreases in savings for irrigation measures. Idaho Power is involved in reviewing these updated discussions, along with Energy Trust and expects some changes to the calculation methodology in the next update. Currently, new flow control nozzles have a UCT of 2.36 and TRC of 0.90. New ore rebuilt wheel-line levelers have a UCT of 1.02 and TRC of 0.89. These measures represent less than one percent of irrigation savings in the Company's Oregon territory.

The Company requests exceptions under Criteria A for non-quantifiable non-energy benefits, C for consistency with other programs, and D for the benefits of increasing participation in a cost-effective program.

Staff agrees that these measures meet Criteria C and D. These measures are provided by BPA and while a small portion of program savings, may help produce more comprehensive packages for customers.

Staff supports granting an exception for these measures on a temporary basis until the discussions with RTF are resolved. Staff recommends measure exceptions through March 31, 2023, to provide time to review updates to the next RTF and make adjustments as necessary.

Conclusion

Based on Staff's analysis of existing reporting by the Company, Staff recommends measure exceptions for welcome kits through March 31, 2022, and exceptions for the Rebate Advantage measures and the two irrigation measures through March 31, 2023.

PROPOSED COMMISSION MOTION:

Adopt Staff's recommendation to approve measure exceptions as outlined in this memo.