ORDER NO. 22-095

ENTERED Mar 24 2022

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 1710(5)

In the Matter of IDAHO POWER COMPANY, Request for Cost-Effective Exceptions for Specific Demand-Side Management Electric Measures and Programs.	ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on March 22, 2022, the Public Utility Commission of Oregon adopted Staff's recommendation in this matter. The Staff Report with the recommendation is attached as Appendix A.

BY THE COMMISSION:

Nolan Moser

Nolan Moser
Chief Administrative Law Judge

A party may request rehearing or reconsideration of this order under ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Circuit Court for Marion County in compliance with ORS 183.484.

ITEM NO. CA4

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: March 22, 2022

REGULAR ____ **CONSENT** __X__ **EFFECTIVE DATE** ____**March 30, 2022**____

DATE: March 14, 2022

TO: Public Utility Commission

FROM: Anna Kim

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

SUBJECT: IDAHO POWER COMPANY:
(Docket No. UM 1710(5))
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 68, Schedule 71, and Schedule 87 as requested by Idaho Power Company (Idaho Power or the Company).

DISCUSSION:

Issue

Whether to approve exceptions to cost-effectiveness requirements for specific energy efficiency measures in Schedule 68, Schedule 71, and Schedule 87 as requested by the Company.

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 Commission determines cost-effectiveness through the Utility Cost Test (UCT) which is a ratio of energy benefits to total program costs and the Total Resource Cost (TRC) test, which is a ratio of system and participant benefits to system and participant costs. If benefits exceed costs, resulting in both a UCT and 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 or a Total

Resource Cost Test (TRC) of 1.0 fail cost-effectiveness criteria. This analysis will address Idaho Power's requests, which are: 1) Energy House Calls, 2) Multi-Family Energy Savings Program, and 3) welcome kits.

The Company identifies Energy House Calls and Multi-Family Energy Savings Program as "programs". Staff notes that the scope of a program Is not clearly defined in the energy efficiency industry. Idaho Power tends to identify programs at a more granular level than Energy Trust of Oregon (Energy Trust). Generally, Energy Trust has been consolidating into larger programs in recent years to coincide more with sectors, whereas Idaho Power tends to define programs based on sector and delivery mechanism.

Energy House Calls
The Company requests a cost-effectiveness exception for the Energy House Calls Program. This program is found in Schedule 87 – Manufactured Housing Energy Efficiency Programs through December 31, 2022. The Energy House Calls Program provides free duct sealing to electrically heated manufactured homes, along with additional energy-saving measures such as light-emitting diode bulbs (LED), faucet aerators, and showerheads, as well as education materials where applicable.

The Company paused this program in March 2020 in response to the COVID-19 pandemic and only resumed work in October 2021. Due to the temporary pause, the program now has a waitlist of 175 homes, including eight in Oregon.

The Company is requesting a temporary exception through December 31, 2022, for this offering because the current program design is expected to be no longer cost-effective. The Company requests more time to assess whether to modify or terminate the program while working through the waitlist.

When last assessing the program in 2019, the Company found that Energy House Calls was at the edge of cost-effectiveness, but was expected to remain cost-effective through 2020. Since then, avoided costs declined by 12 percent based on numbers from the Company's most recently acknowledged integrated resource plan (IRP). [1] Further, the Company is adopting more current energy saving estimates published by the Regional Technical Forum (RTF). These new estimates indicate reduced savings for the LED bulbs and water-saving measures the Company offers through Energy House Calls. The RTF also updated estimates for duct sealing in manufactured homes on December 7, 2021.

[1] Order No. 21-184.

The Company requests an exception under Criterion C:

C. The measure is included for consistency with other DSM programs in the region.

The Company wishes to maintain a program offering that is consistent with the rest of its service territory where the program will remain available in 2022 while the Company conducts further analysis and considers options. Energy Trust of Oregon provides a similar service for Oregon customers of Pacific Power and Portland General Electric. Idaho Power discussed different options for Energy House Calls at an Energy Efficiency Advisory Group (EEAG) meeting on November 10, 2021. EEAG provided feedback on exploring different redesign options. The Company anticipates returning to EEAG later in 2022 with the results of its analysis and a proposal to redesign or drop the offering.

Overall, Staff supports the Company's request for a temporary exception. The impact of an exception is small, limited to a few homes, and short in duration. Staff agrees with the Company's assessment that maintaining Energy House Calls will improve consistency across the region, particularly with the rest of its service territory. This exception would grant the Company time to conduct additional analysis and discuss future alternatives with EEAG. Staff also notes that avoided costs are likely to increase based on numbers from the Company's recently filed 2021 IRP. Staff requests that the company use numbers from the new IRP before making a final decision on this program as Staff anticipates the IRP will be acknowledged before the expiration of this exception.

Multi-Family Energy Savings Program

The Multi-Family Energy Savings Program is found in Schedule 68 – Multi-family Energy Savings Program. This program offers free energy savings products in multi-family dwellings with electrically heated water through direct installation. Participants may also receive LED bulbs, air filters, low-flow showerheads, faucet aerators, pipe wrap, or educational materials where appropriate. The Company paused this program in March 2020 in response to the COVID-19 pandemic and resumed work in October 2021.

The Company is requesting a temporary exception through the end of the year for this program because the current program design is expected to no longer be cost-effective and the Company requires time to assess whether to modify or terminate the program.

When last assessing the program in 2019, the Company calculated that the program was cost-effective with a UCT of 1.15 and a TRC of 2.34. Since then, avoided costs declined overall by 12 percent based on numbers from the Company's most recently acknowledged IRP[2]. Further, the Company is adopting more current energy saving

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[2] Order No. 21-184.

estimates published by the Regional Technical Forum (RTF). These new estimates indicate reduced savings for the lights and water-saving measures the Company offers through Multi-Family Energy Savings.

The Company requests an exception under Criterion C:

C. The measure is included for consistency with other DSM programs in the region.

The Company wishes to maintain a program offering that is consistent with the rest of its service territory where the program will remain available in 2022 while the Company conducts further analysis and considers options with stakeholders. Energy Trust of Oregon also provides a similar service. Energy Trust has faced similar challenges, requiring significant re-designs of its overall multifamily program, including direct install options, which illustrates the challenges to providing cost-effective services for multifamily customers.

The Company discussed different options at an EEAG meeting on November 10, 2021, and asked for volunteers to discuss program re-design options through a subcommittee that will meet this year. The Company anticipates returning to EEAG later in 2022 with the results of its analysis and a proposal to redesign or drop the offering.

Overall, Staff supports the Company's request for a temporary exception. This exception would grant the Company time to conduct additional analysis and meet at length with EEAG stakeholders to discuss options. Energy Trust took a similar approach, working with its own advisory committee to modify its multifamily program. Staff considers it very important to continue to provide multifamily services while acknowledging this sector faces increasing cost-effectiveness challenges. Staff also notes that avoided costs are likely to increase based on numbers from the Company's recently filed 2021 IRP. Staff requests that the company use numbers from the new IRP before making a final decision on this program as Staff anticipates the IRP will be acknowledged before the expiration of this exception.

Welcome Kits

The Company requests a cost-effectiveness exception for the welcome kits through March 31, 2027. Welcome kits are found in Schedule 71 – Educational Distributions. Previously, the Commission granted an initial exception request through March 31, 2022, so that the Company could explore options to adjust the welcome kit offering, and to shift costs to the overall marketing budget. [3]

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[3] Order No. 21-079.

Idaho Power sends welcome kits to new customers, which include LED 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.

In 2021, the Company had extensive discussions with EEAG about how to adjust welcome kits and settled on a configuration with LEDs, nightlights, and a greeting card. The Company shifted costs to the marketing and education budget, however, despite these efforts, the measure is still not cost-effective, with a UCT of 0.83 and a TRC of 0.94. The Company requests an exception because this measure is not cost-effective.

The Company seeks exceptions under Criteria A and D:

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.
D. Inclusion of the measure helps to increase participation in a cost-effective program.

The Company argues that the welcome kits provide non-quantifiable non-energy benefits by making new customers aware of Idaho Power's energy efficiency programs, and increasing the likelihood that customers will participate in other programs.

Staff agrees that the welcome kits introduce new customers to Idaho Power's energy efficiency programs and raise customer awareness of the programs. Staff also agrees that this measure could increase participation in other cost-effective programs by introducing customers to the Company's residential energy efficiency services.

The Company requested a measure exception for five years. During that time, the Company offers to review the cost-effectiveness of welcome kits annually, including potential changes to the kit configuration. The Company would review these potential changes with EEAG.

Staff appreciates the amount of engagement the Company conducted with EEAG on welcome kits. Staff understands that the Company is attempting to create a viable product for the entire service territory. Staff notes that five years is a relatively long period for a cost-effectiveness exception, as exceptions tend to be in the range of one to three years.

Staff proposes a three-year exception as long as the contents of the kits do not change significantly. If the Company changes the welcome kit to include items outside of light bulbs and night lights, Staff considers this a new bundle of measures, and the Company should request a new exception if needed.

Conclusion

Based on Staff's analysis of existing reporting by the Company, Staff recommends measure exceptions for Energy House Calls and the Multi-Family Energy Savings Program through December 31, 2022, and exceptions for welcome kits through March 31, 2025. Staff also recommends that the Company use avoided costs from the Company's 2021 IRP when determining how to redesign Energy House Calls and Multi-Family Energy Savings Program.

PROPOSED COMMISSION MOTION:

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