ORDER NO. 25-124

ENTERED Mar 27, 2025

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 1710

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 27, 2025, 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:

Alison Lackey
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. CA8

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: March 27, 2025

REGULAR ____ **CONSENT** X **EFFECTIVE DATE** March 31, 2025

DATE: March 17, 2025

TO: Public Utility Commission

FROM: Eric Shierman

THROUGH: JP Batmale and Sarah Hall **SIGNED**

SUBJECT: IDAHO POWER COMPANY:
(Docket No. UM 1710)
Request for cost-effectiveness exception for specific demand-side management electric measure, air-cooled heat pump.

STAFF RECOMMENDATION:

Approve an exception to cost-effectiveness requirements for the manufactured home measure in Schedule 87, as requested by Idaho Power Company, through March 31, 2028.

DISCUSSION:

Issue

Whether to approve an exception to cost-effectiveness requirements for the manufactured home measure in Schedule 87.

Applicable Rule or Law

Under OAR 860-027-0310(2), the Commission encourages energy utilities to acquire cost-effective conservation resources. "Cost-effective" is defined in ORS 469.631(4) and OAR 860-030-0010. The Commission determines cost-effectiveness of a measure through the Total Resource Cost (TRC) test and the Utility Cost Test (UCT). If the benefits exceed the costs in both of these tests, 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 as follows:

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.

In Order No. 15-200 the Commission required Idaho Power to review its DSM programs annually for cost-effectiveness and file exception requests as appropriate.

Analysis

Background
On September 29, 2023, Idaho Power filed its 2023 Integrated Resource Plan (IRP) with the Commission in LC 84, including updates to Demand-Side Management (DSM) avoided costs and procurement. That IRP selected 95 megawatts (MW) of energy efficiency (EE) acquisition from 2024 to 2028.[1]

While Idaho Power Company's (Idaho Power or the Company) Rebate Advantage Manufactured Home Incentive (Rebate Advantage) program was a part of that 95 MW of new EE, this program requires a Commission-approved exception in Oregon. On March 9, 2021, the Commission approved an exemption for Rebate Advantage through March 31, 2023.[2] On March 21, 2023, the Commission renewed the exemption through March 31, 2025. Idaho Power filed an exception request on January 29, 2025, seeking an exception for two authorized criteria in Order No. 94-590:

1. The measure produces significant non-quantifiable non-energy benefits.

[1] See Docket No. LC 84, Idaho Power, IRP, September 29, 2023, p 8.
[2] See Docket No. UM 1710, PUC, Order No. 21-079, March 12, 2021, p 1.

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

Approval of this exception would cover the measure through March 31, 2028.

Program Details
Rebate Advantage promotes the purchase of energy efficient manufactured homes. The program provides a $1,000 incentive to customers in Idaho and Oregon for the initial costs for a product considered efficient as a) certified by the Northwest Energy Efficient Manufactured Home Program; or b) Energy Star qualified. This measure also provides a $200 incentive to manufactured home sales representatives. Beyond incentives, this measure funds education activities for both buyers and sellers of manufactured homes.

Rebate Advantage has been operating as a demand-side measure since 2003.[3] However, with a total budget of $138,130 in 2024, only six Oregon customers participated in 2024, leading to an Oregon cost of only $9,281.[4]

Criteria for Cost-Effectiveness Exceptions
Idaho Power seeks an exemption under two criteria. First, that the measure produces significant non-quantifiable non-energy benefits. The evidence the filing presents for this first criterion is that non-energy benefits were once included in the Company's analysis but now are not. The Company's basis for this claim is that this measure was once cost-effective under the TRC, but the source of the data, the Northwest Power and Conservation Council (Power Council), removed a monetary estimate of the non-energy benefits. Five years ago, this pushed the TRC BCRs below one. Assuming the validity of that prior metric, Idaho Power points to its removal as evidence that this measure produces significant non-quantifiable non-energy benefits. Staff notes this is more of an availability of data issue than non-quantifiability. In the future, the Company should either produce its own estimate in the absence of Power Council data or extrapolate from that historical data from when the Power Council provided these estimates.

While the non-energy benefits that the Power Council had previously quantified is not an issue of non-quantifiability, Staff recognizes that there may be significant non-quantifiable benefits with this measure. Idaho Power has simply not provided any with this filing. Therefore, for future filings, the Company can either provide evidence of its own or cite authoritative sources that research non-quantifiable non-energy benefits.

The evidence Idaho Power provides for the second criterion, that the measure should be included for consistency with other DSM programs in the region, is that this measure is considered cost-effective in its Idaho jurisdiction, but not Oregon due to an

[3] https://docs.idahopower.com/pdfs/EnergyEfficiency/Reports/2024DSMWEB.pdf.
[4] Ibid, Appendix 2, pg 176.

inconsistency in how the measure is assess in the two states. This measure is cost-effective under the UCT but not the TRC. Across a range of heating and cooling zones, the average UCT benefit cost ratio (BCR) is 1.2. However, the average TRC BCR is 0.55. The difference in perspectives is that the UCT considers only the utility's costs. The TRC fuses rate impact with the financial impact on the program participant.

Before reviewing Idaho Power's request for an exception, Staff looked at the Company's workpapers to see how reasonably the analysis valued the avoided cost of capacity. Idaho Power uses a simple cycle combustion turbine as the proxy resource. However, the Company has no plans to build that kind of plant. Instead, the 2023 IRP's Preferred Portfolio selects 4-hour lithium-ion batteries. Therefore, the avoided cost of capacity should be increased from $146 per kW-year to $214 per kW-year to more accurately reflect the cost of Idaho Power's procurement plans. Staff finds this 47 percent increase in the avoided cost of capacity raises the average TRC BCR by eight percent. This brings Staff's alternative average BCR up to 0.59, which remains cost ineffective.

Staff also looked at how the marginal cost of capacity increases across time and the capacity allocation Idaho Power made to the summer season. The Company's 2023 IRP Preferred Portfolio begins to procure 8-hour lithium-ion batteries in 2037. The Company's assumed avoided cost for this resource was $324 per kW-year. Also, the Company splits the weighting of capacity cost by season, but the Company's highest loss of load probability is in the summer. Staff supports weighting the winter allocation of capacity cost lower. However, Staff believes the summer weighting should be 100 percent. When Staff plugged the 8-hour battery price into the avoided cost of capacity starting in 2037 and adjusted the summer weighting to 100 percent, the average TRC BCR rose to 0.63.

After this review of Idaho Power's cost-effectiveness workpapers, Staff finds that the Commission should approve this exception for consistency with other DSM programs in the region. In this instance, Idaho Power seeks to provide program access across two state jurisdictions with as much homogeneity as possible. In the Company's Idaho jurisdiction, cost-effectiveness is determined only by the UCT. Upholding the same standard for the Company's Oregon service territory helps Idaho Power manage this measure more consistently, allowing the six Oregon customers to participate last year in a much larger program.

This is also consistent with how the Commission has treated similar measures in Oregon. Last December, the Commission approved an exemption for the Energy Trust of Oregon's manufactured homes measure which had TRC scores as low as 0.6.[5]

[5] See Docket No. UM 1696, PUC, Order No. 24-443, December 12, 2024, Appendix A, p 24.

Equity Considerations
This program specifically targets rural communities. Manufactured homes play a vital role in addressing Oregon's housing crisis, offering an affordable pathway to homeownership for many rural Oregon residents.[6] Out of approximately 140,000 manufactured homes in the state, over 110,000 were built before 1995, prior to the implementation of federal energy standards that dramatically improved construction and insulation practices. Homes built before this benchmark are often energy-inefficient, frequently past their expected lifespan, and may pose safety concerns.

Despite the opportunity for energy savings, manufactured homes remain a difficult area for energy efficiency acquisition, because, unlike standard homes, even when properly maintained, manufactured homes are a depreciating asset. Residence in manufactured homes also correlates to income. Therefore, these customers face a disadvantage when higher income customers participate in EE programs at a higher rate. Because most revenue requirement comes from fixed costs that are recovered from volumetric rates, reduced revenue from higher income customers living in standard homes disproportionately pushes the burden of fixed cost recovery onto lower income customers. Programs that offer energy savings to residents of manufactured homes provide an opportunity to mitigate this inequity.

Conclusion

Staff supports the cost-effectiveness exception for this measure through March 31, 2028. Staff finds one of the Company's justifications valid, that offering this incentive to Oregon customers maintains regional consistency. Staff is less persuaded by the other criterion, significant non-energy benefits that are not quantifiable. These benefits have been quantifiable.

This measure is cost effective from a UCT perspective. That makes it cost effective in Idaho. Staff supports treating this measure consistently in Oregon as it gets assessed in the rest of the Company's balancing authority.

PROPOSED COMMISSION MOTION:

Approve an exception to cost-effectiveness requirements for the manufactured home measure in Schedule 87, as requested by Idaho Power Company, through March 31, 2028.

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[6] https://www.aceee.org/blog-post/2023/08/states-and-utilities-can-help-upgrade-manufactured-homes.