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MEMORANDUM

To: Utah Public Service Commission

From: Utah Division of Public Utilities
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Energy Section
Abdinasir Abdulle, Technical Consultant
Jamie Dalton, Utility Analyst II
Artie Powell, Manager

Date: March 21, 2008

Ref: Docket No. 08-035-T01. Advice Filing 08-01 – Schedule No. 110 – Energy Star New Homes Program

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RECOMMENDATION (approval)

The Division of Public Utilities (Division) recommends the Commission approve the proposed Tariff changes to Schedule 110, the Energy Star New Homes Program that includes modifications to the associated replacement sheets 110.1, 110.2, 110.3, and 10.4.

ISSUE

Rocky Mountain Power submitted its proposed Tariff changes for Schedule 110, the Energy Star New Homes Program on February 27, 2008. The filing also includes an economic analysis in support of recommended schedule modifications and a program evaluation plan. The Company proposes modifying the Energy Star New Homes Program to help reduce electric loads by encouraging installation of more energy efficient cooling systems in new residential construction. The proposed modifications are driven primarily by the adoption of the 2006 International Energy Conservation Code (IECC) and will ensure congruency with similar incentives offered through Questar Gas Company's New Homes program. The Company requested an effective date of March 28, 2008.

DISCUSSION

The Energy Star New Homes Program, as defined in the Company's Electric Service Schedule No. 110, was developed to provide financial incentives to qualified builders to employ energy efficient construction practices in the development of new residential housing. These incentives are offered to licensed builders certified within the federal Environmental Protection Agency's Energy Star Builders national registry.

The tariff offers a variety of incentives to builders who install energy efficient cooling systems and high efficiency insulation, windows and appliances in new residential homes. The purpose of the program is to reduce residential electric loads, particularly during the peak summer period.

The Company proposes modifying the tariff to maintain and increase participation in the existing Energy Star New Homes program by increasing measures and home packages eligible for incentives. The proposed program modifications are summarized as follows:

Single Family

1. Tier 1: Add five Compact Fluorescent Light Bulbs and reduce the incentive by $50 from $250 to $200.
2. Tier 2: Add twenty Compact Fluorescent Light Bulbs, reduce the air conditioner equipment minimum standard from SEER 14 to SEER 13 and reduce the incentive by $50 from $350 to $300.
3. Tier 3: Add twenty Compact Fluorescent Light Bulbs and three ENERGY STAR pin-based lighting fixtures.
4. Add three new plus measures:
   - A) 14 SEER HVAC equipment with correct sizing and best practices installation with an incentive of $300;
   - B) Installation of whole house fan system with an incentive of $100;
   - C) Lighting upgrade of an ENERGY STAR Fixture(s) with an incentive of $10 per unit.

5. Reduce the incentive for the plus measure, “Duct placement inside conditioned space,” by $100 from $200 to $100.

The rationale for the reduction in incentives for Tiers 1 and 2 and the plus measure is based on the lower costs and greater availability of the measures.

Multi-Family

1. Add two new plus measures:
   - A) Upgrade from Package Terminal Air Conditioning (PTAC) unit to Package Terminal Heat Pump (PTHP) with an incentive of $200 per unit;
   - B) Upgrade from PTAC unit to Ductless Mini-Split Heat Pump with an incentive of $400 per unit.

The proposed changes appear to be focused on moving the market more quickly towards SEER 14 air conditioning equipment and more efficient lighting. Hence, the results appear to be consistent with the objective of reducing electricity usage and subsequent load in peak demand periods. In addition, the proposed changes will ensure consistency with the federal Energy Star Program as well as Questar’s New Homes program. These modifications appear to be reasonable and consistent with DSM objectives.

The Division investigated the proposed program changes by carefully reviewing the estimated costs and expected savings. The Division also evaluated the underlying assumptions and computations of the cost benefit analysis performed by Quantec.

Quantec performed a cost effectiveness analysis for the program and found that the proposed incentive modifications will ensure that the program remains cost effective. The results show that, though some of the individual measures did not pass the Total Resource Cost Test (TRC), overall the program passed the TRC Test, the Utility Cost Test, the Rate Impact Test and the Participant Cost Test.

The Division concludes that the proposed program is cost-effective and is consistent with the Commission’s goals to promote cost-effective DSM programs. Therefore, the Division recommends that the Commission approve the Company's proposed modifications to Electric Service Schedule 110.

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