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Memorandum

TO: Public Service Commission

FROM: Division of Public Utilities
Philip Powlick, Director
Energy Section
Artie Powell, Energy Manager
Jamie Dalton, Utility Analyst
Abdinasir Abdulle, Technical Consultant

DATE: December 22, 2008

RE: Docket No. 08-035-T09: Advice Filing 08-10, Schedule 114 – Air Conditioner Direct Load Control Program (Cool Keep)

I. ISSUE

On September 26, 2008, pursuant to the requirement of Rule R746-405D, Rocky Mountain Power (“Company”) filed an Advice Filing 08-10, Schedule 114 – Air Conditioner Direct Load Control program (A/C-DLC) (Cool Keeper). The purpose of this filing is to propose modifications to the Cool Keeper program that are intended to retain and increase customer participation rates. On November 26, 2008, the Public Service Commission (Commission) sent an Action Request to the Division of Public Utilities (Division) requesting comments on by December 19, 2008. In addition to the Company’s proposed changes to the program, the Commission asked the Division to address the following issues:

1. How sensitive are the cost benefit results to temperature assumptions? What happens if the number of days the program gets used is very low (like last year’s “cool” summer)?

2. How sensitive are the cost benefit results to discount rate assumptions?
3. How sensitive are the cost benefit results to peak pricing assumptions?
4. What are the results for all four of the cost benefit tests (with no adder or adjustments)?
5. What are the key drivers of the cost benefit results (if not mentioned above)? How sensitive are the cost benefit results to changes in these major drivers?

II. RECOMMENDATION

The Division recommends that the Commission approve the proposed modifications of the Cool Keeper Program. Additionally, the Division recommends that the Commission direct the Company to explore fully the Commission's questions in the Company next DSM annual report due in early 2009.

III. DISCUSSION:

Program Description:

The Cool Keeper program is a pay-for-performance program owned and installed by a Company contractor, Comverge. Comverge is responsible for all marketing, AC/DLC network construction, maintenance, operations, and customer service. The system consists of an individual direct load control unit, which is installed on or in close proximity to the customer's air conditioning unit. PacifiCorp pays Comverge a capacity charge for all connected and operable units providing measured and verified load relief.

Only Utah customers on schedules 1, 2, 3, 6, 6A, 9, 9A, 23, 23B, and 25 located within the Control Signal Area are eligible to participate. For any participating customer the system will be operated for not more than 4 hours per weekday (between the hours of 2:00 p.m. and 8:00 p.m.) and 100 hours per summer peak period. The system will not be operated during the weekends and holidays. When dispatched, the A/C-DLC will cycle the air conditioning unit at 50% of its natural duty cycle or at 50% of its default setting. Participating customers are allowed to opt out

for up to two dispatch events per summer peak. Opting out on a third dispatch will result in the customer discontinuing program participation. Participating customers may also choose to discontinue participation in the program at any time by calling the contractor call center.

Rocky Mountain Power will provide an incentive for the qualifying participants. The amount and structure of the incentive is subject to change in each of the program years provided that it is filed with the Commission for approval. The incentive levels offered to the participating customers are as shown in the Table included on Tariff Sheet No. 114.4 of the Company filing.

These customer incentives will be paid in the form of a credit on the customer's November bill. Customers who qualified for the incentive, but are no longer Rocky Mountain Customers, will receive a check in lieu of a bill credit.

Proposed Changes:

In its filing, the Company has indicated that, due to participant relocation, the program is losing approximately 500 to 1000 participants per month. As a result, approximately 25,000 to 30,000 Direct Load Control Units previously installed through the program are currently inactive. To alleviate this issue, and to help prevent further decline in program participation, the Company proposes the following program modifications:

- *The customer's Cool Keeper enrollment will be continued without interruption so long as the customer activates electrical service at a new home or business within the Cool Keeper Program area and the customer's air conditioning equipment qualifies for installation of a Direct Load Control Unit.*
- *Customer will be provided an enrollment continuation kit informing them of their continued enrollment. This kit will include information on program participation, annual incentives offered for participation, program customer care contact information and information on how the customer may elect to discontinue their enrollment in the program at any time of their choosing.*

- *Installation of a Direct Load Control Unit, or re-activation if a Direct Load Control Unit is already installed at the location, will be performed according to the program's established scheduling process.*
- *New move-in customers at locations currently equipped with a Direct Load Control Units will be provided with a welcome kit informing them of the presence of a Direct Load Control Unit on their home or building's air conditioning equipment.*
- *The welcome kit will include information on program participation, annual incentives offered for participation, program customer care contact information and information on how the customer may elect to not participate in the program at their choosing.*
- *Upon the mailing of the program welcome kit to the customer, a 4 week opt-out period will begin. After the 4 week opt-out period has expired and no opt-out request has been received, customers will be automatically enrolled in the program and the Direct Load Control Unit will be re-activated. This will be detailed in the program welcome kit.*

The Company indicated that the proposed changes are administrative and will not impact the program cost-effectiveness. Consequently, the Company did not perform any cost benefit analysis for the proposed changes. Because of the pay-for-performance nature of the program, the Division believes that the proposed changes will result in increased participation of the program and will have no economic impact on the program. The vendor, Comverge, who manages the program, is paid based on the kW available for control. Though the total cost will vary with the number of kW available for control, the per kW payment does not change with the number of kW available for control.

The Division believes that a full program evaluation will be needed to answer the Commission's questions listed above and would unnecessarily delay approval of the proposed program changes. However, the Commission raises some important issues, which the Division believes would be better addressed in the Company's forthcoming DSM evaluation report. This report should address these issues not only for the Cool Keeper program, but for all of the DSM programs, particularly those where program cost-effectiveness is questionable. After conferring with the

Company, the Division understands that the Company has agreed to address the Commission's questions in its annual DSM report, which should be available early in 2009. Therefore, the Division recommends that the Commission approve the proposed program modifications and direct the Company to address the Commission's questions in its next annual DSM report.

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