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Memorandum

TO: Public Service Commission

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

DATE: June 3, 2009

RE: Docket No. 09-035-36. Strategic Communications and Outreach Program for Demand Side Management.

RECOMMENDATION (Approval)

The Division of Public Utilities (Division) recommends that the Commission approve Rocky Mountain Power's (the Company)'s proposed Strategic Communications and Outreach Program for Demand Side Management (DSM). The Division also recommends that the Company report program progress to the Utah DSM Advisory Committee on a quarterly basis and conduct follow-up surveys on at least a biennial basis to assess program effectiveness.

The Company requests that the Commission issue an order regarding document approval by June 12, 2009. If approved, it is anticipated that the Company will immediately initiate its proposed outreach and media strategies.

ISSUE

On May 12, 2009, the Company submitted its proposed Strategic Communications and Outreach Program for DSM, along with program public survey results, and a supporting benefit cost

analysis of proposed schedule modifications. The submitted document represents a strategic marketing plan that outlines strategies to significantly increase public awareness of and participation in the Company's DSM programs and to affect greater energy savings through such participation.

Program objectives were primarily based on customer responses to a survey regarding Company DSM programs. This survey, conducted by Dan Jones & Associates in late 2007, was commissioned by the Company to determine customer awareness of existing DSM programs. Program objectives were also developed from input by the Utah DSM Advisory Committee.

The proposed program outlines a number of specific marketing strategies including television, radio, and print media advertisements, online portals, and public affairs communications and outreach programs. The Company requests that the program be funded from the DSM cost adjustment tariff rider (Schedule 193), and proposes that an annual allocation of up to \$1.5 million be made available over a three year period. Program effectiveness will be assessed over the three year funding period, and a final program assessment will be performed at the end of the period.

The Company proposes to allocate program costs into its total portfolio of current DSM programs, as cost savings are difficult to quantify and cannot be directly attributed to the effort. To estimate program cost effectiveness, the Company included program costs into its 2008 total DSM program portfolio as a base case. The program appears to have no appreciable impact on the overall cost effectiveness of the Company's current DSM programs. In the aggregate, when the annual \$1.5 million in program costs are included into the 2008 DSM portfolio baseline, the Company's total DSM Program Portfolio still meets each of the required cost effectiveness tests.

DISCUSSION

The Company proposes the implementation of its proposed DSM Strategic Communications and Outreach Program to accelerate achievement of energy savings and to mitigate the impact of growing electricity demand through increased customer participation in its DSM programs. The

Company notes that through the energy savings brought about by increased DSM participation, negative environmental impacts of electricity use will also be mitigated.

The Company also notes that while annual energy savings from existing DSM programs have increased significantly over the past five years, current communication efforts lack a cohesive, consistent message about the need for energy efficiency, and the impacts on society if participation in DSM does not increase. The Company also notes that current communication and outreach efforts do not effectively articulate the range of customer incentives and savings that customers may realize through existing DSM services.

The Company argues that it lacks the dedicated funding it feels is necessary to establish what it terms an “energy efficiency mindset” among customers, businesses, and others who would promote and support expanded DSM participation. It argues that it needs the proposed program to enhance customer communications, outreach, and educational efforts to increase customer awareness of actions they may take to save money and reduce energy use through expanded participation in existing DSM programs and services.

The Company identified this need primarily through customer responses to the Dan Jones & Associates survey. The survey had the following objectives:

1. Determine levels of overall customer satisfaction with the Company;
2. Identify actions customers are taking to conserve energy and determine the reasons why they want to conserve;
3. Determine how customers obtained information about energy conservation measures;
4. Evaluate customer awareness, importance, participation levels, and satisfaction with Company energy efficiency programs;
5. Assess customer awareness of Questar’s energy efficiency programs.

The survey involved telephone interviews of 1,021 Rocky Mountain Power customers. The survey was stratified to include 614 participants who are currently participating in Company

energy efficiency programs, and 407 non-participants. Principal survey findings are listed as follows:

- There appears to be a lack of customer awareness of existing Company energy efficiency programs - less than 40 percent of non-program participants were aware of Company energy efficiency programs;
- Of those participating in a Company energy efficiency program, only 25 percent were aware of other similar programs;
- There appears to be a lack of awareness about the details of Company energy efficiency programs and how to access them;
- Bill inserts currently appear to be a primary means of information about Company energy efficiency programs;
- When informed of existing energy efficiency programs, a majority of survey respondents expressed interest in participating in such programs;
- While respondents felt it was important that the Company offer energy efficiency programs, saving money appears to be the main driver for program participation.

From the survey responses, the Company concluded that it needs to better provide customers with information about its portfolio of available DSM programs and services. It also determined that it needs to find a means of better motivating customers to reduce electricity consumption, either independently or through participation in its DSM programs. The Company also concluded that it needs to better show customers how they can save money on their utility bills by reducing energy consumption, especially during peak usage periods. The Company also determined that it needs to create stronger connections among the public between increased participation in energy efficiency efforts and the health of Utah's, environment, economy, and overall quality of life.

To accomplish the desired outcomes, the Company developed a detailed communications strategic plan that is included in exhibit 3 of the Company's filing. This plan outlines a number of communications and outreach strategies using T.V., radio, print media, online advertising, local sponsorships, and public outreach.

RECOMMENDATIONS

It appears that the Company is emulating a similar multi-pronged media/communications outreach effort that Questar Gas Company initiated in late 2006. The Division believes that Questar's program has successfully heightened awareness of DSM opportunities.

As noted above, the estimated \$1.5 million in annual program costs are included into the total 2008 DSM portfolio costs. With the inclusion of these costs, the Company's total DSM Program Portfolio meets each of the required cost effectiveness tests. The Division argues that this approach is reasonable and provides a conservative estimate of net program costs, as it is likely that at least some short term benefits from this effort will accrue, even though such benefits are not included in the cost-effectiveness calculations.

The Division agrees with the Company's proposal to monitor program effectiveness on an annual basis and recommends that the Company report these findings to the Commission by August 31 of each program calendar year, commencing in 2010. In addition, the Division recommends that the Company, on a quarterly basis, report program progress to the Utah DSM Advisory Committee. Finally, the Division recommends that the Company conduct follow-up surveys on at least a biennial basis to assess program effectiveness and to quantify results, and to identify areas that require improvement.

As Rocky Mountain Power's proposed outreach effort appears to be modeled after the successful Questar outreach program, as it has been vetted by the Utah DSM Advisory Committee without conceptual objection, and as it appears to be cost-effective, the Division recommends that the Commission approve the program.

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