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Governor

GREG BELL
Lieutenant Governor

State of Utah
DEPARTMENT OF COMMERCE
Office of Consumer Services

MICHELE BECK
Director

To:	The Public Service Commission of Utah
From:	The Office of Consumer Services Michele Beck, Director Danny A.C. Martinez, Utility Analyst Cheryl Murray, Utility Analyst
Copies To:	Rocky Mountain Power Jeffrey Larsen, Vice President, Regulation Aaron Lively, Regulatory Manager The Division of Public Utilities Chris Parker, Director Artie Powell, Energy Section Manager
Date:	June 8, 2011
Subject:	Strategic Communications and Outreach Plan for DSM Program Year 3 Plan and Budget, Docket No. 09-035-36

Background

On June 11, 2009 the Public Service Commission (the "Commission") approved Rocky Mountain Power's (the "Company") application for Approval of a Proposed Strategic Communications and Outreach Program for Demand Side Management. The Program funding is not to exceed $1.5 million per year for an initial three year period. On April 1, 2011, the Company filed its Year 3 Plan and Budget (Year 3 Plan). The timeframe for the Year 3 Plan is July 2011 to June 2012.

Discussion

Summer Cooling – A New Area of Focus

The Tactics/Campaign Components section of the Year 3 Plan specifically addresses summer cooling as the new area of focus. The Company proposed to utilize newly developed creative content on the topic of cooling in the media rotation beginning in June 2011. While the Office believes a summer cooling campaign is worthwhile, the concept lacks the timing to be successfully implemented as proposed. First, the Company proposed to have the DSM Advisory Group provide input on the marketing concepts. During the February DSM Advisory Group meeting, there were a couple of bullet points within the Company's presentation explaining the Company's desire to add new content for summer cooling. However, there were no concept pieces presented to the DSM Advisory Group for feedback and input. The DSM Advisory Group has not met since the February meeting and is tentatively scheduled to meet on June 22 or June 23. This does not give sufficient time to get the newly developed content into the June media rotation. The new content will likely go into the rotation in July. This delay will diminish the influence the media campaign will have on customer behavior as compared to a media campaign that had begun at the beginning of the cooling season. However, the delay began with the Company and the Office notes that this is the end of the second year of the communications outreach plan[1] and believes that the Company should have been able to resolve timing issues by now.

Next the Office is also concerned about the funding proposal for this campaign. The Company seeks to have this media campaign, which was not approved during the year two campaign, funded with dollars from the year three budget. The Company does not indicate how much this diversion of funds will impact the year three budget or from what areas the funds will be reallocated. Without the specific budget amount to be diverted and concepts to review, it is impossible to determine if these funds will be prudently spent. The proposed year three budget does not contain a line item for this reallocation of budget. Through conversations with the Company, the Office has learned that the amount diverted will now be approximately $10,000, in part because the campaign is being pursued late in the year two timeframe. While this amount is small in comparison to the $1.5 million budget, it should be described in the report to facilitate understanding and analysis of interested parties. Interveners like the Office require adequate information in order to comment on the merits of the Company's application and the Commission has previously ordered that the Company provide this type of specific information.

The Office recommends that the Commission not approve this aspect of the budget until additional information is provided. Since the concepts have not been discussed within the DSM Advisory Group and with the current timing issues, the Company should postpone the implementation for an early July rotation allowing alignment with the Year 3 plan and budget.

Report Organization

The report represents a plan for year three Strategic Outreach and Communications program. Within the report, summary information for year two was included. With other reports, such as the quarterly progress report, there exists unnecessary redundancy. The Year 3 Plan should focus on year three activities. Some of the dates included within the report were inaccurate and posed budgetary questions. For example, the Year 2 Summary section was not clear with respect to the KSL Studio 5 monthly segments. The dates listed indicated that these activities would take place during year three in July – August 2011. However, they were included in the year two activities so it seems likely

[1] The Office also notes that the Company did not consult with the DSM Advisory Group regarding its concepts for 2010 cooling season media campaign. Rather, it circulated ideas through a subset and asked for quick turnaround for responses as it was already into the cooling season that year as well.

that the dates listed on the report are incorrect. The report was unclear in if these activities were paid for during year two and were to happen during the year three or if it was merely a typographical error. The Company confirmed it was a typographical error. This example shows that the section created unnecessary confusion. The Office recommends the Year 3 Plan focus solely on year three activities.

Another example of date inaccuracies show up in the Summer Cooling section of the Year 3 Plan. The Company indicated the year 2 campaign filing was filed in April 2010 and approved May 20, 2011. The Company confirmed the date was a typographical error. Providing clearer budget information within this report and substantive narrative would cross check dates with proposed budget amounts, likely reducing inadvertent errors as well as adding clarity.

Budget Organization

Lastly, in last year's plan the Commission ordered the Company to provide a higher level of granularity within its budget submission.[2] The Company provided the same general level budget request for year three as in the year two budget. At a minimum, the budget should include line items for administrative overhead and program expenditures within program line items. Not only does the lack of granularity fail to comply with the Commission's order, it also provides insufficient information for parties to review and analyze the Company's program effectiveness and ongoing plans.

Substantive Questions

The Office has identified the following questions and concerns that need to be clarified with explanations:

1. Why was there a $50,000 decrease in Media between program year two and year three?
2. What was the rationale for reintroducing the PR/Public Affairs line item when it wasn't in the previous budget?
3. Why is there an increase of 80% in the year three Creative/Production/Planning line item when only 23% of the budget has been used halfway through year two? The Company indicates it will use the existing creative developed for the Wattsmart effort.
4. Will there be a Cool Keeper program promotion in year three or is this built into another part of the budget?
5. The digital budget dropped in half. Did online and other digital media move to other parts of the budget or does the $50,000 represent maintenance on created web material?

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[2] "While we recognize that some expenditures are of a program-wide nature, we note many are not. We direct the Company to resubmit the budget portion of its application at a higher level of granularity, preferable down to the DSM program specific level where possible." Docket No. 09-035-36, Order Approving Second Year Budget With Conditions, May 20, 2010 p. 5.

6. Although the Company does specify costs for certain year three programs, e.g. Green Team Sponsorship, Multicultural and NEF Curriculum, it does not provide any cost breakdown for the programs. For example, does the media line item include media for these programs or are media expenses included within the program line item? What other costs are associated with these programs?
7. There are no line items for Summer Cooling or the Radio Disney – Rockin' Recess which are specifically called out in the third year strategy. The Office is interested in the specific budgets for both programs as well as the amount the Company intends to spend on educating customers regarding summer rates.

The Company has not provided adequate explanation to justify this ongoing communication budget for a third year. The Office recommends that the Commission require additional information before approving this plan and budget.

Recommendations

The Office recommends that the Commission not approve the Year 3 budget until the following actions are taken by the Company:

1. The Company solicits feedback from the DSM Advisory Group for the Summer Cooling media concepts proposed in the Year 3 Plan and the budget for this promotion.
2. Resubmit the budget portion with the criteria ordered by the Commission in its Order approving the year two budget including explanations and amounts for the questions raised by the Office in this memo.