



201 South Main, Suite 2300
Salt Lake City, Utah 84111

March 23, 2009

Public Service Commission of Utah
Heber M. Wells Building, 4th Floor
160 East 300 South
Salt Lake City, UT 84111

Attention: Julie P. Orchard
Commission Secretary

Re: Advice No. 09-04
Schedule 111 – Home Energy Savings Incentive Program

Enclosed for filing are an original and two copies of proposed tariff sheets associated with Tariff P.S.C.U No. 47 of PacifiCorp, d.b.a Rocky Mountain Power, applicable to electric service in the State of Utah. Pursuant to the requirement of Rule R746-405D, Rocky Mountain Power (the “Company”) states that the proposed tariff sheets do not constitute a violation of state law or Commission rule. The Company will also provide an electronic version of this filing to tbher@utah.gov.

Second Revision of Sheet No. 111.3	Schedule 111	Home Energy Savings Incentive Program
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Second Revision of Sheet No. 111.4	Schedule 111	Home Energy Savings Incentive Program
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The purpose of this filing is to propose changes to the Company’s Home Energy Savings program offered through Schedule 111. The Home Energy Savings program reduces customer energy usage by offering incentives for customers to install various residential energy efficiency measures. Improved insulation levels are among the measures for which incentives are offered through the program. Through this filing, the Company is proposing to modify the incentives offered for insulation measures through this program.

Recently, significant changes have occurred within the Utah insulation market which have necessitated the program modifications proposed in this filing. The cost to customers to install insulation has declined over the past several months while, at the same time, additional contractors have entered the market and are using the Company’s incentive program as a marketing tool, both of which have dramatically increased the number of applications the Company has received for insulation incentives. These market dynamics have significantly increased the cost of the insulation measures such that, absent a change, the cost effectiveness of the Home Energy Savings program is negatively impacted.

In requesting the changes proposed in this filing, Rocky Mountain Power is attempting to align, as closely as possible, with the filing made by Questar Gas Company (Questar) on March 11, 2009 in Docket No. 09-057-T04. The insulation measure from Rocky Mountain Power's Home Energy Savings Program is often marketed by contractors in conjunction with Questar's ThermWise program. By combining incentives offered by Rocky Mountain Power and Questar, customers may fully offset or, in some cases, even exceed the installed cost of insulation improvement projects, given current prices. As these programs are often used in conjunction with one another by customers and contractors, should the Commission approve the proposals of Rocky Mountain Power and Questar in their respective filings, Rocky Mountain Power believes that a common effective date would be beneficial to both customers and insulation contractors to minimize any confusion surrounding effective dates of new incentive levels.

In order to maintain the cost effectiveness of the Home Energy Savings program and to minimize market confusion from varying effective dates between the respective insulation measures of Rocky Mountain Power and Questar, Rocky Mountain Power respectfully requests that this filing be provided expedited treatment and program changes in this filing be granted an effective date that aligns with the Commission's order in the Questar filing, which requests an effective date of April 1, 2009. Rocky Mountain Power also requests that customers with installations completed before this date must submit a completed incentive application no later than May 15, 2009 to be eligible for an incentive equal to the original levels.

Rocky Mountain Power understands the burden this request places on the Commission and its staff. However, the Company believes that current circumstances necessitate that the changes proposed in this filing be addressed on an expedited basis.

Discussion of Current Program Conditions

Changes in Customer Costs

When the Home Energy Savings program was first introduced in 2006¹, customer cost estimates for insulation were based on third party data, absent existing Utah specific market data. Actual customer cost for insulation and contractor availability in the 2006 market were influenced by robust construction activity along the Wasatch Front, which held prices steady as contractors focused on new construction, keeping competition in the insulation market low. In 2007, the Company decreased its insulation incentives² in recognition that Questar was offering incentives for similar measures and that many customers may have been eligible for both programs. Even with this change, average customers costs (prior to incentives) began to decline as the combined programs became more attractive and more contractors started entering the market. In 2008, with construction activity experiencing significant decreases, the number of contractors offering insulation services and marketing the Rocky Mountain Power and Questar programs increased significantly. As a result, customer insulation costs continued to decline as competition among contractors increased. Insulation costs decreased to a level that began to be approximately equal to the sum of the combined incentives offered by Rocky Mountain Power and Questar at

¹ Approved in Docket No. 06-035-T11

² Approved in Docket No. 07-037-T09

\$0.70/SF. Average per square foot cost data for Rocky Mountain Power customers who have applied for insulation measure incentive payments through the Home Energy Savings program is provided in Table 1 below. Data is compiled from completed incentive applications submitted to Rocky Mountain Power.

Table 1

Customer Insulation Cost		
Measure	Application Count ³	Cost/SF
Attic	14,904	\$0.71
Wall	555	\$0.88
Floor	598	\$0.75

At present time, the market continues to be very competitive and divergent with reports of some contractors offering blow-in attic insulation for \$0.35 to \$0.50/SF while other cite prices of \$0.80 to \$1.00/SF.

Program Design

When the Home Energy Savings program was first introduced, insulation measures were included in order to ensure that the suite of measures offered by the program was comprehensive. It was not the Company's intent that the insulation measures would be used on a stand alone basis on a large scale, but that customers would combine the insulation measures with other program measures as part of broader home remodeling projects. Participation level estimates were based on a combination of self-installed projects and modest contractor activity. Incentive levels were designed to cover the majority of insulation project costs, based on available cost estimates at the time while reflecting that Rocky Mountain Power's incentive was not in combination with incentives from another utility.

Consistent with the overall design of the Home Energy Savings program (incentives are intended to offset a portion, not all, of the cost incurred by the customer to install energy efficiency measures) insulation incentives were not intended to cover or exceed the entire cost of contractor installed insulation services. As discussed above, current market conditions have driven the cost of contractor installed insulation services to a level that is equal to or less than the combined Rocky Mountain Power and Questar incentives. Modifications to Rocky Mountain Power's insulation measure incentive levels must be made to realign the original intent of the insulation measures with current market conditions.

Program Participation Estimates and Changes

Program activity for 2006 was consistent with the Company's original estimates. In 2007, participation began to increase after Questar began offering its insulation program. Rapid increases in participation were experienced during the second half of 2008, as contractors began to aggressively market the Rocky Mountain Power and Questar programs jointly. During this time the Company received reports of several contractors offering "free insulation" as part of their strategy to market the Rocky Mountain Power and Questar incentives. A chart showing

³ Based on completed Rocky Mountain Power applications from December 2006 through March 12, 2009

participation levels by month for Rocky Mountain Power's insulation measures since December 2006 is provided as Attachment A.

Planning assumptions for the 2009 program year prepared by Rocky Mountain Power's program administrator reflected an increase in participation based on some of the accelerated participation during the latter months of 2008. The Company's original planning assumptions for 2009 insulation measures are provided in Table 2.

Table 2

Original 2009 Insulation Planning Assumptions					
Efficiency Measure	Participants	Total Sq. Ft(Units)	Savings	Incentive \$	Admin \$
Attic Insulation	7,883	10,248,073	1,178,672	\$3,586,826	\$276,698
Floor Insulation	253	227,499	31,812	\$79,625	\$6,142
Wall Insulation	284	255,978	52,543	\$115,190	\$6,911

Table 3 provides actual insulation activity for 2009 through February. Total participation for insulation measures has reached 48% of the Company's original estimate through the first two months of 2009. In addition, total expenditures for the insulation measures have reached 45% of the Company's original annual estimate through February. Attic insulation expenditures account for 78% of the total Home Energy Savings program expenditures incurred through February.

Table 3

Actual Insulation Activity for January & February 2009					
Efficiency Measure	Participants	Total Sq. Ft(Units)	Savings	Incentive \$	Admin \$
Attic Insulation	3,766	4,572,745	537,947	\$1,588,265	\$123,464
Floor Insulation	179	195,557	19,197	\$68,257	\$5,280
Wall Insulation	96	69,698	16,592	\$28,341	\$1,882

Based on current participation levels, the Company's program administrator anticipates that absent a change in current insulation incentives, expenditures for insulation measures will be in excess of \$10,000,000 for 2009, or 246% of the original estimated expenditures. This exceeds total Home Energy Savings program expenditures for 2008, which were approximately \$7.8 million. Expenditures for insulation measures at this level will negatively impact the cost effectiveness of the Home Energy Savings program as whole.

Table 4 below shows the Company's estimate of 2009 program performance should the Commission approve the Company's proposed incentive levels with an effective date of April 1, 2009. With the revised incentive levels, the Company expects to incur more than \$8 million for the insulation measures, which is still greater than 200% of the Company's original estimates for

2009. Participation is expected to be greater than 24,000, which is significantly larger than the Company's original estimate of just over 8,400.

Table 4

2009 Insulation Estimates Including Incentive Adjustments					
Efficiency Measure	Estimated Participants	Total Sq. Ft (Units)	Savings	Incentive \$	Admin \$
Attic Insulation-Gas	23,123	30,060,252	4,386,992	\$6,684,063	\$811,627
Attic Insulation-Electric	402	522,047	832,995	\$169,389	\$14,095
Floor Insulation-Gas	620	557,614	48,361	\$195,165	\$15,056
Floor Insulation-Electric	25	22,295	34,817	\$7,718	\$602
Wall Insulation-Gas	683	614,679	94,622	\$149,951	\$16,596
Wall Insulation-Electric	22	20,045	66,525	\$9,020	\$541

The same market dynamics driving the need for a change in incentive levels also combine to make participation forecasts challenging. Participation forecasts for 2009 reflecting the Company's proposed incentive levels depends heavily on the timing of the Questar changes, the ability of Rocky Mountain Power to align with Questar, the numbers of contractors who re-configure their sales approach, the number of contractors who choose to re-focus their business away from insulation after the changes and the willingness of customers absorb a portion of insulation project costs out of pocket to achieve bill savings. With the exception of known historical data, the forecasts provided are subject to variability based on the issues discussed above.

Proposed Incentive Modifications

In order to realign insulation measure incentives with the original design of the program⁴ and to address the Home Energy Savings program cost effectiveness issues discussed above, Rocky Mountain Power proposes to change the incentives offered for insulation measures. Current incentives offered by the Company for insulation measures are provided in Table 5.

Table 5

Existing Insulation Incentive Levels	
Measure	Incentive
Floor & Ceiling Insulation Min R-19	\$.35/SF
Wall Insulation Min R-11	\$.45/SF

Table 6 summarizes the revised incentive levels Rocky Mountain Power is proposing through this filing.

⁴ The intent of the insulation measure incentives is to help customers to offset a portion, not all, of the cost of contractor installed insulation services.

Table 6

Proposed Insulation Incentive Levels	
Measure	Incentive
Residences with Electric Heat:	
Attic/ceiling insulation - Install min of R-19	\$0.30/SF
Wall insulation - Install min of R-11	\$0.45/SF
Floor insulation - Install min of R-19	\$0.25/SF
Residences with Electric Cooling:	
Attic/ceiling insulation - Install min of R-19	\$0.10/SF
Wall insulation - Install min of R-11	\$0.15/SF

The Company proposes to separate the existing measures into two sections; one for residences with electric heating and one for residences with electric cooling. Customers that have both electric heating and electric cooling will be eligible for the incentive offered under the electric heat section. The Company is proposing to decouple floor insulation from the attic/ceiling insulation measure and create separate measures for each. Incentives for floor insulation are not available for residences with electric cooling since the simulation modeling used to estimate unit savings shows negative electric savings for this measure.

Under the electric heat section proposal, both the attic/ceiling and the new floor measure incentives are less than the \$.35/SF currently offered. These incentives are based on revised installed costs which are lower. The incentive for wall insulation remains the same. For the electric cooling section the Company is proposing to reduce both the attic/ceiling and wall insulation measure incentive levels to reflect revised installation costs and the availability of complementary incentives from Questar.

Recent Communication Regarding Proposed Changes

In recent communications, the Company has attempted to signal to interested parties that it intended to file, in the short term, a proposal to reduce incentives offered for insulation measures. On February 18, 2009, Rocky Mountain Power and Questar hosted a meeting for insulation contractors. Approximately 25 firms were represented and 70 people attended. At this meeting information on incentive levels, quality assurance and marketing as well as possible incentive levels adjustments were provided. During this meeting, Rocky Mountain Power provided an overview of proposed incentive level changes that were being considered by the Company. In addition, pending changes to insulation incentive levels were part of a KSL-TV interview with Rocky Mountain Power on March 5, 2009. The resulting KSL news report that aired on March 12, 2009 noted that Rocky Mountain Power was evaluating changes to insulation incentive levels which would be filed with the Commission shortly.

As part of the analysis required for this filing, Rocky Mountain Power has changed the methodology used to estimate electric savings to better reflect cooling load savings that are achieved from most insulation projects. Information on the previous methodology as well as the revised approach is provided in Attachment B.

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A cost effectiveness analysis of the insulation measures prepared by the Cadmus Group, Inc. is provided as Attachment C.

It is respectfully requested that all formal correspondence and Staff requests regarding this filing be addressed to:

By e-mail (preferred): datarequest@pacificorp.com

By regular mail: Data Request Response Center
PacifiCorp
825 NE Multnomah, Suite 300
Portland, Oregon, 97232

Informal inquires regarding this filing should be directed to Dave Taylor, Utah regulatory affairs manager at 801-220-2923.

Sincerely,

Jeffrey K. Larsen
Vice President, Regulation

Enclosures