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Division of Public Utilities

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To: Utah Public Service Commission

From: Division of Public Utilities

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Subject: Advice No. 10-03, Schedule No. 192 – Self-Direction Credit, Docket No. 10-035-T-03.

Date: March 18, 2010

RECOMMENDATION

The Division recommends that the two remaining Self-Direction Credit Program caps or limits be consolidated and increased to $5,000,000. The Division agrees that consolidation of the two credit caps into one should simplify program administration and annual management of the credit cap.

ISSUE

On February 23, 2010, the Rocky Mountain Power (Company) filed proposed changes to tariff sheets associated with Schedule 192, which is the Self-Direction Credit Program (Program). The Company proposes to consolidate the caps or limits for two currently available credit types into one aggregate cap, which would be increased from $1,600,000 to $5,000,000.

BACKGROUND AND DISCUSSION

The Self-Direction Credit program, which is administered through Schedule 192, allows eligible customers the opportunity to invest in energy efficiency projects at their own cost and to then receive a credit against the Demand-Side Management (DSM) surcharge, which is administered through Schedule 193, for approved completed projects. Credits disbursed through the program offset the DSM surcharge on an eligible customer's monthly bill. This filing requests an increase in the annual consolidated cap or limit on self-direction credits available through the Program.

"Eighty percent credits" and "fifty percent credits" are the two types of credits available through the Program. "Eighty percent credits," which provide a credit against the DSM surcharge at eighty percent of the approved project's eligible expenses, are referred to as Self-Direction Credits in Schedule 192. "Eighty percent credits" are currently capped at $1,500,000 on an annual basis. "Fifty percent credits" are also available and, with a cap of $100,000, are intended for customers when no additional cost-effective energy efficiency projects exist at the customer's site. The Program originally included a third type of credit, identified as "transitional credits," which was capped at $400,000. This third type of credit was available for those customers who completed their projects prior to the implementation of the program. The eligibility period for the transitional credits has since passed. Thus, the currently available credits are capped at $1,600,000.

The Division agrees with the Company that an increase in the self-direction credit cap is necessary due to the increased DSM surcharge on September 1, 2009 and recognizes that as DSM surcharge revenue collection increases, the self-direction credit utilization rate also increases. The Company proposes to consolidate the caps or limits for the two currently available credit types into one aggregate cap, which would be increased to $5,000,000. The Division believes that the consolidation of the caps and increasing it to $5,000,000 is reasonable and would not affect the cost effectiveness of the program, as is evidenced by the Company-provided, and Division verified, cost effectiveness tests. Therefore, the Division recommends the Commission approve the consolidation and increase of the caps.

The Division notes that, for the last few years, only "Eighty percent credits" have been utilized and that the Company exceeded the "Eighty percent credit" cap in 2008 and 2009. However, the Company only exceeded the total cap in 2009. (See Table 1 of the Company's application). The Division also notes that the Company failed to notify, as required by the tariff, the Commission and other parties that it would exceed the cap if further projects were approved. The Current tariff states[1]

> "To the extent the Self Direction Administrator determines at the time an Eligible Customer seeks pre-qualification or qualification of an Eligible Project under section 1 or 2 of the Provisions of Service that providing the credit would result in total credits under this section that are projected to exceed $1,500,000 in any year, such Eligible Customer will not be pre-qualified or qualified for Self-Direction Credits for that year in excess of such maximum value, and the Self-Direction Administrator shall provide written notice of such determination to the Eligible Customer, the Commission, the Division and the Committee."

The Division is aware that the Company discussed with the DSM Advisory Group in 2009 the possibility of the total credits exceeding $1,500,000 in any year. Nevertheless, it remains the responsibility of the Company, through its Self-Direction Administrator, to both adhere to the Commission approved program cap and provide written notice of the determination that the $1,500,000 cap has been reached. While the Division is not proposing any sanctions at this time for the Company violating its approved tariff, the Division is concerned with the Company's apparent cavalier attitude in this matter. Therefore, the Division recommends that the Commission reprimand the Company for this action and inform the Company this type of behavior is not acceptable and could result in future sanction if repeated.

Cc Dave Taylor, Rocky Mountain Power
Michele Beck, Office of Consumer Services

[1] Original Sheet No. 192.4, under the availability of Self Direction Credit section.