

May 18, 2010

VIA HAND DELIVERY

Chairman Ted Boyer
Commissioner Ric Campbell
Commissioner Ron Allen

Public Service Commission of Utah
Heber M. Wells Building, 4th Floor
160 East 300 South
Salt Lake City, UT 84114

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

Dear Commissioners,

On April 1, 2010, in separate meetings with Chairman Boyer and Artie Powell, I responded to a concern raised by the Division in Advice No. 10-03¹ related to the Company's Schedule 192 Self Direction Credit program, and provided notification of an additional issue that had been identified related to the Company's Schedule 111 Home Energy Savings Incentive Program which had been operated outside of the parameters contained within the Commission approved program tariff. In response to this non-compliance situation, the Company immediately initiated an internal audit to determine the extent to which its Utah Demand-Side Management (DSM) programs have been operated outside of tariff provisions. This letter is to communicate the findings of this audit to the Commission.

The audit was conducted on a program by program basis, limited to a review of compliance with the Utah DSM tariff provisions. The review addressed tariff compliance for 2009 with the exception of any instances where it was determined that non-compliance had occurred in prior years. The following Utah DSM programs were reviewed during the audit process.

Schedule No.	Tariff Name
96	Irrigation Load Control Credit Rider
96A	Dispatchable Irrigation Load Control Credit Rider Program
110	Energy Star New Homes Program
111	Home Energy Savings Incentive Program
113	Evaporative Cooling and Central Air Conditioning Incentive Program (Cool Cash

¹ Refer to the Division's memorandum to the Commission regarding Advice Letter No. 10-03, Schedule No. 192 – Self-Direction Credit, Docket No. 10-035-T03, dated March 18, 2010.

Schedule No.	Tariff Name
	Incentive Program)
114	Air Conditioner Direct Load Control Program (A/C-DCL) (Cool Keeper Program)
115	Commercial and Industrial Energy Efficiency Incentives – Optional for Qualifying Customers
117	Residential Refrigerator Recycling Program
118	Low Income Weatherization
125	Commercial & Industrial Energy Services Optional for Qualifying Customers
126	Utah Commercial & Industrial Re-Commissioning Program
192	Self-Direction Credit

As a result of the audit process, the following DSM programs were identified as having operated outside of their respective approved program tariffs.

Schedule 111–Home Energy Savings Incentive Program

The compact fluorescent light (“CFL”) measure in the approved Home Energy Savings program tariff (Schedule 111) provides for a retail price point buy down of CFLs. The measure allows the Company to buy down the retail price point of CFLs to \$1.49 or less from October 1 through March 31. Through the audit, it was discovered that CFLs were bought down outside tariff parameters from April 1 through September 30 for 2007 through 2009. Buy down costs and administrative fees paid for 2008 and 2009 in relation to out of period sales of CFLs totaled \$2,314,417. Rocky Mountain Power discontinued the buy down of CFLs on April 1, 2010 in accordance with the approved tariff provisions. The Company notes that while the program operated annually rather than seasonally as specified in the tariff, customers have benefitted from the acquisition of cost-effective resources during this timeframe.² Furthermore, the Company provided a draft filing to the DSM Advisory Group on May 5, 2010, in which the Company proposes to extend the CFL program to a year-round offering. Once reviewed by the DSM Advisory Group, the Company will file the Advice Letter with the Commission.

Schedule 192–Self Direction Credit

The Self Direction Credit program, administered through Schedule 192, allows eligible customers the opportunity to invest in their own energy efficiency projects at their cost and to receive a credit against the DSM surcharge, administered through Schedule 193, for approved completed projects. Credits disbursed through the program offset the DSM surcharge on a participating customer’s monthly bill. Prior to the Commission’s approval of Rocky Mountain Power’s Advice No. 10-03,³ Schedule 192 provided for two types of credits, both of which were subject to annual caps.

Since the program’s inception only one of the credits, “Self-Direction Credits”⁴, has been utilized by customers. Self-Direction Credits are available for completed eligible projects and

² As reported in the 2009 Utah Demand-Side Management Annual Report, the lighting measure category of the Home Energy Savings program yielded a utility cost test ratio of 8.655 with 72,414,500 kWh of savings acquired in 2009.

³ On April 22, 2010, the Commission approved Advice No. 10-03, which consolidated the two program credit caps into one and increased the aggregate program cap from \$1.6 million to \$5.0 million.

⁴ The unutilized credit is the Fifty Percent Self-Direction Credit.

provide a credit against the DSM surcharge equal to eighty percent of a covered project's eligible expenses. Self-Direction Credits available through the program were capped at \$1,500,000 on an annual basis. Prior to the approval of Advice No. 10-03, Schedule 192 contained the following language.

“To the extent the Self-Direction Administrator determines at the time an eligible customer seeks pre-qualification or qualification of an eligible project 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.”

Through the audit, the Company discovered the annual program credit cap of \$1.5 million was exceeded by \$255,080 in 2008 and \$771,941 in 2009.⁵ The program was continued upon reaching the cap without providing written notice to the Commission, the Division of Public Utilities and the Office of Consumer Services as required by the program tariff. As noted earlier, Rocky Mountain Power Advice No. 10-03 requested to consolidate the program caps into one and increase the aggregate annual program credit cap to \$5.0 million. The Commission approved Advice No. 10-03 on April 22, 2010.

Other Operating Issues

Schedules 96 and 96a – Irrigation Load Control Credit Rider and Dispatchable Irrigation Load Control Credit Rider Program

The Utah irrigation load management programs provide participating agricultural customers on Schedule 10 load control service credits in exchange for the scheduled or on-call day ahead dispatchable curtailment of their summer afternoon irrigation pumping loads from May 25 through September 15 annually.

Schedule 96 requires the Company to notify all eligible Schedule 10 customers of their estimated load control service credit (LCSC), should they elect to participate in this program, by January 15 each year. By tariff, customers have until February 15 to provide notification of their participation in the program. For Schedule 96A, notification must be provided to customers by February 15 with responses from customers due April 15. During the audit, it was discovered that letters sent out to Schedule 10 customers in 2009 were dated January 30, 2009 with responses required by March 15, 2009. Prior to the audit the demand-side management group discovered errors in the accuracy of program credit estimates provided to Schedule 10 customers in the 2010 program year mailings. These errors were corrected and will not affect the accuracy of the final credits granted.

Schedule 114 – Air Conditioner Direct Load Control Program (A/C-DCL) (Cool Keeper Program)

⁵ In Advice No. 10-03, the Company reported it had exceeded the cap in 2008 and 2009.

The Cool Keeper program is an air conditioner direct load management program targeting Utah residential and qualifying commercial customers who cool their homes and businesses with electric central air conditioners. On select summer weekday afternoons when electricity demand is at its highest, the cool keeper control equipment installed on a participating customer's air conditioner is sent a signal to cycle the operation of the air conditioner compressor "off and on" for brief periods each hour in coordination with the air conditioners of other participating customers. For their participation customers receive an annual "thank you" bill credit of either \$20 or \$40 per air conditioner being controlled depending on the size of the air conditioner. Commercial customers have the option of receiving a SuperStat programmable thermostat in lieu of the "thank you" bill credit as an incentive for their participation.

A review of the customer service system was conducted to determine if customers designated as having SuperStat were served under the appropriate rate designation. A review of this nature is conducted as part of the routine program management. After reviewing the rate schedules and customer information, the appropriate adjustments were made by the program management to 18 customer accounts.

In addition, a sample of rental property accounts was reviewed to verify that landlord approval was obtained by renters as required by tariff before the control device was installed. Results of the audit showed that rather than having participants residing in rental units obtain the express permission of the owner as required by tariff provisions, Comverge (the 3rd party program administrator) was contacting the owner to obtain documentation of permission prior to installation of the control device. It was determined that Comverge's processes to obtain landlord approval for identified rental properties prior to installing a control device were not consistent with the tariff.

Rocky Mountain Power is fully committed to comply with all tariffs and is taking action to rectify the issues identified above. Company management is in the process of developing and implementing processes and controls to ensure that tariff provisions are fully complied with going forward.

Please contact me at 801-220-4907 if you have any questions about the information provided herein.

Sincerely,

Jeffrey K. Larsen
Vice President, Regulation

cc: Phil Powlick, Division of Public Utilities
Artie Powell, Division of Public Utilities
Michele Beck, Office of Consumer Services