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DEPARTMENT OF COMMERCE
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Date: July 12, 2010

Subject: Schedule 111 – Home Energy Savings Incentive Program. Advice No. 10-05
Docket No. 10-035-T05

On June 3, 2010, Rocky Mountain Power (Company) filed Advice Letter No. 10-05 proposing changes to tariff Schedule 111 – Home Energy Savings Incentive Program. This Program is directed to residential customers and offers incentives for customers to install various residential energy efficiency measures.

Included with the filing is a document titled Rocky Mountain Power Utah Home Energy Savings Program, Proposed Tariff Changes, dated April 23, 2010 authored by Portland Energy Conservation, Inc., (PECI) the Home Energy Savings Program Administrator. Additionally, cost effectiveness evaluations for the Program and individual measures were provided. Based on the assumptions utilized for the tests the Program is cost effective from the TRC, UCT and PCT perspectives. However, the benefit/cost ratio for the RIM test is less than one. Certain individual measures do not “pass” the cost effectiveness test if viewed in isolation but add to the value of the package of measures.

The Office has not performed an independent cost effectiveness analysis but relies on the documentation provided with the filing in making its recommendations.

Proposed Modifications

The Company proposes various modifications to a number of the measures within the Program.

2018

1. Insulation

The Company proposes to change the qualification for attic insulation such that the final insulation level is R-38 or greater which aligns with current residential code requirements. This measure would have four tiers plus offer an additional \$200 incentive for installing two or more insulation measures (attic/wall/floor) at the same time. The tiers distinguish between electric cooled and electric heated homes and the level of insulation to be added, minimum R-19 or minimum R-30. The payment per square foot of insulation is decreased for electrically cooled homes and remains the same (add minimum R-19) or increased (add minimum R-30) for electrically heated homes.¹

In determining cost effectiveness of the measure the Company has been using a 45 year measure life. In this filing the Company utilizes a 30 year measure life, noting that Idaho Power uses 25 years and California Database for Energy Efficiency Resources uses 20 years. In responses to OCS data request 1.4 the Company provided a table of insulation measure lives used by utilities, program administrators and/or included in third party data bases used for program planning purposes. Eighteen entities are listed, 1 uses 45 years, 1 uses 35 years, 6 use 25 years and 10 use 20 years.

The Office supports providing an incentive to encourage customers to install two or more insulation measures at the same time as well as the movement to require attic insulation to meet current code requirements. In some cases this is a substantial reduction from the current incentive payment². Since this measure has been a source of concern we recommend that the Company continue to monitor it and make appropriate recommendations for modifications as they have done. Further, it appears that the measure life of insulation is being reduced by other entities. We support the proposed change to the measure life of insulation and recommend that the Company continue to evaluate this input to determine if it should be lowered in the future.

2. Windows

The proposed change requires installation of higher efficiency windows than the existing measure and reduces the incentive payment. This lower payment is said to cover half of the incremental cost of the higher efficiency windows. With these changes the measure is cost effective.

While we do not oppose the proposed change, this measure bears watching to determine if a higher incentive level is necessary to achieve participation goals while still meeting the cost effectiveness test.

3. Lighting

¹ The Company states that significant competition among insulations contractors has driven the per square foot installed cost of insulation down to levels equal to the combined RMP/Questar incentive for gas heated and electrically cooled homes. In addition a federal tax credit is available for residential energy efficiency measures installed in 2010.

² For electrically heated homes the incentive remains the same or increases in the case of adding minimum R-30 insulation.

2018

The main changes in this category are to make the incentives available all year rather than only six months and to expand the measure to include advanced (specialty) lighting products.³

The Office agrees that this measure should be available year round. Further, we believe that offering incentives for more specialty type CFLs may result in market movement for these lighting products similar to what has occurred with regular CFLs. The Company has indicated that selected retailers do not necessarily carry all CFL categories. Difficulty in obtain desired products may result in less savings than anticipated. In future reports the Company should provide information regarding the availability of these products from their selected retailers.

4. HVAC Tune-Ups

The Company proposes to split the combined measure into two specific categories and to adjust the customer and contractor incentives to align with the savings attributable to each category.

It appears that HVAC tune-ups could become a volume business similar to what has occurred in attic insulation. To avoid potential problems the Office recommends that the Company continue to monitor this measure and supports the proposed adjustments.

5. The Company also proposes changes to the following measures:

- Water Heaters
- Duct Sealing & Duct Insulation
- Clothes Washers and Clothes Washer Recycling
- Dishwashers
- Room Air Conditioners
- Room Air Conditioning Recycling

The Office does not object to these modifications.

6. Administrative Changes – Time for Processing Prior Offers.

On pages 11 and 12 of the filing the Company identifies an inconsistency between Provisions of Service No. 5 and No. 7 and suggests No. 5 will be revised to match the 90 day window for customers to **submit** an incentive application....

On page 12 of the Company's filing they state "This filing proposes to modify the language of Provision of Service No. 5 to allow customers 90 days after the implantation [sic] of a measure change to submit an incentive application."

The revised language of provisions of Service No. 5 on Third Revision of Sheet No. 111.2 reads:

"Changes will become effective a minimum of 45 days after being filed with the Public

³ Incentives in this category are in the form of retailer and manufacturer buy downs.

2018

Service Commission of Utah, subject to Commission order. Changes will be prominently displayed on the program website, **include a minimum 90 day grace period for processing prior offers** (except for manufacturer buy-down incentive delivery) and be communicated at least once to retailers who have participated in the program within one year.” [Emphasis added]

The Office does not find the revised language in No. 5 sufficiently clear. It appears that the Company will have a minimum of 90 days to process offers they have received but if, in fact, the intent is to give customers a 90 day grace period to **submit** the incentive application the language needs to be clarified. The Office is also concerned with the inclusion of the word “minimum” if it is intend to apply to the submittal of incentive applications. This is too open-ended and could lead to arguments regarding deadlines and payments to customers. The Office has submitted a data request for clarification of this section but has not received a response at this time.

Office Recommendations

The Office recommends that the tariff revisions be approved with the following requirements:

1. The Company should continue to monitor and evaluate insulation measures and recommend appropriate modifications as they have been doing, including perhaps a further lowering of the measure life of insulation.
2. The Company should continue to carefully monitor window measures to determine if a higher incentive level is necessary to achieve participation goals while still meeting the cost effectiveness test.
3. In future reports the Company should provide information regarding the availability of specialty lighting products from their selected retailers.
4. The Company should continue to carefully monitor the HVAC tune-up measure to avoid potential problems similar to what occurred with the insulation measure.
5. The Company should provide new language for Provision of Service No. 5 to make clear that customers have 90 days to submit an incentive application after a change in the tariff.⁴

⁴ If as stated in the filing it is the Company’s intent to correct the inconsistency between Provision of Service No. 5 and No. 7.