



State of Utah
Department of Commerce
Division of Public Utilities

FRANCINE GIANI
Executive Director

THAD LEVAR
Deputy Director

CHRIS PARKER
Director, Division of Public Utilities

GARY HERBERT.
Governor
GREG BELL
Lieutenant Governor

ACTION REQUEST RESPONSE

To: Public Service Commission

From: Chris Parker, Director
Artie Powell, Energy Section Manager
Thomas Brill, Technical Consultant
Sam Liu, Utility Analyst
Carolyn Roll, Utility Analyst

Date: May 2, 2012

Re: Advice No. 12-04
Docket No. 12-035-77 (08-999-05) –Home Energy Report Pilot, Division’s
Recommendation - Acknowledgment

RECOMMENDATION (Acknowledgment)

The Division of Public Utilities (Division) recommends the Public Service Commission (Commission) acknowledge Rocky Mountain Power’s (Company) implementation of a Home Energy Report Pilot Program in Docket No. 12-035-77 (08-999-05) filed on April 13, 2012.

ISSUE

Pursuant to the Commission Order in Docket No. 08-999-05 dated December 17, 2009, the Company filed its report "Review of Home Energy Reports" in February 2011. In that report the Company recommended that home energy reports are designed to better inform residential customers about their energy usage by providing comparative energy usage data for similar homes located in the same geographical area. On June 6, 2011, the Commission ordered the Company to work with the DSM Advisory Group to determine report features and participation

levels prior to filing the program for Commission approval. On April 13, 2012 the Company filed a request to implement a Home Energy Report (HER) pilot program and to recover associated costs with the pilot through Schedule 193, Demand Side Management (DSM) Cost Adjustment. The Commission issued an Action Request on April 18, 2012 for the Division to provide an explanation and statement of issues. This memorandum represents the Division's response to the Commission's Action Request.

DISCUSSION

On December 17, 2009, the Commission issued an Order in Docket No. 08-999-05 directing the Demand Side Management Advisory Group (Advisory Group) to review the Home Energy Reports, and to provide a recommendation by May 1, 2010 whether or not such report is appropriate. The Advisory Group also was to estimate of the costs and timing necessary to implement any recommended program. On April 8, 2010, the Company filed a letter with the Commission requesting an extension of the due date of the report from May 1, 2010 to February 28, 2011, which was subsequently granted by the Commission.

The Company report filed on February 28, 2011 provides a review and findings of Home Energy Reports. The Company indicated that it reviewed pilot programs from various utilities. This review shed light on relevant economic variables such as the number of households receiving the report, the average energy usage of the households receiving the report, and the expected percentage savings per household. Interested parties filed comments on this report on March 30, 2011. On June 6, 2011 the Commission ordered the Company to work with the Advisory Group to determine report features and participation levels before filing program for Commission approval.

The Company met with the DSM Advisory Group Subcommittee¹ (“Subcommittee”) on February 8, March 14, and March 29, 2012 in an effort to reach agreement on these elements and to discuss recommendations and issues raised by the parties.

Duration of the pilot

The Company explained that a 41-month pilot was advisable to ensure sufficient time to evaluate the pilot performance. The original discussions on pilot duration with Subcommittee members were based on 36-month pilot. The Company stated that a 41-month period was based on the evaluator² recommendation that there should be two measurement and validation periods at the end of months 18 and 36 of the pilot, with 5-months to analyze the pilot and report findings. The Subcommittee did not object to the Company’s proposed duration except Southwest Energy Efficiency Project (SWEEP) expressed that the pilot duration was unnecessarily long, and the second 18-months duration of the pilot was not warranted and that the Advisory Group could then recommend moving to an expanded program or to agree on the viability and extension of the program rather than continuing with the pilot as proposed.

A mandated or opt-out approach

The Company proposes an “opt-out” approach, where customers are selected to participate in the program; however the customer can request to be removed from the program at any time during the pilot. The pilot is estimated to have an opt-out rate of less than 2 percent; however, the pilot will also be impacted by the natural move-out rate of the customer population. As a result, the annual opt-out/move-out rate, for the planning purposes has been estimated to be 7 percent. The members of the Subcommittee agreed to this proposed opt-out approach.

Number of participating customers

¹ Division of Public Utilities, Office of Consumer Services, Utah Association of Energy Users, Western Resource Advocates, Utah Clean Energy, Southwest Energy Efficiency Program and Utah Community Action Partnership.

² Rocky Mountain Power HERS “Program Administrator”

The Company proposes reports be provided to approximately 95,000 customers in the beginning. It is expected that this initial population will reduce (due opt-out/move-out rate) to about 77,000.

The Company's recommendation is designed to provide a cost-effective pilot. If the customer characteristics materially change, consideration should be given to adjust the number of customers targeted to receive home energy reports to maintain reasonable program range. The Subcommittee did not oppose to the Company's proposal regarding the number of participating customers.

Participating customer characteristics

The Company proposes using a customer population with an expected annual average electrical energy usage of 16,215 kilowatt hours. The upper bound is expected to be approximately 26,400 kilowatt hours; the lower bound is expected to be 12,300 kilowatt hours. As participant reduction occurs over the pilot period, the customer usage average may also change. The change in average usage will be measured and verified in the pilot evaluation. Three members of the Subcommittee expressed concern with the Company's proposal.

SWEEP did not disagree with the proposed weighting the majority of the population with above average energy use households; however it recommended that 10,750 customers of the 95,000 be average use customers, meaning approximately 90% of customers in the pilot would be customers with high to very high energy use. The SWEEP's hypothesis is that less affluent people might be more interested in reducing their utility bill than wealthier households.

Utah Clean Energy does not object to focusing the pilot program on high energy use households, but recommended that the Company modify the pilot to include average customers (roughly 9,000 kWh/year) within the sample population in a way that preserves the cost effectiveness of the pilot.

The Office believes that the Company is focused on a sample size that is way too high for the population of energy used, and suggested that the Company include a sample of users in the 9,500 – 11,000 annual kWh usage range.

The Subcommittee discussed these issues during a meeting on March 29, 2012. As a resolution, the members of Subcommittee except SWEEP agreed to defer inclusion of customers with energy usage between 9,000 – 12,300 kWh annually. A second phase focusing on customers with annual usage in this range would be developed based on the information obtained during the first 12 months of the program. SWEEP responded that the Company completed a preliminary analysis of the cost effectiveness of this additional segment, producing Utility Cost Test (UTC) results in 0.90 -0.96 range. SWEEP clarified that it did not propose adding an additional segment (the 10,750 customers) to the 95,000 customers proposed by the Company for the pilot program; however, the SWEEP proposal included the 10,750 customers within the total of 95,000 customers proposed for the pilot program.

Frequency of energy reports and delivery mechanisms

Reports will be mailed monthly for the first three months to build up pilot awareness. After the first three months reports will be sent bi-monthly through the remainder of the pilot. Each participating customer will receive 21 reports over the term of the pilot. Customers may also opt-out of the mailed paper copy of the report and request an electronic version delivered via email. The web portal will have others function such as a home energy audit tool and suggestions to improve energy conservation and efficiency of their home. In addition, participants may also receive email reminders in the interim report months. The Subcommittee members did not object to the Company's proposal regarding the frequency of energy reports and the delivery mechanisms.

Evaluation, measurement and verification

The Company proposes a two-tier evaluation, measurement and verification (“EM&V”) plan of the pilot savings. First, the Program Administrator (“Administrator”) will estimate the savings on

a quarterly basis using a random control implementation and shall employ a time-aggregated, difference-in-differences analysis model to obtain estimates of energy savings that are statistically significant with International Performance Measurement & Verification Protocol (“IPMVP”).

The Administrator will provide the number of customers participating, number and rate customers electing to opt-out and/or move out, gross energy savings, and energy savings net of Company residential energy efficiency savings information quarterly. The Subcommittee members did not object to the Company’s proposal regarding the pilot EM&V plan. The Company will seek advice from the Advisory Group prior to initiating the second tier of the EM&V plan, the independent third party evaluation.

The HER pilot’s cost-effective based on the program proposed by the Company, is estimated to have a UTC of 1.32 or higher based on results using the different carbon cost decrement values.

CONCLUSION

The Division reviewed the Company’s report and commends its effort. The Division agrees with the Company’s implementation of Home Energy Report Pilot Program. However, the Division recommends that the program be evaluated continuously on an annual basis. This evaluation will identify if the pilot program should be continued as is, continue with appropriate program design modifications, or if the program should be terminated. The Division also agrees that the cost of the pilot program over the three years should be capped at \$2.8 million and recovered through the existing tariff rider mechanism. If an adjustment to the existing tariff rider is warranted, the Division recommends that the Company make a separate filing and proposal that would reflect the most current forecasts for the overall DSM account balances.

CC: Michele Beck, OCS
Dave Taylor, RMP