

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of the Request for a Home
Energy Report Pilot Program

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DOCKET NO. 12-035-77

ORDER

ISSUED: January 8, 2015

SYNOPSIS

The Commission approves PacifiCorp's request to reset the Home Energy Report pilot program cost cap to \$11.7 million.

PROCEDURAL HISTORY AND BACKGROUND

On September 2, 2014, Rocky Mountain Power, a division of PacifiCorp ("PacifiCorp"), filed a request to extend and expand the Home Energy Report ("HER") pilot program ("Program"), with a requested effective date of September 15, 2014. The Program was originally approved by the Commission in this docket on May 15, 2012, ("May Order") beginning June 2012 and ending December 2015 with a cost cap of \$3.2 million. PacifiCorp requested to expand the Program to include an additional 200,000 households and to extend the Program an additional two years to the end of 2017. On September 12, 2014, the Commission issued an order ("September Order") approving the extension and expansion of the Program and resetting the Program cap ("Cap") to \$6.5 million.

On October 24, 2014, PacifiCorp filed a letter to clarify the September Order and to request an adjustment to the Cap. PacifiCorp requested the Cap be reset to \$11.7 million. On October 29, 2014, the Commission issued a Notice of Filing and Comment Period requesting comments by November 14, 2014, and reply comments by November 21, 2014. The Division

requested, and the Commission granted, a revised comment schedule to allow the Division an opportunity to review PacifiCorp's response to a data request and to ask PacifiCorp follow up questions. On November 13, 2014, the Commission extended the dates for comments to November 21, 2014, and reply comments to November 28, 2014. On November 19, 2014, the Division filed comments. No other party filed comments and no party filed reply comments.

DISCUSSION, FINDINGS AND CONCLUSIONS

I. Parties' Positions

A. PacifiCorp

PacifiCorp requests the Commission reset the Program Cap to \$11.7 million.

PacifiCorp notes the Commission set a \$3.2 million Cap in its May Order for the total cost of the Program original group through December 2015, and set a \$6.5 million Cap in its September Order. PacifiCorp clarifies that the \$6.5 million Cap accounts for the costs associated with expanding the Program to 200,000 additional customers from September 2014 to December 2017, but does not include the original \$3.2 million Cap, or other costs associated with extending the Program original group through December 2017. PacifiCorp estimates the cost of extending the Program original group through December 2017 to be \$2.0 million. Accordingly, PacifiCorp requests the Commission reset the Cap to \$11.7 million to account for: 1) The total cost of the Program original group through December 2015, 2) the cost of expanding the Program to 200,000 additional customers through 2017, and 3) the cost of extending the Program original group through December 2017.

PacifiCorp represents it discussed this issue with the Steering Committee on October 14, 2014, during a formal meeting. PacifiCorp states the Steering Committee understood

these clarifications and the need to adjust the Cap to account for all costs associated with the Program.

B. Division

The Division represents that on October 14, 2014, PacifiCorp provided the DSM Steering Committee the expected cost to continue the Program through 2017. This, the Division states, includes the initial Program cost of \$3.2 million, the Program expansion cost of \$6.5 million, and \$1.8 million for the extension of the initial Program through 2017 for a total Program forecast of \$11.4 million. Including estimated postage cost increases, the Division states the total Program forecast cost is \$11.7 million.

The Division reports the initial Program and the expansion have been shown to be cost effective based on analysis provided by PacifiCorp. However, the Division notes no additional information was provided by PacifiCorp on the two year extension of the initial Program.

The Division asserts it investigated the \$1.8 million two year Program extension through data requests and phone conversations with PacifiCorp. The Division reports that PacifiCorp provided the 2016 and 2017 extension budget and explained how the Program extension is cost effective based on kilowatt hour (“kWh”) savings. While the Division was concerned that customer participation was declining and therefore the Program cost should also decline, PacifiCorp explained to the Division that the vendor contract includes the obligation to maintain a cost effective kWh base. If the kWh savings drop to a predetermined level, PacifiCorp states the vendor is obligated to increase the participating customer base. If the Program

participant base cannot be increased enough to make the Program cost effective, PacifiCorp represents the Program will be evaluated for termination.

Based on its review, the Division recommends the Commission approve the proposed \$11.7 million Cap for the Program. However, the Division requests that PacifiCorp clearly provide the estimated program costs in any future request for DSM program cost modification.

II. Findings and Conclusions

In our October 7, 2009, Order in Docket No. 09-035-27 (“October Order”), we approved performance standards to govern the review and approval processes for DSM programs.¹ In that docket, the parties proposed and we adopted specific requirements for DSM program approval and prudence review. For example, PacifiCorp is required to provide all five economic tests with emphasis placed on the utility cost test for determining prudence. Further, prudence is determined at the program approval stage of the process.²

Our October Order explains that with the approval of the DSM tariff rider stipulation, DSM costs are removed from the revenue requirement in a general rate case and “[t]herefore we now rely primarily on the cost-effectiveness analysis contained in [PacifiCorp’s] application for DSM program and tariff approval, which is prior to program implementation, and any comments received by other parties at that time, to determine prudence and approval of cost recovery.”³ Because DSM cost recovery is approved at the time the program is approved, we

¹ See “*In the Matter of the Proposed Revisions to the Utah Demand Side Resource Program Performance Standards*,” Docket No. 09-035-27, (Order; October 7, 2009).

² Id at 4, 8, 10, and 15.

³ Id at 10.

stated: “We must have confidence the expected costs and savings of a particular program are likely to occur.”⁴ We conclude the necessary information to determine that the benefits outweigh the costs for a program should be included in the application for program approval or modification.

PacifiCorp’s application in this docket provides the requisite cost benefit tests for the initial Program and for the Program expansion but not for the extension of the initial Program. As the Division indicates, PacifiCorp’s initial application for expansion and extension of the Program did not state the full cost of the modified program. Nor did it provide the requisite cost benefit analysis to support the full cost of the modified program. We appreciate the additional examination performed and reported by the Division pertaining to the full cost of the program. It is based on the Division’s review, and the lack of any opposition to the request, that we are able to find the forecast cost of \$11.7 million to extend and expand the Program is cost effective. Therefore, we find PacifiCorp’s request to increase the Cap to \$11.7 million is just and reasonable and in the public interest.

ORDER

The current total HER pilot program cost cap of \$6.5 million approved in the September 12, 2014, Order is reset to \$11.7 million.

⁴ Id. at 11.

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DATED at Salt Lake City, Utah this 8th day of January, 2015.

/s/ Ron Allen, Chairman

/s/ David R. Clark, Commissioner

/s/ Thad LeVar, Commissioner

Attest:

/s/ Gary L. Widerburg
Commission Secretary
DW#262925

Notice of Opportunity for Agency Review or Rehearing

Pursuant to §§ 63G-4-301 and 54-7-15 of the Utah Code, an aggrieved party may request agency review or rehearing of this Order by filing a written request with the Commission within 30 days after the issuance of this Order. Responses to a request for agency review or rehearing must be filed within 15 days of the filing of the request for review or rehearing. If the Commission does not grant a request for review or rehearing within 20 days after the filing of the request, it is deemed denied. Judicial review of the Commission's final agency action may be obtained by filing a petition for review with the Utah Supreme Court within 30 days after final agency action. Any petition for review must comply with the requirements of §§ 63G-4-401 and 63G-4-403 of the Utah Code and Utah Rules of Appellate Procedure.

CERTIFICATE OF SERVICE

I CERTIFY that on the 8th day of January, 2015, a true and correct copy of the foregoing was delivered upon the following as indicated below:

By Electronic-Mail:

Data Request Response Center (datarequest@pacificorp.com)
PacifiCorp

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