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# State of Utah
## DEPARTMENT OF COMMERCE
## Office of Consumer Services

MICHELE BECK
Director

To: Public Service Commission

From: Office of Consumer Services
Michele Beck, Director
Gavin Mangelson, Utility Analyst

Date: August 14, 2014

Subject: Docket 14-035-T08

**In the Matter of:** Rocky Mountain Power's Proposed Revisions to Electric Service Schedule No. 111, Home Energy Savings Plan

**Background**

On July 9, 2014 Rocky Mountain Power Company (Company) filed with the Public Service Commission (Commission) proposed revisions to Schedule No. 111, Home Energy Savings Plan. The Commission subsequently issued a Notice of Filing and Comment Period. The Office of Consumer Services (Office) filed a request for amended comment period[1] and suspension of tariff on July 17, 2014; this request was made after ensuring that there would be no objection from the Company or from the Division of Public Utilities (DPU). The Commission granted the amended comment period and suspended the tariff on July 18, 2014.

In preparation for this filing the Company had previously submitted preliminary proposals to the Demand-Side Management (DSM) Steering Committee. The Office is a member of the DSM Steering Committee and participated in discussions, and provided feedback and suggestions in advance of the Company's filing.

**Discussion**

In addition to discussions with the DSM Steering Committee the Office has reviewed the materials the Company filed with the Commission as well as supplemental

[1] The Office requested to amend the initial comment period from July 25 to August 15 and the reply comment period from August 1 to August 25, 2014.

information provided at the Office's request. This filing represents broad changes to the tariff and programs. The Office will provide comments on the following topics from the filing:

- General comments regarding changes to existing measures,
- General comments regarding new measures,
- Concerns about changes to the application deadline,
- Concerns about free merchandise offers,
- Concerns about incentives for electric heat and water heat,
- Concerns about emerging technologies,
- Comments about pool pumps,
- Comments regarding the amended filing.

*Changes to Existing Measures/Incentives*

The Company has proposed eliminating certain measures and changing the incentive amounts of others. The eliminated measures and the change in incentive amounts are being proposed in order to align measures with market conditions. In these cases the market or code standards have shifted, incentives deemed to no longer be a factor in encouraging customer choice have been eliminated. Incentives deemed to cover too much of the market price of a product have been adjusted in order to mitigate free ridership. The Office supports these efforts by the Company to mitigate free ridership and manage incentives in order to encourage customer adoption of products that have energy efficiency ratings better than the minimum required by code.

*New Measures*

The Company has also proposed several new incentive measures, the Office has voiced concern over several of these new incentives and asserted that they need to be closely managed in order to achieve the intended results. The Office has worked closely with the Company in working through the finer details of the Company's proposals and the Company has expressed a willingness to more closely manage these incentives in order to alleviate concerns and ensure that the incentives are implemented in a manner that will provide a greater chance of successful results. The Office has expressed particular concern over measures provided at no cost to the customer and measures that may be regarded as an incentive to fuel switch and will address both topics further in this memo.

*Application Deadline*

One of the proposed changes to the Schedule 111 tariff is to change the incentive application submission deadline. The current requirement gives the customer 90 days to submit their application; the Commission order in docket 10-035-T05 provides for an extension as long as the exceptions are "*documented in writing and attested to by customer's senior military/public service official, or medical provider and is verifiable*." The Company has proposed changing the submission deadline to 180 days and eliminating the provisions of the Commission order that require extensions to be attested in writing and verifiable.

The Office supports changing the submission time period to 180 days[2]. However, the Office does not support allowing the Company to grant extensions without the Commission prescribed verification. During the preliminary discussions the impact this change potentially would have on customers was discussed and as is evident in the filing advice letter doubling the deadline to 180 days would have captured over 83% of the denied applications of 2013. Every outstanding incentive payment represents an unpaid financial liability; deadlines ensure that these liabilities are paid within a reasonable amount of time after they are incurred. Furthermore, requiring customers to provide 3rd party verification is not just meant to verify the exception, but to deter those who would misrepresent themselves in order to obtain an extension without good cause. The Company maintains that the existing order has generated strong complaints among those seeking an extension. The Office asserts that the extended time period is the solution to these customer reactions. Furthermore, given that 180 days will in fact allow customers 6 months to submit their applications the Office sees no reason for extensions to be available at all. Therefore, the Office advocates for simplifying the submission process by extending the submission deadline to 180 days and eliminating the option to extend past that amount of time. If the Commission decides to keep the provision for extensions past this amount of time the Office recommends that the existing verification policy be maintained, and that the Company better train their customer service personnel to explain to those seeking an extension that the verification need not contain sensitive personal information; this should also serve to alleviate the complaints cited in the advice letter.

*Free EE Merchandise Offers*

The Office generally supports energy efficient product incentives that still require customers to pay a portion of the cost. This is based on the common understanding that products will be more readily utilized and maintained when the acquiring customer has a financial stake in the products acquisition. This understanding has been echoed by the Company as well as many other members of the Steering Committee. However, the Company is proposing to begin offering several energy efficient technologies to customers at no cost. The Company proposes to directly install light bulbs, shower heads, thermostatic valves and to mail out light bulb containing kits free of charge. In OCS data request 1.5 the Office asked the following:

*In past demand-side management discussions both Rocky Mountain Power and the Office of Consumer Services have agreed that Energy Efficiency measures should not be free, that participants should have to pay for a portion of them. Please explain why it is now appropriate to provide participants with free light bulbs, shower heads, thermostatic valves or any other of the Direct Install measures that cover 100% of the product cost?*

The Company replied that results with similar measures in other states have been successful and further stated in their response:

*The Company now feels it is an appropriate time to add these new delivery channels since providing free measures via mail-by request kits or as direct installed measures provide a cost effective means for acquiring electric savings.*

The Company proposes sending out business reply cards to which a customer may respond that they would like to receive a free kit in the mail. If the customer has electric water heat they will receive light bulbs and plumbing measures designed to reduce hot water usage, otherwise they will receive only light bulbs. The Office has expressed doubt regarding the appropriateness of these light bulb kits; the Company has stated in several forums that the Utah service territory has a high penetration level

[2] Questar Gas Company currently has a 180 day deadline for the filing of applications for DSM

of efficient lighting. Thus, the Office is concerned that sending out free light bulbs through the mail would largely serve to provide free CFL bulbs to those who already have them. In response to the Office's inquiry on this matter the Company has agreed to make efforts to target the reply cards to areas that are under served by participating retailers. The Company cited a survey that they conducted which demonstrated that saturation levels of efficient lighting were not as high as had been inferred and that the kits may be effective in reaching customers who have yet to adopt efficient light bulbs. The Office inquired in OCS Data Request 1.4:

*The Company has indicated that its Utah service territory has a high degree of penetration of efficient lighting. Given this information what it the purpose of providing free light bulbs through the mail by request reply cards?*

The Company cited a survey that they conducted which demonstrated that saturation levels of efficient lighting were not as high as had been inferred and that the kits may be effective in reaching customers who have yet to adopt efficient light bulbs. The Company's reply also stated:

*The Company feels there is still an opportunity to introduce customers to high efficiency lighting by providing free CFLs in mail-by request kits…*

The Office acknowledges that customers may request upgraded kits containing LEDs at cost. These kits would allow for those with efficient CFLs to still benefit from the measure and upgrade their own lighting. The Office maintains its concern that this measure will be highly exploited by free riders and that energy savings resulting from the kits may be overestimated. However, the Office is not opposing the program at this time and will continue to work with the Company to understand the results and potential benefits.

The Office also spent some time navigating the existing system for matching customers with efficient light bulbs through participating retailers and the upstream incentives. The Office found that one table on the Company's website declares participating retailers and another separate table shows incentivized lights for some retailers. However, a customer may find a local participating retailer on one table, only

incentives.

to see no light bulbs listed for that retailer on the other table. Also, a customer may find a light bulb they want available at a particular retailer, but the other table reveals that none of the locations of that retailer within a reasonable distance to their home are participating retailers. Office staff also found that some of the price information did not seem to match. The Office concludes by observing that energy efficient lighting is one of the largest parts of Home Energy Savings and that great effort should be made to ensure that incentives are producing the desired results and are readily available to those willing to purchase the qualifying products. Where upstream incentives are offered it is extremely important that customers be able to locate participating retailers and available products with relative ease. The Office recommends that the Company devote some time and effort to reconstructing and correcting the information on its website for these products.

*Incentives for Electric Heat and Water Heat*

The Office also asserts that DSM funds should not be available for utilities to encourage customers switching from natural gas to electric power or vice versa. The proposed Schedule 111 provides measures for Heat Pump Heaters, Ductless Heat Pumps as well as revisions to available Heat Pump Water Heaters. Of particular note is the addition of an incentive for a Ductless Heat Pump installed to serve a small area of a Gas heated home. The advice letter states that the majority of Ductless Heat Pump installs are to supplement an area of the home not well heated by the gas furnace.

The Office has raised concerns regarding the heat pumps along with several questions about the amount of electric heat and electric water heat found in the Utah service territory. The Company's response demonstrates that electric heat represents a minority in Utah. The Company has also clarified with the Office that incentives for water heaters are not available to customers who identify as previously having gas heated water. The Office agrees with the Company's analysis that with current market conditions switching from natural gas to electric heat is rarely cost effective, and therefore the measures are unlikely to result in fuel switching. However, the Office also agrees with Questar Gas Company's comments that additional measures are warranted to ensure that these measures aren't marketed to current gas heat and water heat customers.

*Emerging Technologies*

Consistent with the broader goals of demand-side management the Company is seeking to offer incentives for certain emerging technologies. The Company indicates that both advanced power strips and thermostatic valves are not currently cost effective, but that they are worth providing incentives in order to facilitate a place for them in the market. The Office agrees that advanced power strips represent an energy saving technology that may develop to serve a greater role in the future of DSM. However, the Office cautions that the thermostatic valves energy savings are dependent on assumptions about habits regarding running hot water too long, and peoples' willingness to maintain a device that makes them have to reinitiate water flow to a shower or faucet that they have already turned on. The Office asserts that the evidence does not support the idea that this technology will be more widely adopted as a result of a DSM incentive. However, the Company has demonstrated that they will only be available as a direct install to electrically heated homes, and this represents an insignificant portion of the service territory. Therefore, the Office does not oppose these measures.

*Pool Pumps*

Among the proposed new incentives are high efficiency pool pumps. The Office initially questioned the basis for these pumps along the Wasatch front. In response the Company provided more detailed information, presenting the pool pump cost benefit numbers by county. Although counties such as Summit and Wasatch are not cost effective, the Company has shown that there are far more pools installed in the more cost effective counties of Washington and even Salt Lake. The Office also asked whether or not certain counties may have a greater propensity to adopt energy efficient measures, as this may be material to the cost benefit results. However, this information is not available to the Company at this time. Given the overall cost benefit results the Office does not oppose this new measure.

*Amended Filing*

In response to the Company's filing, 18 lighting distributers voiced concerns about the Company's initial proposal to eliminate incentives for efficient lighting fixtures in favor of upstream discounts for a limited number of suppliers. The Office was concerned about some of the issues they raised, including the impact of the proposed changes on the competitiveness of smaller suppliers. In response to the concerns, the Company filed an amended filing on August 13, 2014. The Company re-instated the incentives, at a lower level to better reflect current market conditions. The Office supports the changes presented by the Company in the amended filing.

## Recommendations

The Office recommends that the Commission take the following action:

1. Approve the incentive application period of 180 days and not allow incentive applications to go past that amount of time.
2. Approve the remaining changes to Schedule 111.

The Office further recommends that the Company devote some time and effort to reconstructing and correcting the information on its website so that customers may more easily locate participating retailers and available products. The Office is available to provide input and assistance in this effort.

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