State of Utah
Department of Commerce
Division of Public Utilities

FRANCINE GIANI
Executive Director

THOMAS BRADY
Deputy Director

CHRIS PARKER
Director, Division of Public Utilities

GARY HEBERT
Governor

SPENCER J. COX
Lieutenant Governor

ACTION REQUEST RESPONSE

To: Utah Public Service Commission

From: Utah Division of Public Utilities

Chris Parker, Director

Artie Powell, Energy Section Manager

Brenda Salter, Technical Consultant

Date: August 14, 2014

Re: **RMP Advice No. 14-07, Proposed changes to Schedule 111 – Home Energy Savings Incentive Program**

Docket No. 14-035-T08

RECOMMENDATION (CONDITIONAL APPROVAL)

The Division of Public Utilities (Division) recommends that the Public Service Commission (Commission) conditionally approve Rocky Mountain Power's (Company) proposed changes to the Home Energy Savings Incentive Program (HES or Program).

ISSUE

On July 9, 2014, the Company filed proposed changes to Utah Tariff Schedule 111 Home Energy Savings Incentive Program with a requested effective date of August 8, 2014. On July 9, 2014, the Commission issued an Action Request for the Division to investigate the proposed changes to Schedule 111 and report its findings and recommendation to the Commission by July 25, 2014. Also on July 9, 2014 the Commission issued a Notice of Filing and Comment Period giving interested parties until July 25, 2014 to provide comments with reply comments due August 1, 2014. On July 17, 2014 the Office of Consumer Services (OCS) filed with the Commission a request to extend the comment period to August 15, 2014 and to suspend the proposed tariff changes pursuant to Utah Admin. Code R746-405-2.E.4a. The OCS requested additional time to review the proposed changes and to submit and review discovery in the docket. Subsequently on July 18, 2014, the Commission issued an Order suspending the proposed tariff changes and extending the comment period to August 14, 2014 with reply comments due August 25, 2014. On August 13, 2014 the Company filed a revision to the filing regarding the upstream incentive for lighting fixtures.

On April 1, 2014, proposed changes to Schedule 111 were presented to the DSM Advisory Group. A teleconference was conducted on April 17, 2014 to respond to questions from the group. On May 13, 2014 a draft filing of the proposed changes was emailed to the DSM Steering Committee. Addition discussion regarding the filing was conducted on June 6, 2014 and July 30, 2014. The Division participated in the draft review.

The Division provides its comments in response to the Commission's Action Request and consistent with the comment period date noted on the Notice Suspending the Tariff and Amended Comment Period.

DISCUSSION

The Company is proposing modifications to the HES program that introduce new energy efficiency opportunities, expand delivery channels, make administrative changes and align the program incentives with revised measure costs, savings estimates and standards. The proposed HES program changes are extensive therefore the Division will provide comments on areas the Division believes require additional review.

Application Submission Deadline

The Company is proposing to change the current 90 day application submission deadline to 180 days. This change aligns with Questar's submission deadline and allows more time for projects that take longer to complete. The proposed change includes allowing for exceptions to the 180 deadline. The Company requests the following language be incorporated on line 7 page 111.2 of the tariff:

> Customers have 180 days after the date of purchase or installation to submit a complete post purchase application and request an incentive. Company may waive submission deadline based on customer extenuating circumstances.

The Commission order in Docket No. 10-035-T04 issued on July 19, 2010 provides direction on waiving the submission deadline:

> Regarding the Company's request for an interpretation regarding the strict application of the 90-day requirement for receipt of incentive applications and whether reasonable exceptions to the 90-day period are acceptable on a case by case basis. We recognize there could be instances, such as being called for immediate military duty or other public service or the occurrence of an emergency or extended medical problem, where an extension for submittal of an incentive application may be appropriate. That being said, these types of exceptions are reasonable so long as the exception documented in writing and attested to by the customer's senior military/public service official, or medical provider and is verifiable. The extent to which exceptions are provided shall be a topic of discussion for the DSM Advisory Group to determine if this issue requires further attention.

The Company agrees that it is important to document all exceptions to the submission deadline but states that requesting highly sensitive and private information has resulted in customer complaints. The Company proposes to eliminate the requirement for written documentation from military/public service official, or medical provider and allow the Company discretion on exceptions to the deadline. The current tariff does not contain language allowing an extension to the deadline, with or without written documentation.

> Customers have 90 days after the date of purchase to submit a complete post purchase application and request an incentive.

The DSM Steering Committee has discussed exceptions to the deadline but has been unable to come to an agreement. The Division is agreeable to extending the submission deadline to 180 to better align with Questar's DSM program. The Division feels that waiving the submission deadline without some form of guideline may be too subjective. The Division recommends that the Commission direct the Company to either exclude the exception language or follow the Commission's direction in Docket 10-035-T05 to allow exceptions only when written documentation by the customer's senior military/public service official, or medical provider is provided.

Delivery Channels

Lighting - Direct Install – Mail-by Request

The Company has proposed to add two new delivery channels to the Program, direct install and mail-by request. The intent is to provide new opportunities for customers to participate in the Program.

Direct install of CFLs, LEDs and plumbing measures as proposed by the Company will be completed as part of in-home visits (during direct installation of duct sealing in manufactured homes or during quality assurance inspections, etc). Direct install provides a degree of assurance that the bulbs and plumbing measures are installed and in use.

The Programs proposed mail-by request kits contain lighting and plumbing measures that will be advertised using business reply cards with a postage paid return order form. Customers will also be able to order kits on line or by calling customer service. Mail-by request kits are free or offered at a reduced rate for better, best or LED only kits. Once mailed to the customer, there is no guarantee that the bulbs or plumbing fixtures will be installed and there is the likelihood that they will be stored for future use. Measures provided at zero cost to the customer may not provide enough incentive to install the bulbs or to conserve.

The Division has reviewed the proposed program delivery methods and notes that at the measure level all lighting changes are cost effect except for the LED bulbs using the direct install and mail-by request delivery methods.

The Division notes that the standard 40 and 60 watt incandescent bulbs are no longer manufactured so unless a customer has stockpiled incandescent bulbs the alternative is CFL or LED bulbs. Also, in response to the Division's review of the Demand Side Management (DSM) Balancing Account the Company stated "Lighting activity for HES has exceeded expectations during the first quarter of 2014. This is a result of growing interest and adoption of LED bulbs."[1] The Division is questioning the necessity of incentivizing, at no cost, CFL or LED bulbs when the market has changed and it appears customers are taking advantage of the up-stream incentive available at retailers. The Company has also stated that "discounted bulbs purchased through our retail partners tend to be more cost-effective than those mailed out in the kits." The Division recommends that the mail-by request kits be removed from the Program.

LED Light Fixtures - Upstream incentives

In its filing the Company proposed moving from a downstream incentive to an upstream incentive for LED light fixtures. The upstream incentive would work similar to the upstream incentive for light bulbs. The Company also proposed a decrease to the incentive from $20 to "up to" $10 in order to align incentives with market costs and to improve Program cost-effectiveness. The incentive will be capped at 50% of the fixture cost. The Commission along with the Company have received complaints from electrical distributors, lighting manufacturer representatives, electricians and similar entities who would not be able to participate in the proposed upstream incentive program. On July 30, 2014 the DSM Steering Committee discussed the proposed change and determined that the Company would amend the filing and drop the upstream incentive for lighting fixtures. On August 13, 2014 the Company filed an amendment removing the upstream incentive. The Company solicited feedback from the companies that submitted the complaints and was able to contact 15 out the 18 companies. Of the companies contacted all provided positive feedback on the revised approach.

Pool Pumps

In this filing the Company is introducing an incentive for variable speed pool pumps. Pool pumps recirculate water through a filter to maintain water clarity and hygiene. Due to the low cost, single speed pool pumps that run continually are most prevalent in Utah. Variable speed pool pumps save energy by operating the filtration pump motor at lower speeds. The proposed incentive for the variable speed pool pump is $500.

[1] Company response to DPU Data Request 1.2(b)2 – Division's review of the DSM Balancing Account

In reviewing the cost benefit analysis at the measure level 4 of the 12 Utah counties within the Company's service territory pass the TRC. The PTRC faired a little better with 7 out of the 12 counties at or above 1.0. All but 2 counties passed the UCT. The Division's review of the UCT indicates that the combined pool pump measures marginally passed with an average of 1.2. It's interesting to note that Tooele passed the analysis with a 1.4 UCT with an estimate of one (1) pool pump. The same is true in Box Elder County with an estimated three (3) pool pumps and a UCT of 1.5. Davis (1.1 UCT) and Utah (1.2 UCT) counties marginally passed the UCT with estimated pool pump replacements of 32 and 38 respectively.

The Division questions the need to subsidize pool pumps when residential pools are limited in Utah and are more prevalent in a subset of the Company's customer base. As noted above the pool pump measures do not perform well in the cost effectiveness analysis with only 4 out of the 12 counties, Washington, Salt Lake, Box Elder and Tooele, passing all four tests. The Division is not convinced that the pool pump measures are robust enough to support the Program.

The Division has reviewed the filing along with the program's forecasted cost effectiveness analysis and concludes that the proposed program is cost-effective on the program level with the PTRC, TRC, UCT and PCT showing a benefit/cost ratio of 1.36, 1.24, 2.44, and 2.69 respectively for the 2014 year.[2] A review of the individual measures show not all score well in the cost/benefit tests. The DSM Steering Committee concluded that including measures with suboptimal results provided the following to the Program:

- insure a comprehensive offer;
- introduce new measures likely to become more cost effective;
- influence equipment purchases where consumers consider benefits in addition to energy efficiency and where results may be driven by uncertainty surrounding measure costs.

The Commission has previously provided guidance regarding program and measure performance:

[2] Forecast B/C ratio for 2015 (PTRC 1.33, TRC 1.21, UCT 2.54 and PCT 2.61) Forecast B/C ration for 2016 (PTRC 1.21, TRC 1.21, UCT 2.52 and PCT 2.63)

> The 2009 Report explains there are instances where individual measures may not be cost effective on their own, but enhance the overall program. The Company will continue to provide cost-benefit analysis for measures or groups of measures within a program and where a measure fails one or more of the tests, the Company will provide sufficient justification for including the measure as part of the overall program.[3]

The Division will continue to monitor the cost effectiveness of the program along with the individual measures and provide recommendations as necessary.

The proposed program is expected to contribute 112,683 MWh to the 2013 IRP target updated on November 1, 2013. This is an increase over the 77,643 MWh in the 2013 IRP update.

CONCLUSION

The Division has reviewed the proposed changes to Electric Service Schedule 111 and recommends that the Commission conditionally approve the filing with the Division's modifications as outlined below.

1. Extend the current 90 day application submission deadline to 180 days but remove the exception language or follow the Commission's direction in Docket 10-035-T05 to allow exceptions only when written documentation by the customer's senior military/public service official, or medical provider is provided.
2. Remove the mail-by request CFL, LED and plumbing measure kits.
3. Remove the pool pump measure.

CC Kathryn Hymas, Rocky Mountain Power
Dave Taylor, Rocky Mountain Power
Michele Beck, Office of Consumer Services
Service List

[3] Utah Public Service Commission Order in Docket 09-035-27, October 7, 2009