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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: June 22, 2016

Subject: Docket 16-035-17

In the Matter of: Rocky Mountain Power's Demand-Side Management 2015 Annual Energy Efficiency and Peak Load Reduction Report

Background

On May 23, 2016 Rocky Mountain Power Company (Company) filed with the Public Service Commission (Commission) a report regarding the Demand-Side Management (DSM) portfolio for calendar year 2015; this report includes information about costs, energy savings, and other specific program details. The Commission posted a Notice of Filing and Comment Period on May 25, 2016.

The Energy Efficiency and Peak Reduction Report had a previously scheduled due date of May 1st 2016. The Company requested a three week extension on April 15, 2016. The Commission subsequently approved the requested extension.

Discussion

The Office has reviewed the report filed in this docket regarding the DSM portfolio for the year 2015. The Office has also participated in some discussions with the DSM Steering Committee regarding the decrement values associated with the benefit/cost ratios, and the resulting estimated net benefits of energy efficient measures.

Total Expenditures

The report indicates that total expenditures for 2015 were $61.2 million. A comparison with the $81.6 million spent in 2014 shows that expenditures were reduced by approximately $20 million dollars. The Office anticipated this reduction as the additional $20 million spent in 2014 is mostly attributed to the installation of upgraded devices for the Cool Keeper peak reduction program. Therefore, the spending levels reported for 2015 should be interpreted not as a reduction, but as a return to levels more consistent with the actual cost of funding the current portfolio.

First Year Energy Savings

Further comparisons of the DSM portfolio performance from 2014 to 2015 show that energy savings from 2015 exceeded those of 2014, with the Company reporting 311 GWhs in first year energy savings in 2015 and 269 GWhs in 2014.

Peak Reduction

Peak reduction in 2015 was 115 megawatts, a decrease of 15% when compared to 135 megawatts of peak reduction in 2014. A further review of the peak reduction reports from 2012 and 2013 show peak reductions of 150.4 megawatts and 126.7 megawatts respectively. Therefore, the 115 megawatts reported for 2015 represent a 4-year low in peak reduction. The Office notes that peak reduction performance can be heavily affected by weather, and the number of opportunities or events requiring employment of peak reducing equipment during the cooling/irrigating season. However, given the significant costs already incurred for the improved peak reduction equipment, the Office expects that the Company will be able to demonstrate the value added of these expensive upgrades within the next few years.

Net Benefits

Estimated net benefits over the life of individual measures for 2014 were reported as $140.3 million. The estimated net benefits reported for 2015 total $62.3 million; a reduction of $78 million compared to the previous year. The extreme drop in estimated net benefits, and associated lower benefit/cost ratios, can be attributed to revised decrement values. Previous decrement values were based on estimates and assumptions that new energy efficient measures were replacing older, inefficient appliances and lighting. However, recent estimates and assumptions driving the revised decrement values take into account that many new energy efficient measures may be more efficient than the technologies they are replacing, but that the items being replaced may simply be previous generations of energy efficient technologies. An example is that an LED light bulb may be significantly more efficient than an incandescent bulb, but may actually only be replacing a compact fluorescent (CFL) bulb.

Therefore, the stark reduction in estimated net benefits for 2015 should be interpreted as an indication that decrement values are being set to keep pace with realistic scenarios, and that the DSM initiative is experiencing indications of having exhausted the low hanging fruit; a phenomenon that the Office, Company, and other members of the Steering Committee have anticipated.

Recommendation

The Office recommends that the Commission acknowledge the filed report as having satisfied the current requirements.

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