

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

Rocky Mountain Power's Proposed Tariff
Revisions to Electric Service Schedule No.
140, Non-Residential Energy Efficiency

DOCKET NO. 19-035-T01

AMENDED ORDER¹

ISSUED: April 22, 2019

PROCEDURAL HISTORY

On February 8, 2019, PacifiCorp filed with the Public Service Commission of Utah (PSC) Advice No. 19-01 (Application), proposing revisions to Electric Service Schedule No. 140, Non-Residential Energy Efficiency (Schedule 140) of PacifiCorp's Tariff P.S.C.U. No. 50 (Tariff). The filing proposed revisions to Sheet Nos. 140.4-23, cancelation of Sheet Nos. 140.24-25, and modifications to Index Sheet No. B.1. PacifiCorp requested an effective date of March 11, 2019 for these modifications.

On February 11, 2019, the PSC issued a Notice of Filing and Comment Period allowing any interested party to submit comments and reply comments on PacifiCorp's proposed Tariff revisions on or before February 25, 2019, and March 1, 2019, respectively. On February 22, 2019, the Headquarters Facilities Department of The Church of Jesus Christ of Latter-day Saints (HFD) filed comments. On February 25, 2019, the Division of Public Utilities (DPU), the Office of Consumer Services (OCS), and Utah Clean Energy/Southwest Energy Efficiency Project (UCE/SWEEP) filed comments. On March 1, 2019, PacifiCorp filed reply comments. On March

¹ This Amended Order changes the effective date of PacifiCorp's proposed modifications to April 23, 2019, as requested by PacifiCorp in its March 27, 2019 supplemental filing.

5, 2019, the PSC issued an action request (Action Request) to the DPU requesting further information pertaining to its comments² to which the DPU responded on March 7, 2019.

On March 8, 2019, the PSC issued an Order Suspending Tariff and Notice of Scheduling Conference. On March 14, 2019, the PSC issued a Scheduling Order and Notice of Technical Conference (Scheduling Order). On March 26, 2019, the PSC held a technical conference on this matter. Pursuant to the Scheduling Order, on March 27, 2019, PacifiCorp filed a supplemental filing. On April 8, 2019, the DPU filed comments and on April 9, 2019, the OCS and UCE/SWEEP filed comments. PacifiCorp filed reply comments on April 16, 2019.

UCE, SWEEP, and Western Resource Advocates each requested leave to intervene in this docket, which the PSC granted.

PACIFICORP'S FILING

In its filing, PacifiCorp proposes revisions to Schedule 140 that: 1) modify the design of lighting system retrofit & non-general illuminance incentives; 2) adjust Mid-Market lighting incentives; 3) adjust new construction/major renovation lighting incentives; 4) add new measure variations of Advanced Rooftop Unit controls; 4) update several Schedule 140 measures;³ and 5) address necessary Tariff sheet administrative changes. The filing includes portfolio cost-effectiveness test results and sensitivity analyses.

² In the Action Request, the PSC requested analysis and support that cost-effectiveness of the portfolio, large customer participation, and large customer average incentives will remain at basically the same levels, with the approval of these Tariff changes.

³ These updates include: 1) increasing the incentive level for Variable Refrigerant Flow Heat Pumps; 2) removing Electric Steam Cooker, Tier 1 and Electric Commercial Fryer; 3) increasing incentive levels for Electric Insulated Holding Cabinets; 4) decreasing incentive level for Electric Convection Ovens; and 5) expanding eligibility for Commercial Clothes Washer incentives.

PacifiCorp proposes to change the design of certain lighting system incentives from a kilowatt-hour saved basis to a per-watt reduced basis and to implement incentives based on customer segmentation by size (small, medium, and large). PacifiCorp proposes to define the segment size using statistical modeling software and to perform segment calculations quarterly. Customer size will be determined by aggregating meter data from all meters within a given account.

PacifiCorp anticipates the following outcomes from this proposed revision: 1) the same levels of cost effectiveness as the prior incentive portfolio; 2) the same level of participation among high-hour facilities; 3) the same average incentive levels for high-hour facilities⁴; 4) increased participation among lower-hour facilities; 5) increased ability to meet all customer needs across the full spectrum of potential participants; 6) broader efforts from the wattsmart Business Vendor Network to market and sell to all customer sizes with facilities across the full spectrum of operating hours; and 7) continued offering of wattsmart Business incentives that encourage customers to graduate to the next level of efficiency.

PacifiCorp's March 1, 2019 reply comments included a revised Sheet No. 140.11 with the correct "Filed" date in the footer.

At the March 26, 2019 technical conference and in its March 27, 2019 supplemental filing, PacifiCorp provided additional support for its assertion that the proposed Schedule 140 modification will provide: 1) the same level of participation among high-hour facilities; 2) increased participation among lower-hour facilities; 3) the same average incentive levels for

⁴ Facilities with extremely high hours of operation will see modestly decreased incentives (10% or less), while those with lower hours of operation will see an increase under the per watt reduced structure.

high-hour facilities; and 4) decreased incentives for extremely-high-hour facilities. In its supplemental filing PacifiCorp requested an effective date of either April 23, 2019, or the date of the PSC's order if issued thereafter, for the proposed changes to Schedule 140.

PARTIES' COMMENTS

a. *The DPU*: The DPU concludes the proposed changes are cost effective and consistent with the PSC's goals to promote cost-effective Demand Side Management (DSM) programs that are just, reasonable, and in the public interest and recommends the PSC approve them. The DPU states the purpose of the proposed changes to the lighting system retrofit measure is to encourage smaller customer participation. Based on the new segmentation of customers and increased incentives for small customers, the DPU contends increased participation is likely to occur. In addition, the DPU states "[n]on-residential customers appear to be better off with the proposed program change even with customer segmentation."⁵

Regarding PacifiCorp's expectation that the proposed changes are anticipated to have the "same levels of cost-effectiveness as the prior incentive portfolio,"⁶ the DPU "understands this to mean that the Non-Residential DSM Program was cost-effective prior to this filing and it is anticipated to be cost-effective incorporating the proposed changes. Once a program is changed, the dynamics are changed and it is difficult, or near[ly] impossible, to compare the cost-effectiveness from one program year to the next. Comparing cost-effectiveness year over year is like comparing apples to oranges if program dynamics have changed."⁷

⁵ DPU April 8, 2019 Comments at 3.

⁶ Application at 3.

⁷ DPU April 8, 2019 Comments at 2.

In order to determine if the program changes provide the desired effect, the DPU recommends PacifiCorp provide to the DSM Steering Committee (Committee): 1) a report on customer participation by segregated customer size to help determine if small customer participation increases with the proposed changes; and 2) a report on large customers that receive a reduced incentive due to the proposed lighting program changes. The DPU states it will monitor the program performance through the Committee and provide recommendations to the PSC if warranted.

PacifiCorp's response to the DPU's recommendations:

PacifiCorp agrees to report to the Committee on segmented participation levels. However PacifiCorp states that if the PSC approves the proposed changes to Schedule 140 it does not intend to calculate what every large customer's incentive would have been under the old \$-per-kWh saved structure. PacifiCorp contends it has not performed such an analysis for other programs which have been modified in recent years and that extremely-high-hour customer facilities that may see a decreased incentive under the \$-per-watt reduced structure will be no different than customers that have seen decreased incentives for other measures with previous adjustments. PacifiCorp asserts the purpose of the proposed Schedule 140 changes is to continue to move the market towards more energy-efficient behavior in a cost-effective manner and the proposed incentives will accomplish that goal. PacifiCorp maintains it will continue to monitor all its program offerings to ensure they are operating as intended and to manage them cost effectively.

b. ***The OCS:*** The OCS recommends the PSC approve the proposed changes to Schedule 140, stating that the changes will provide more cost-effective opportunities for smaller

customers to participate in the program. The OCS contends PacifiCorp's analysis indicates that Schedule 140 remains cost effective with the proposed changes. Although the overall level of cost-effectiveness of a program is extremely important, the OCS asserts it is not the only consideration that should be used in determining program parameters. The OCS recognizes that sometimes large customers can provide greater energy savings but believes all contributors to DSM funding should have the opportunity to participate in energy savings programs.

According to the OCS, it appears that the large customer segment may be moving to market transformation more quickly than other customer segments. The OCS is concerned about large customer free ridership as the market is transformed for this customer group. The OCS points out PacifiCorp has provided a specific option for large customers in the mid-market incentive measure that is not offered to small customers. The OCS supports this measure for large customers "viewing it as potentially beneficial and in-part as an offset to high-load hour customers who may see a small decline in incentives received due to the lighting incentive changes."⁸

The OCS recommends the PSC require PacifiCorp report to the Committee, at its quarterly meetings, on: 1) each alternative DSM project approved by PacifiCorp under the Schedule 140 mid-market measure; and 2) program participation by customer segments, including anecdotal information on customers unwilling to participate under the new incentive arrangement.

⁸ OCS April 9, 2019 comments at 5.

PacifiCorp's response to the OCS's recommendations:

PacifiCorp agrees to provide the OCS's requested information at future Committee meetings.

c. ***UCE/SWEEP***: UCE/SWEEP supports the proposed revisions to Schedule 140 for the following reasons: 1) non-residential customers of all sizes are likely to benefit from the lighting system retrofit program revisions; 2) the proposed process is also likely to increase the number of customers who participate in the program; and 3) by encouraging customers to make cost-effective investments in advanced control/network lighting measures, PacifiCorp is not only maximizing the program efficiency but is also enabling additional benefits such as the potential for new demand response offerings.

However, UCE/SWEEP is concerned with PacifiCorp's proposed Schedule 140 meter aggregation method. To address this concern, UCE/SWEEP requests PacifiCorp provide an update to the Committee on the following: 1) how the new customer segmentation process is working, including segmentation results such as participation rates by size class; and 2) the number and nature of customer complaints PacifiCorp receives after customers have been segmented. UCE/SWEEP also recommends PacifiCorp increase incentives for energy efficiency measures that have discounted participant payback periods greater than five years, especially those that are highly cost effective.

PacifiCorp's response to UCE/SWEEP's recommendations:

PacifiCorp agrees to report to the Committee on segmented participation levels. With respect to UCE/SWEEP's second recommendation, PacifiCorp states it provides a report on customer complaints as part of the DPU's annual DSM audit through responses to the DPU's

data requests, therefore PacifiCorp can provide the reports to UCE/SWEEP upon request annually during the DPU's audit.

Pertaining to UCE/SWEEP's recommendation regarding incentives for measures with participant paybacks greater than five years, PacifiCorp provides a brief discussion of the difference between simple payback and discounted customer payback. PacifiCorp claims the simple payback for wattsmart Business offerings are typically less than five years and asserts it continually analyzes and reviews DSM programs to determine appropriate incentive levels to move the market that are cost effective.

d. **HFD**: HFD recommends the PSC decline to approve the revised lighting segment incentives because of the disproportionate financial burden it places on medium and large customers within each electric service schedule. Alternatively, HFD recommends PacifiCorp avoid creating customer segments within the utility incentive programs and incentives be kept equal among all customer utility usage profiles. HFD did not file comments in response to the PSC's Scheduling Order.

PacifiCorp did not respond to HFD's recommendations.

DISCUSSION, FINDINGS, AND CONCLUSIONS

Based on PacifiCorp's Application and the associated cost-effectiveness analyses, the comments of the DPU, the OCS, and UCE/SWEEP, particularly those related to the goal of increasing program participation by small customers, we find and conclude that PacifiCorp's proposed changes to Schedule 140 are in the public interest. Therefore, we approve PacifiCorp's modifications to Schedule 140, Sheet Nos. 140.4-23, cancelation of Sheet Nos. 140.24-25, and

modifications to Index Sheet No. B.1., as filed and updated, effective ~~on the date of this order~~ April 23, 2019.

While we consider many factors in determining the public interest, our decisions are informed, in part, by the filing and analysis requirements for DSM program approval or modification in our October 7, 2009 Order in Docket No. 09-035-27, particularly those associated with whether PacifiCorp is obtaining the least cost combination of supply-side and demand-side resources, consistent with the IRP.⁹ We have not modified these requirements.

Consistent with the position of the OCS, we find the HFD's concerns pertaining to larger non-residential customers are addressed, in part, by the ability of a large customer to complete an alternative beneficial DSM project in lieu of adding controls.

Due to the fundamental nature of the program changes we are approving, we agree with the DPU, the OCS, and UCE/SWEEP that ongoing monitoring of these program changes is important. Therefore we adopt PacifiCorp's commitments to update the Committee on segmented participation levels and alternative DSM projects approved by PacifiCorp.

Regarding the DPU's request for information on large customers receiving a reduced incentive based on the lighting incentive change from kWh to watts, we find that some additional reporting is warranted. PacifiCorp stated it did not intend to¹⁰ complete the requested calculation, but did not address what would have been necessary to do so. Therefore, the record in this docket does not establish the extent to which the information to calculate the change in incentive levels

⁹ See *In the Matter of the Proposed Revisions to the Utah Demand Side Resource Program Performance Standards* (Order issued October 7, 2009); Docket No. 09-035-27.

¹⁰ PacifiCorp April 16, 2019 Reply Comments at 2.

is available. We direct PacifiCorp to discuss this issue with the Committee at its next meeting for the purpose of identifying a mutually acceptable method to determine the incentive level change for at least a representative sample of large customers and a schedule for providing this information to the Committee. We find this approach reasonably addresses the DPU's request and will provide relevant information for subsequent Committee discussion.

We find UCE/SWEEP's request for information on the number and nature of complaints received raises a reasonable issue. We direct PacifiCorp to provide aggregate level customer complaint information pertaining to this program to the Committee on a periodic basis. We anticipate the Committee will discuss the appropriate granularity for this data.

We find PacifiCorp's response to UCE/SWEEP's request to increase incentives for energy efficiency measures having discounted participant payback periods greater than five years informative. We find additional discussion on this issue by the Committee may be helpful, and we request PacifiCorp address this topic at a Committee during the next year.

ORDER

- 1) We approve the Application as filed.
- 2) We approve the revisions to Schedule 140, Sheet Nos. 140.4-23, cancelation of Sheet Nos. 140.24-25, and modifications to Index Sheet No. B.1, as filed and updated, effective ~~the date of this order~~ April 23, 2019. PacifiCorp shall file updated tariff sheets reflecting this effective date within 15 days of this order.
- 3) We accept and adopt PacifiCorp's commitments to update the Committee on segmented participation levels and alternative DSM projects approved by PacifiCorp.

- 4) We direct PacifiCorp to work with the Committee, as outlined in this order, to address data on large customers receiving a reduced incentive based on the lighting incentive change from kWh to watts.
- 5) We direct PacifiCorp to work with the Committee, as outlined in this order, to address aggregate level customer complaint data pertaining to this program.

DATED at Salt Lake City, Utah, April 22, 2019.

/s/ Thad LeVar, Chair

/s/ David R. Clark, Commissioner

/s/ Jordan A. White, Commissioner

Attest:

/s/ Gary L. Widerburg
PSC Secretary
DW#307776

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 PSC 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 PSC 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 PSC'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 April 22, 2019, a true and correct copy of the foregoing was delivered upon the following as indicated below:

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