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DEPARTMENT OF COMMERCE  
Office of Consumer Services

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To: Public Service Commission

From: Office of Consumer Services  
Michele Beck, Director  
Cheryl Murray, Utility Analyst

Date: July 31, 2019

Subject: Rocky Mountain Power's Proposed Tariff Revisions to Electric Service  
Schedule No. 111, Residential Energy Efficiency Program.  
Docket No. 19-035-T10

## Background

On July 16, 2019 Rocky Mountain Power Company (Company) filed with the Public Service Commission (Commission) proposed revisions to Schedule No. 111, Residential Energy Efficiency Program (Application). The Commission subsequently issued a Notice of Filing and Comment Period setting dates by which interested parties may file comments and reply comments as July 31 and August 6, 2019, respectively. The Office submits the following comments in keeping with that schedule.

## Discussion

In this filing, the Company proposes changes to the Residential Energy Efficiency Program (Program), specifically to retire, adjust and add new measures.

The Company points out that in the Semi-Annual Demand Side Management Forecast Report of July 1, 2019, in Docket No. 19-035-28 (Semi-Annual Report) the Program was forecast to exceed its originally forecasted budget of \$14,696,479 by \$618,600.<sup>1</sup> At page 1 of the Application the Company states, "The proposed changes in this filing

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<sup>1</sup> The Company states that the forecasted overage is mainly due to the 2019 calendar being a transition year for program delivery contract, which created start-up and transition costs. Application, page 1.

are not expected to contribute to the increased expenditures forecasted in the Semi-Annual Report, and also align with the savings forecast for 2019<sup>2</sup>...illustrated in Figure 1 below.”

**Figure 1 – 2019 Budget and Savings Forecast**

<b>Program</b>	<b>2019 MWH Savings Forecast</b>	<b>Nov. 1<sup>st</sup> Forecast Report for 2019</b>	<b>July 1<sup>st</sup> Semi-Annual Forecast Report for 2019</b>
<i>wattsmart Homes</i>	61,365	\$14,696,479	\$15,315,079

In its Application, the Company explains the reasons and benefits associated with each proposed modification to the Program and they will not be repeated here. Rather, the modifications and a brief description are identified below.

*Measures to be Retired*

For various reasons identified by the Company, four current offerings are proposed to be retired from the Program. Those measures are:

- Advanced Power Strips - Due to failing the cost-effectiveness testing. As a stand-alone measure, the UTC result is 0.5.
- Low Flow Showerhead with Thermostatic Valve - The equipment is unavailable to purchase at retail stores, resulting in no participation.
- Wall and Floor Insulation - The incentive for this offering has been \$0 since June 1, 2017, due to low participation and high cost per kilowatt-hour saved. The Company views this as a “clean-up item”.
- New Gas Furnaces with ECMs - Effective July 3, 2019, new fan energy rating standards require ECMs on new furnaces. ECMs installed on existing furnaces will still be eligible for incentives.

The Office believes that the reasons articulated by the Company, failing the cost-effectiveness test, no product availability, two years with no incentive offered, and a change in standards justify retiring these measures. We agree that retirement is appropriate.

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<sup>2</sup> November 1<sup>st</sup> Demand Side Management Deferred Account and Forecast Report filed November 1, 2018, in Docket No. 18-035-27.

### *New Offerings*

The Company proposes adding five new measures, or variations of existing measures, to the Program.

- **Evaporative Coolers** – Add evaporative coolers with a CFM range of 500 – 1,900, that are specifically designed for smaller spaces and bonus rooms. This offering will be delivered through the Mid-Market channel.
- **Ground Source Heat Pump Conversion<sup>3</sup>** – Add an offering through a post-purchase application for ground source heat pump conversion in existing single-family residences.
- **Whole House Ventilation Fan** – Whole house ventilation fans with a CFM range of greater than or equal to 2,000 could receive an incentive through a post-purchase application process.
- **Rooftop Heat Tape Timer** – This offering will be delivered through a post-purchase application process, but must be installed by a licensed electrician.
- **Smart Thermostats in New Homes** – This offering would apply to new homes that are ENERGY STAR rated, encouraging builders to install smart thermostats. Currently, this measure is only available outside of the New Construction Program.

**Table 2 – New Offerings**

Measure Type	Minimum Requirements	Customer/Mid-Market Incentive “up to”
Evaporative Cooler	500 – 1,999 CFM	\$50
Ground Source Heat Pump Conversion	ENERGY STAR	\$3,000
Whole House Ventilation Fan	≥ 2,000 CFM	\$125
Rooftop Heat Tape Timer	Installed by licensed electrician	\$100
Smart Thermostats (New Homes)	ENERGY STAR	\$50

The “up to” amounts on Table 2 above will be the initially offered incentives for these new measures.

The Office supports the addition of these measures to the Program.

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<sup>3</sup> This incentive is not available to homes with a natural gas line or if the existing home uses gas, oil, wood heating, pellet stoves or a propane system as the primary heat source, thus avoiding the potential for fuel switching.

### *Revised Offerings / Miscellaneous Cleanup*

As part of the continuous review of DSM measures and programs, the Company proposes several updates to the Program as identified below.<sup>4</sup>

- Schedule 111 – Table 3
  - Smart Thermostats – The minimum efficiency requirement is being streamlined to allow smart thermostats that are ENERGY STAR certified.
  - Heat Pumps<sup>5</sup> – The current incentive levels approved in 2016<sup>6</sup> have not been adequate to stimulate participation. The Company states that this is a highly cost effective measure and believes that the increased incentives and technology advancements will help increase participation.<sup>7</sup>
  - The offering for multi-family specific heat pumps is removed from the HVAC Table as participation for this offering will be done through the Custom Multi-Family Program via Table 7 of Schedule 111, consistent with other multi-family offerings.
- Schedule 111 – Table 4
  - Evaporative Cooler (existing homes) – This measure is streamlined to focus solely on CFM rating. The existing subcategories for first time install are consolidated into Tiers for CFM rates of 2,000 – 3,499 and greater than or equal to 3,500, with maximum incentives set at \$100 and \$200, respectively. Initial incentive amounts are set at \$100 and \$175, respectively.
- Schedule 111 – Table 5
  - Central Air conditioner (New Homes) - The current offering is for units with a SEER rate of 15 or greater. The offering is expanded into three tiers to match the tiered offerings for existing homes and provide a wider choice of options and price points.

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<sup>4</sup> Schedule 111 includes a number to tables that list measures available in specific categories, such as Table 4 HVAC incentives.

<sup>5</sup> The current offering is for Air Source Heat Pumps. Participation requirements do not permit fuel switching.

<sup>6</sup> Docket No. 16-035-T13.

<sup>7</sup> The Company notes that the maximum incentive for the higher tiered offering of heat pump upgrades is actually decreasing due to the decreased incremental cost for this measure.

- Multi-Family Incentives (New Homes) – Multi-Family incentives are being removed from Table 5 as all Multi-Family participation is currently being done through the Custom Multi-Family Program (Table 7).

The Office believes that the proposed modifications are reasonable.

## Cost-Effectiveness of the Program

Exhibit B of the Application provides the cost-effectiveness analysis for the Program<sup>8</sup> based on expected participation. Table 5 below presents the results from Exhibit B for PY 2019 and PY 2020 with expected participation. Exhibits C and D are sensitivity analyses based on high and low participation, respectively, and show that the program is expected to remain cost-effective under those scenarios as well.

**Table 5 – Residential Portfolio Level Cost-Effectiveness Results - PY2019 and PY2020  
(Expected Participation)**

Cost-Effectiveness Test	Levelized \$/kWh	Costs	Benefits	Net Benefits	Benefit/Cost Ratio
Total Resource Cost Test (PTRC) + Conservation Adder	\$0.0548	\$47,423,588	\$54,549,569	\$7,125,981	1.15
Total Resource Cost Test (TRC) No Adder	\$0.0548	\$47,423,588	\$49,590,517	\$2,166,929	1.05
Utility Cost Test (UCT)	\$0.0365	\$31,611,920	\$49,590,517	\$17,978,597	1.57
Rate Impact Test (RIM)		\$134,572,047	\$49,590,517	-\$84,981,531	0.37
Participant Cost Test (PCT)		\$44,628,775	\$143,855,283	\$99,226,508	3.22
Lifecycle Revenue Impacts (\$/kWh)					\$0.0000089310
Discounted Participant Payback (years)					n/a

## Recommendations

The Office recommends that the Commission approve the Company's proposed modifications to Schedule 111.

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<sup>8</sup> The cost-effective analysis was conducted using the maximum "up to" incentive offerings.