State of Utah
Department of Commerce
Division of Public Utilities

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To: Public Service Commission

From: Division of Public Utilities

Chris Parker, Director

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Date: May 3, 2011

Re: Docket No. 08-999-05 – Review of Home Energy report

ACTION REQUEST RESPONSE

Recommendations

The Division of Public Utilities (Division) recommends the Public Service Commission (Commission) acknowledge Rocky Mountain Power's (Company) report in Docket No. 08-999-05 filed on February 28, 2011 as complaint with the Commission Order in this Docket dated December 17, 2009. The Division also recommends the following:

1. Accept the Company's proposal of introducing the Home Energy Report program as a three-year pilot program.
2. Accept the Company's proposed $2.8 million cost cap of the pilot program.
3. Accept the Company's proposed program size of 75,000 households chosen on the basis of large energy usage.

4. Require the Company to conduct a quarterly update report, for the first four quarters, indicating the overall participation and program costs and on an annual basis a report providing the cost-benefit results of the program.
5. Accept the cost recovery mechanism proposed by the Company.
6. If an adjustment to the existing tariff rider is warranted, the Division recommends that the Company make a separate filing and proposal that would reflect the most current forecasts for the overall DSM account balances.

Issue

In response to the Commission Order in Docket No. 08-999-05 dated December 17, 2009, on February 28, 2011, the Company filed its report that reviewed Home Every Reports and provided its recommendation regarding the appropriateness of such a report for the customers in the Company's Utah service territory. On March 21, 2011, the Commission issued an Action Request for the Division to provide an explanation and statement of issues to be addressed by May 3, 2011.

Discussion

On December 17, 2009, the Commission issued an Order in Docket No. 08-999-05 directing the Demand Side Management Advisory Group (Advisory group) to review the Home Energy Reports. Specifically, the Commission Order stated

> "… we direct the DSM advisory group to review the Home Energy Report and provide a recommendation whether or not such report is appropriate and, if so, as estimate of the costs and timing necessary to implement such report. Said recommendation shall be submitted to the Commission by May 1, 2010."

On April 8, 2010, the Company filed a letter with the Commission requesting an extension of the due date of the report from May 1, 2010 to February 28, 2011, which was subsequently granted by the Commission.

In response to the above-referenced Commission Order, on February 28, 2011, the Company filed its report with the Commission. The Company report provides a review and findings of Home Energy Reports. The Company indicated that it reviewed pilot programs from various utilities. This review shed light on relevant economic variables such as the number of households receiving the report, the average energy usage of the households receiving the report, and the expected percentage savings per household. Using two scenarios, one with 50,000 participants and the other with 75,000 participants, the findings of the review indicate that the larger the number of households of a given average usage participating the program, the lower the cost per kWh of savings ($0.0435 and $0.0385 for the 50,000 and the 75,000 participants, respectively). This is true when average annual usage and percentage savings are held constant at 16,000 kWh and 2.04 percent. However, if, for example, the average annual usage is decreased to 10,000 kWh, the cost per kWh saving will increase ($0.0696 and $0.0616 for the 50,000 and the 75,000 participants, respectively).

The Company indicated that the use of customer data in the development of home comparison reports has prompted a measure of customer concern regarding privacy. The findings of the review also indicated that as the penetration rate of the program increases, the likelihood that program performance deteriorates will increase. One explanation for this phenomena is that as the program will most likely target higher usage households first, as the program is expended to lower usage households, the potential savings would most likely be smaller. There also is a question of the sustainability of the savings achieved through the program. These findings imply that, given the infancy of the Home Energy Report programs, there are a number of things that are not known. These unknowns include items such as what motivates different customers to save energy, where the savings come from, and sustainability of savings over time. As far as timing of the implementation of the program is concerned, the finding of the review indicated that it will take approximately 35-40 weeks to implement the program.

Based on these findings and issues, the Company made the following recommendations:

1. If a Home Energy Report program is to be offered in Utah, it should be offered on a pilot basis.
2. The Company seeks the support of the Commission for this pilot project and an understanding that the pilot program or its implementation be cancelled if program costs exceed initial forecast, savings are less than anticipated, customer reaction is not positive, or program economics warrant cancellation.
3. The Commission should recognize that pilot designation is intended to learn more about the program and its economics, and effectiveness.
4. If a pilot program is pursued, the initial program size should be limited to 75,000 households and the selection of the participants should be based on higher average usage.
5. The cost of the pilot program should not exceed $2.8 million over three years.
6. If a pilot program is pursued, the costs of the program should be recovered through the existing tariff rider mechanism and the Company may require an adjustment to the existing collection rate to fund.

The Division reviewed the Company's report and commends its effort. The Division agrees with the Company's assessment of introducing the program as a pilot program and setting the program size at the level of 75,000 households with high average energy usage. However, the Division recommends that the program be evaluated on an annual basis. This evaluation will identify if the pilot program should be continued as is, continue with appropriate program design modifications, or if the program should be terminated. Additionally, the Division recommends that the Company provide quarterly update reports, for the first full four quarters of the pilot, indicating the overall participation and program costs. On an annual basis, the Company should provide a report viding the cost-benefit results of the program.

The Division also agrees that the cost of the pilot program over the three years should be capped at $2.8 million and recovered through the existing tariff rider mechanism. If an adjustment to the existing tariff rider is warranted, the Division recommends that the Company make a separate filing and proposal that would reflect the most current forecasts for the overall DSM account balances.

CC: Michel Beck, OCS
Dave Taylor, RMP