



# State of Utah

DEPARTMENT OF COMMERCE  
Committee of Consumer Services

To: The Public Service Commission of Utah

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Date: April 30, 2009

Subject: Docket No 09-035-T05: Schedule 113 – Rocky Mountain Power  
Evaporative Cooling and Central Air Conditioning Incentive Program (Cool  
Cash Incentive Program)

## Background

On April 7, 2009 Rocky Mountain Power submitted for Commission approval, proposed changes to its Schedule 113, Evaporative Cooling and Central Air Conditioning Incentive Program (Cool Cash Incentive Program). Proposed changes include the following:

- 1) Language which defines the terms “new” and “replacement” with respect to evaporative cooling equipment installations.
- 2) Addition of dealer incentive for the Replacement Evaporative and New Evaporative measures.
- 3) Addition of a Premium Evaporative measure.
- 4) Increased incentive payment for the installation of premium whole-house evaporative cooling systems.
- 5) Increased incentive limits per qualifying residence from 1 to 2 per qualifying measure for central air conditioning or evaporative cooling units.
- 6) Addition of language to the Provisions of Service section which clarifies customers must submit all required back up documentation.

- 7) Elimination of the use of a specific year to set the incentive application deadline.
- 8) Increase from 24 to 36 months the timeframe in which the Company or its agents may inspect and/or install temporary air conditioning monitoring equipment on equipment which received a Cool Cash incentive payment.

The Company maintains that the Program remains cost effective with these changes.

## Discussion

### *Language Changes*

The Company proposes to include in the tariff language that will help customers and dealers distinguish between “new” and “replacement” evaporative cooling equipment installations. Also, additional language to the Provisions of Service section which clarifies customers must submit all required back up documentation to be eligible to receive incentives.

The Committee believes that Customers must be able to clearly and easily identify what will be required of them to qualify for any utility incentive. The Committee supports these language changes.

### *Increased and Additional Incentive Payments*

1. The Company proposes to add a dealer incentive of \$25 for the sale and installation of qualifying Replacement Evaporative or New Evaporative cooling systems.<sup>1</sup>
2. A Premium Evaporative measure with an incentive of \$500 to customers and \$150 to dealers for the installation of a qualifying premium evaporative cooling unit would also be added to the Program.
3. The incentive for the installation of qualifying premium whole-house evaporative cooling systems would be increased to \$1000 for customers and the dealer incentive would be increased to \$300.

Although this Program offers incentives for high efficiency central air conditioning equipment the emphasis has been to increase the installation of evaporative cooling equipment to maximize the energy savings from home cooling equipment. The intent of the proposed changes is to encourage dealers to adequately stock and support less energy intensive evaporative cooling equipment as a customer option. Further, offering incentives for various categories of evaporative cooling equipment is a means to encourage customers to reduce individual energy usage by purchasing that equipment and as a result create greater demand for dealers to stock evaporative cooling equipment.

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<sup>1</sup> In response to CCS Data Request 2.3 the Company clarified that the dealer incentive is for the sale of evaporative cooling equipment regardless of who installs the equipment.

### *Increase Incentive Limit per Qualifying Residence*

The current tariff provides that Cool Cash incentive payments are limited to one per qualifying household per qualifying measure. The Company proposes to change the number of incentives allowed per household per qualifying measure. Third Revision of Sheet No. 113.3, Filed April 6, 2009 attempts to explain this change as follows:

**PROVISIONS OF SERVICE:** Incentives paid to customers, are limited to two (2) per qualifying household per qualifying measure. Customers may apply for up to two (2) evaporative equipment incentives for the same measure and up to two (2) central air conditioning equipment incentives for the same measure where such qualifying equipment is purchased and installed on the same existing residence and meets all other program requirements.

The Committee is unsure of the implications of this language. It seems open to a range of interpretations as to the number of incentives a household may actually apply for as well as the inference that customers may actually apply for two incentives for “the same measure” (one piece of equipment). While we are certain that this is not what the Company is proposing we find the language sufficiently unclear that it should be rewritten to more precisely capture the intent and requirements. The Commission should require the language be revised prior to approval of tariff changes.

Although the language is not clear, it is our understanding that this change would allow customers to request incentives for two qualifying central air conditioning units on one residence<sup>2</sup>. The Committee has concerns with this provision. To provide the most benefit to the participant and the system the air conditioning equipment should be correctly sized and properly installed. That being said, surveys from the 2006 Program evaluation indicate it can be difficult to convince both dealers and customers that proper sizing is the best option and will provide adequate home cooling.<sup>3</sup> The Committee asked the Company to describe circumstances where a customer’s cooling needs would require the installation of more than one central air conditioning unit. The response provided to CCS data request 2.1 reads:

Existing homes with multiple cooling zones (in which the customer seeks to achieve different thermal comfort and control), homes with large square footage, multiple levels, and/or building additions that cannot be effectively ducted or served with one unit are typical home characteristics where customers might choose to install or replace two units.

While proper sizing and installation are still the most efficient means to achieve energy savings goals we believe the Company has provided some persuasive examples where the installation of two air conditioning units may be reasonable. This is an area of the Program that should be closely monitored to determine how many residences are installing multiple units and if multiple units are a reasonable option for those residences. The Company

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<sup>2</sup> Incentives for two evaporative cooling units would also be permitted.

<sup>3</sup> For dealers the concern is customer complaints if they perceive that the air conditioning unit is not performing adequately.

should also continue to evaluate how to increase the acceptance of properly sized air conditioning units.

#### *Inspection and/or Monitoring Time*

The Company proposes to increase from 24 to 36 months the allowable time for it or its agents to inspect and/or install temporary air conditioning monitoring equipment on any qualifying equipment which received a Cool Cash incentive payment. Inspection and/or monitoring are for quality control or program performance evaluations. The Company asserts that the added flexibility of this timing change will allow improved coordination with other program evaluations and help the Company control costs.

Evaluation and monitoring of the various programs offered through Rocky Mountain Power are important aspects of maintaining the cost effectiveness of all demand side management programs. The Committee recognizes that administration and evaluation of the programs, while important, can be costly. Therefore, we support efforts that control costs provided they do not have a negative impact on the evaluation process. Our concern would be that the Program cost effectiveness or anticipated participation levels would be less than anticipated and yet the Program could continue without modification for extended periods of time. The Quantec 2006 Evaporative Cooling and Central Air Conditioning Incentive Program: Evaluation dated August 25, 2007 indicated free ridership levels for both evaporative cooling and central air conditioning equipment were higher than the planning estimates. Further, the actual number of participants in evaporative cooling measures was well below the planned level<sup>4</sup> while the actual participants in the 15+SEER/12.5+ EER measure were over four times the planned participants. While we don't know if this continues to be the case, these are the types of issues that can negatively impact the cost effectiveness of a program. Even with a change in the timeline for inspection and monitoring it remains the Company's responsibility to carefully manage the Program and bring forward recommended modifications in a timely manner.

#### *Elimination of Specific Year Deadline*

The current tariff contains a specific year deadline by which applications for a Cool Cash incentive payment must be received by the Company. Under the Company's proposal Program incentives will remain effective until changes are proposed by the Company and approved by the Commission. This change would eliminate the need for the Company to make annual filings to revise the application deadline. An Application Deadline for each program year would be communicated via the program website and directly to Cool Cash Incentive participating dealers. The change is intended to alleviate dealer concerns regarding the Programs on-going availability and to help influence dealer ordering and stocking energy efficient cooling equipment.

The Committee understands dealers' concerns with stocking equipment for a Program that may or may not continue in subsequent years. We also believe that continuity is important for customers who may be considering their summer cooling needs.

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<sup>4</sup> The exception was Whole House Evaporative with planned participants at five and actual participants were six.

Currently the Company's website for the Cool Cash Incentive Program indicates that the 2008 program has ended and program options for 2009 are under review. Although the Application makes no mention of how dealers and customers will be notified of changes to the Program or its termination we assume such issues would be handled through the same methods as the Application Deadline. However, the Committee believes that the timing of this type of notification is also important. The Company should commit to provide notice to participating dealers and on its website as well as informing customer service representatives a minimum of 30 days prior to equipment or incentive payment changes or termination of the Program.<sup>5</sup> The Company should also commit to pursuing these issues on a reasonable timeline such that program details are determined and available to dealers and customers at the time that they are considering options for summer cooling<sup>6</sup>.

The Company states that Program effectiveness and appropriateness of design will be reviewed annually with the Utah demand side management advisory group. The Committee agrees that annual review of this and other programs should continue. This review should also help with issues regarding inspection and monitoring of the Program.

#### *Cost Effectiveness*

The Cadmus Group, Inc provided the cost effectiveness analysis for the 2009 Program. The Committee did not perform an independent analysis. Cadmus provided cost effectiveness analyses for individual measures. Replacement, New, Premium and Premium Evaporative Cooler w/Ductwork measures all passed the Utility Cost Test and Utah Rate Impact Test. SEER 15+ passed the UCT and URM tests but did not pass the TRC and PCT tests. The Charge and Airflow measure failed all tests on a stand alone basis. The Program in its entirety is cost effective, passing all tests in the Cadmus analysis.<sup>7</sup>

#### Recommendations

The Committee recommends that the Commission approve the proposed changes to the Evaporative Cooling and Central Air Conditioning Incentive Program (Cool Cash Incentive Program) with the following modifications and instructions to the Company:

- 1) The language on Third Revision of Sheet No. 113.3, Filed April 6, 2009 describing the limits on incentives paid to customers should be clarified to more precisely describe the incentive limitations.
- 2) The Company should be required to provide information on the progress of the Program as well as its cost effectiveness on an annual basis to the Utah demand side management advisory group.
- 3) The number of single households receiving multiple incentives should be monitored and results reported to the Utah demand side management

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<sup>5</sup> This notification should inform customers of requested changes prior to Commission approval.

<sup>6</sup> The Committee notes that the decision on this current request is expected before cooling season begins, but might not be soon enough for dealers to have adequately incorporated it into their marketing strategies for the season.

<sup>7</sup> The participant cost test was only included for SEER 15+ central air conditioning.

advisory group no later than March 2010 to evaluate the appropriateness of continuing this measure.

- 4) The Company should be required to provide notification of Program changes or termination to dealers as well as on its website and customer service representatives a minimum of 30 days prior to changes or termination.