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State of Utah
DEPARTMENT OF COMMERCE
Office of Consumer Services

MICHELE BECK
Director

To: The Public Service Commission of Utah

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

Copies To: Rocky Mountain Power
David Taylor, Regulation, Utah
The Division of Public Utilities
Philip Powlick, Director
Artie Powell, Energy Section Manager

Date: July 16, 2009

Subject: Office of Consumer Services' Comments on PacifiCorp's Proposed Revisions to Tariff Schedule 110 ENERGY STAR® New Homes Program – Docket No 09-035-T10. Advice No. 09-09.

1 Background

On June 24, 2009, Rocky Mountain Power (Company) filed proposed tariff revisions with the Public Service Commission (Commission) for the ENERGY STAR® New Homes Program, Schedule 110 (Program). The Company requests an effective date of July 24, 2009 for the revised tariff and that it remain in effect through April 30, 2010.

The Office of Consumer Services (Office) submits the following comments and recommendations regarding the Company's proposed changes to the ENERGY STAR® New Homes tariff.

2 Issues

2.1 Effective date for incentive payments

Although the Company requests an effective date of July 24, 2009 they propose that the incentives be available for measures installed on or after January 1, 2009.

A review of the ENERGY STAR® New Homes Program on Rocky Mountain Power's website includes a link "For Builders". Visitors to the page are informed of program assistance - "valuable FINANCIAL INCENTIVES ($200+ for single-family home and 250+ per multifamily home) for building ENERGY STAR® homes". The initial item on the page indicates that "new and exciting builder incentives are coming soon". A link to these changes lists the following: 1) Increased incentives for tier 1 and tier 3 ENERGY STAR®

160 East 300 South, Suite 200, Box 146782, Salt Lake City, UT 84114-6701• telephone (801) 530-6674 • ocs@utah.gov • *www.ocs.utah.gov*

homes; 2) Increased lighting measure incentives; and 3) Increased multifamily incentives.[1] The Office has been a proponent of advance notice of changes to demand side management (DSM) programs and we appreciate the effort the Company has made in this regard. However, this advance notice presumes that the Commission will approve requested changes. The Commission should require that in the future the Company should publicize proposed changes in terms of *requested* changes rather than as foregone conclusions.

Regarding the Company's request to provide incentives for measures installed on or after January 1, 2009, the Office is concerned that this may create an increased opportunity for free ridership. As justification for the January 1, 2009 date the Company states that this will "provide continuity between the 2008 program and the changes proposed in this filing". While the Office certainly understands the need for continuity of DSM programs we do not believe that the Company has provided sufficient justification to provide incentives for installations that may have been performed as much as six months prior to the requested approval date for incentive changes. It is unclear when (or if) the previous ENERGY STAR® New Homes Program expired and why the Company needed to wait until the summer to get a program in place to cover the first half of the year.

The Office recommends that the Commission suspend the tariff until the Company provides justification for the January 1 installation date. Absent such justification, the Office recommends that the Commission not approve a retroactive start date. A technical conference on this issue may provide a means for all parties to be informed more quickly.

2.2 Cost Effectiveness of Program

The Company's filing included a cost-effectiveness analysis of the residential new construction program which was calculated using Cadmus' Demand Impact and Cost Effectiveness model. Using the 2007 IRP 60% Load Factor Decrement the Program was found to be cost effective under all scenarios[2] except the Utah Rate Impact Test (URIM).[3] A cost-effectiveness test was also performed on some measure categories in the Program. Shell measures passed all tests,[4] air conditioning measures passed all tests except the TRC, lighting measures failed all tests,[5] and dishwashers failed all tests except the PCT at 2.474.

The Office has not made an independent assessment of the cost effectiveness of the Program but relies on the *Utah 2008 Energy Star Home Program Cost Effectiveness* analysis provided by the Company with the tariff filing. If the Division of Public Utilities' (Division) cost-effectiveness analysis leads to a different conclusion the Office may want to offer additional comments and/or recommendations.

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[1] Copies of the reference RMP website pages are attached.

[2] The Program was subjected to the Total Resource Cost Test (PTRC) + conservation adder, the Total Resource Cost Test (TRC) no adder, the Utility Cost Test (UCT), the Utah Rate Impact Test (URIM), and the Participant Cost Test (PCT).

[3] The Benefit/Cost Ratio of the Utah Rate Impact Test was 0.995.

[4] The PCT was deemed to be not applicable.

[5] Again, the PCT was deemed to be not applicable.

2.3 Changes from Current Tariff

The proposed tariff contains a number of revisions to the current tariff; however the Office limits its comments to the following items.

Single family homes (Tiers)

For single family homes, Tiers 1, 2 and 3 the Company proposes changing the requirements for compact fluorescent lamp (CFL) bulbs to be a percentage of total sockets rather than a fixed number. The tariff does not specify that ENERGY STAR® CFLs are required in each tier (it is specified for the "plus measures"). Although the Office supports the move to a percentage of CFLs we are concerned that contractors could acquire and install a significant number of cheap, poor quality CFLs. These CFLs could require replacement long before their expected life and home owners may then view CFLs as inferior products and replace them with incandescent bulbs, thereby altering the cost effectiveness of these measures. The Office therefore recommends that ENERGY STAR® CFLs be required for the Tier Measures as well as for the Plus Measures.

Definition of multi-family units

The Company proposes to redefine the number of contiguous units that qualify as multi-family from six units or greater to five units or greater. The purpose of this change is to reflect typical multi-family construction and to align Rocky Mountain Power's multi-family definition with that of Questar Gas Company's. The Office supports alignment of the two utility DSM programs where appropriate and cost effective.

Plus Measures

Additional incentives are offered under Plus Measures for installation of an ENERGY STAR® dishwasher, lighting upgrade to 90% ENERGY STAR® CFLs[6], and lighting upgrade of an ENERGY STAR® Fixture(s). As indicated above cost benefit analyses were performed on lighting measures[7] and dishwashers as separate measures and they failed all tests. Given the increased interest in DSM programs and the increasing cost to consumers the Office would like to further explore the issue of cost benefit analysis of individual measures and plans to raise the issue at a future DSM Advisory Group meeting. We do not oppose these measures at this time.

3 Recommendations

The Office makes the following recommendations:

1) the Commission should suspend the tariff and require the Company to provide justification for making incentive payments for installations going back to January 1, 2009;

2) the Commission should require that in the future the Company should

[6] Tier 1 only – from base of 50% CFLs.
[7] The Office is uncertain if the lighting measure tests included both CFLs and fixtures or a single category.

publicize proposed changes in terms of *requested* changes; and

3) the tariff should specify that all CFLs must be ENERGY STAR®.