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Division of Public Utilities

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MEMORANDUM

TO: Public Service Commission

FROM: Division of Public Utilities
Philip Powlick, Director
Energy Section
Artie Powell, Energy Manager
Thomas Brill, Technical Consultant
Abdinasir Abdulle, Technical Consultant

DATE: July 12, 2010

RE: Docket No. 10-035-T05. Schedule 111 - Home Energy Savings Program

RECOMMENDATION

The Division of Public Utilities (Division) recommends that the Public Service Commission (Commission) approve Rocky Mountain Power's (RMP or Company) proposed changes in Advice No. 10-05 to the Home Energy Savings Program effective July 18, 2010.

ISSUE

On June 3, 2010, Rocky Mountain Power (Company) filed its proposed changes to its Home Energy Savings program (Schedule 111) along with an economic analysis in support of the proposed changes containing program assumptions and cost-effectiveness test results. The proposed changes consist of changes in incentives and qualifications for certain measures and changes to program administration. The Company has requested approval of these changes effective July 18, 2010.

DISCUSSION

In accordance with the process established in Docket No. 09-035-T05, the Company provided the proposed changes to the DSM Advisory Group for comments and submitted an advice filing that incorporates the Advisory Group's comments. The changes to the program that are proposed in this filing include changes in the incentives levels and qualifications for some measures, as well as changes in the program administration. These proposed changes are discussed below.

The measures for which the Company is proposing changes in the incentive level include attic insulation, windows, HVAC tune ups, and duct sealing. The Company proposed a reduction in the incentive level for the attic insulation and implementation of a two-tiered incentive structure for both the electrically cooled and electrically heated homes. The first tier is for those customers with electrically cooled or heated homes with an existing level of attic insulation of R-20 or less who add a minimum of R-19 attic insulation. For these customers the incentive level will be reduced from its current level of \$0.20 / square foot to \$0.08 / square foot. The second tier, which is new to the program, is for those customers with electrically cooled or heated homes with existing level of attic insulation of R-20 or less who add a minimum of R-30 attic insulation. The incentive level for these customers will be \$0.15 / square foot. The proposed two-tier incentive structure is a result of a concern expressed by the DSM Advisory Group regarding the current single-level incentive for attic insulation. According to the Company, the reduction in the incentive level for the first tier was necessitated by the fact that the installed cost of the attic insulation declined from \$0.71 to \$0.40 since the advice filing for Schedule 111. The Division reviewed web sites for insulation contractors and found that they are claiming to install attic insulation for no cost to the customer¹.

The Division believes that since the installed cost of the attic insulation decreased considerably, the combined incentives from Rocky Mountain Power and Questar will result in the customers

¹ An example web site is <http://www.kellysinsulation.com/no-cost-insulation/common-questions>

not contributing to the installed cost of the attic insulation. To assure customer cost participation, the Division agrees with the Company that incentives for the attic insulation need to be reduced.

Other changes include an upgrade of the windows specifications, lighting specifications and wattage requirements, lighting fixture requirements, clothes washer specifications, clothes washer recycling incentive payment process, dishwasher program eligibility standard and availability, water heater specification, HVAC tune-up specification and categories, and duct sealing specification. For windows measure, the Company also proposed a reduction in the incentive level. The magnitude of the reduction is equal to half of the incremental cost (from \$0.95 to \$0.50 / square foot) of the improved windows. Similarly, the Company proposed either an increase in incentives or new incentives for the lighting measures. Specific explanations of the above specification changes are outlined in the Company's June 3, 2010 filing.

The Company proposes to discontinue the room air conditioner recycling program. This program has fallen significantly short of expectations, apparently due to lack of interest from retailers and licensed recyclers, as well as disposal facilities. This lack of interest is attributed to a lack of affordable and economic pricing. The Division believes that, in the face of lack of retailer interest and recyclers, the discontinuation of this measure is reasonable.

The Division noted in the Third Revision of Sheet No. 111.2, under item 5 of Provision of Service, "include" should be changed to "including."

The Division has reviewed the cost-effectiveness tests of the program with the proposed changes. The Division found that the program with the proposed changes remains cost-effective from utility, total resource and participant perspectives. Therefore, the Division recommends the Commission approve the proposed changes to the Schedule 111 effective July 18, 2010.

CC: Michele Beck, OCS

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