



recycling, dishwashers, and room air conditioners and room air conditioner recycling. The Company also proposes modifications to streamline Program administration and the time period during which a customer must submit an incentive application subsequent to a Commission-approved Program change.

Based on the assumptions used in the economic analysis, the Company maintains the Program is cost effective in terms of the Total Resource Cost (“TRC”) Test, the Utility Cost (“UC”) Test, and the Participant Cost (“PC”) Test. However, the benefit cost ratio for the Ratepayer Impact Measure (“RIM”) Test is less than one. Further, the Company indicates certain individual measures do not pass various cost effective tests if viewed in isolation but add to the value of the package of measures.

The Division states it has reviewed the cost-effectiveness tests of the Program with the proposed changes and found it to be cost-effective from the UC, TRC and PC tests. Therefore the Division recommends the Commission approve the proposed changes to Schedule 111, effective July 18, 2010. The Office recommends the Commission approve the tariff revisions except as indicated below. The following provides an explanation of each program modification and associated specific comments.

**1. Insulation**

The Company proposes the following changes to the Program attic insulation measure:

<b>Proposed Attic Insulation Measure Incentives</b>		
<b>Qualification</b>	<b>Current Incentive</b>	<b>Proposed Incentive</b>
Existing R-20 or less, add minimum R-19 -- electrically cooled homes, final insulation level is R-38 or greater	\$0.20/ square foot	\$0.08/square foot
Existing R-20 or less, add minimum R-30 -- electrically cooled homes, final insulation level is R-38 or greater	Not available	\$0.15/square foot
Existing R-20 or less, add minimum R-19 -- electrically heated homes, final insulation level is R-38 or greater	\$0.30/ square foot	\$0.30/square foot
Existing R-20 or less, add minimum R-30 -- electrically heated homes, final insulation level is R-38 or greater	Not available	\$0.40/square foot
Additional incentive for installing two or more insulation measures (attic plus wall or floor) at same time	Not available	\$200

The Company's asserts its proposed modifications to the Program attic insulation measure reflect current market conditions. The Company explains the insulation market has continued to evolve after the Commission approved modifications to its and Questar Gas Company's ("Questar") energy efficiency program insulation incentives in 2009.<sup>1</sup> Significant competition among insulation contractors continues to exist which again has driven the per square foot installed cost of insulation down to levels equal to the combined Company/Questar incentive for gas-heated and electrically-cooled homes. In addition, a federal tax credit for residential energy efficiency measures installed in 2010 is available.

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<sup>1</sup> See Docket No. 09-035-T04, "In the Matter of: The purpose of this filing is to propose changes to the Company's Home Energy Savings program offered through Schedule 111."

The Company indicates it uses a market-based approach for administering the insulation measures which relies on customers to make the final procurement decision with respect to contractor selection. To the degree a customer is not required to make a personal investment, the Company maintains the incentive to evaluate options and monitor performance is jeopardized. In addition, the incentives associated with the installation of insulation were never intended to offset the entire cost incurred by a customer. Rather, where feasible, the Company seeks to establish incentives that are sufficient to stimulate the market while requiring financial participation by participating customers.

In addition, the Company's proposed modifications to the insulation measure address concerns with the current single level incentive for attic insulation. In order to encourage customers to install greater levels of insulation, the Company is proposing a tiered incentive structure which offers a higher incentive for customers who add R-30. Also, in order to encourage program participation, the Company proposes to offer an additional \$200 incentive to customers who install at least two insulation measures at the same time. Under either tier, the final insulation level after installation must be at R-38 or greater which is in alignment with current residential code requirements. When determining the cost effectiveness of a proposal the Company applied a realization rate of 74.5 percent and revised the insulation measure life from 45 years to 30 years.

The Division indicates the proposed two-tier incentive structure proposed by the Company is the result of a concern expressed by the Demand Side Management ("DSM") Advisory Group regarding the current single-level incentive for attic insulation. In addition, the

Division has reviewed various insulation contractor web sites and found that they are claiming to install attic insulation at no cost to the customer. To assure customer cost participation, the Division agrees incentives for attic insulation need to be reduced.

The Office supports the Company's proposal encouraging customers to install two or more insulation measures at the same time as well as the recommended requirement for attic insulation to meet current code. In addition, the Office supports the proposed change to the insulation measure life used in the analysis and recommends the Company continue to monitor the Program insulation measure and, if necessary, make appropriate recommendations for further modifications.

The Commission received one public comment from a licensed contractor whose workers are covered by Workers Compensation and unemployment insurance. This contractor maintains there may be several unintended consequences if the Company's proposed insulation incentives modifications are approved. The unintended consequences include the continued loss of larger legitimate insulation contractors due to lack of profit, and the lack of opportunities for lower income people to participate in the Home Energy Savings Program. This contractor proposes the development of an in-depth qualification process for participating contractors and, leaving the rebate at \$0.20 per square foot. Alternatively, this contractor proposes the creations of a tiered system where \$0.20/square foot would be paid for installing R-30 insulation and a slightly lesser amount for the current R-19 requirement. This contractor maintains these changes would result in limiting loss rather than cutting costs.

**2. Windows**

The Company proposes the following changes to the Program window measure:

<b>Proposed Window Measure</b>	
<b>Existing Measure</b>	<b>Proposed Measure</b>
U-Factor of 0.35 or lower Solar SHGC of 0.33 or lower \$0.95/square foot	U-Factor of 0.30 or lower Solar SHGC of 0.30 or lower Limit to homes with electric cooling \$0.50/square foot

The Company maintains these changes are intended to align this Program measure with the federal Residential Energy Property Credit requirements. In addition, the proposed U-Factor requirement aligns with the revised 2010 draft criteria for Energy Star Windows. Further, this change is designed to sustain momentum for the “0.30 class” window market after the federal tax credit expires at the end of 2010. The Company indicates the proposed incentive of \$0.50 per square foot covers half of the incremental cost of this higher efficiency window. Finally, the Company proposes a customer must have electric cooling to be eligible for incentives under this measure. Again, as in the case of insulation, the Company maintains the incentives associated with the installation of windows are not designed to offset the entire cost incurred by a customer, rather, where feasible, the Company seeks to establish incentives sufficient to stimulate the market while requiring financial participation by participating customers.

The Office does not oppose the proposed change however recommends this measure should be monitored to determine if a higher incentive level is necessary to achieve participation goals while still maintaining the cost effectiveness test.

**3. Lighting**

The Company proposes the following changes to the Program lighting measure:

<b>Proposed Lighting Measure</b>		
Qualifications	Existing Measure	Proposed Measure
Compact florescent lamp (CFL) Screw-in, 14W, 16W, and 23W Energy Star qualified	CFLs available for \$1.49 (or less) at selected retailers – available from October 1 to March 31	Included in screw in bare spiral category below.
Compact fluorescent lamp (CFL) Screw-in (Bare Spiral) Energy Star qualified	Not available	CFLs available for \$2.50 (or less) at selected retailers - available year round
Specialty Compact fluorescent lamp (CFL) Screw-in (CFL Candelabra, Cold Cathode) Energy Star qualified	Not available	CFLs available for \$6.00 (or less) at selected retailers - available year round
Specialty Compact fluorescent lamp (CFL) Screw-in (Globe, Reflector, 3-Way, A-Lamp, Outdoor Lamp) Energy Star qualified	Not available	CFLs available for \$8.00 (or less) at selected retailers - available year round
Specialty Compact fluorescent lamp (CFL) Screw-in (Dimmable) Energy Star qualified	Not available	CFLs available for \$14.00 (or less) at selected retailers - available year round

The Company indicates the Program lighting measure, which is based on providing incentives for compact fluorescent lamps (“CFL”) via a retail price point buy-down model, has been unchanged since its introduction in 2006. In addition, the lighting market has changed since the inception of the CFL measure due to increased sales and installation of basic CFLs and the advancing federal lighting standards contained in the 2007 Energy Independence and Security Act. The Company’s proposed modifications are designed to increase residential

lighting energy savings acquired by expanding the measure to include advanced/specialty lighting products for which incandescent bulbs remain a credible alternative.

The Company also proposes to make the CFL offering available year round and to remove references to specified wattages. The year round measure is designed to align the Company's lighting offer with the changes in the retailer stocking practices and to respond to manufacturer and retail requests for continuity. In addition it is intended to reinforce the customer message that efficient lighting is widely available and competitively priced and is not tied to seasonal campaigns or promotions. The Company has taken a conservative approach to the economic analysis for this measure by reducing the measure life from 9 (as used in the previous economic analysis) to 5 years. The Company also applied a realization rate of 97 percent for this measure.

The Office agrees this measure should be available year round. In addition, the Office believes offering incentives for more specialty-type CFLs may result in market movement similar to what has occurred with regular CFLs. The Office states the Company has indicated selected retailers do not necessarily carry all CFL categories and suggests difficulty in obtaining desired products may result in fewer savings than anticipated. The Office recommends in future reports the Company should provide information regarding the availability of these products from their selected retailers.

#### **4. Light Fixtures**

To better align the tariff provisions with the design intent of this Program measure the Company proposes adding the requirement that a light is "hardwired." The

Company explains incentives for the light fixture measure are based on cost, energy savings and measure life for a light fixture which is permanently attached to a residence -- not for plug in lamps whose cost, energy savings and measure life are different. The Company does not propose to change this measure incentive.

No specific comments were provided addressing this Program measure.

**5. Clothes Washers**

The Company proposes the following changes to the Program clothes washer measure:

<b>Proposed Clothes Washer Measure</b>	
<b>Existing Measure</b>	<b>Proposed Measure</b>
MEF (Modified Energy Factor) 1.72-1.99 - \$50 incentive	MEF 2.0-2.45 and water factor 6.0 and below; limit to homes with electric water heat - \$50 incentive
MEF 2.0+ - \$75 incentive	MEF 2.46+, limit to homes with electric water heat - \$75 incentive

The Company's proposed changes are based on a comprehensive review of the clothes washer measure activity in Utah which indicates customers are purchasing clothes washers at the higher end of the current Modified Energy Factor (MEF) scale, gas water heating and electric dryer fuel is the dominant configuration, and many utilities and regional experts are advancing their program baselines beyond the current federal MEF standards of 1.26 in their planning and evaluation of clothes washer measures. Based upon this review the Company also proposes to restrict clothes washer incentives to units served by electric water heating equipment

in order to reflect the decreasing incremental savings and maintain cost effectiveness of the clothes washer measure. Further, Company proposes to add a water factor<sup>2</sup> rating of 6.0 and below for the lower tier. The Office does not object to these modifications.

**6. Clothes Washer Recycling**

The Company proposes to streamline the procedure by which the \$25 clothes washer recycling rebate is issued. This will be accomplished by replacing the present clothes washer recycling rebate application requirement with a process where incentives will be sent to retailers when they provide documentation verifying that an old washing machine, which has been replaced by a washing machine eligible for the Program clothes washer incentive, has been recycled. The Company expects streamlining the retailer incentive process will encourage additional retailers to participate in this measure. The Office does not object to these modifications.

**7. Dishwashers**

The Company proposes the following changes to the Program dishwasher measure:

<b>Proposed Dishwasher Measure</b>	
<b>Existing Measure</b>	<b>Proposed Measure</b>
Energy Star qualified - \$20 incentive	$\geq 0.72$ energy factor (EF), limit to homes with electric water heat - \$20 incentive

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<sup>2</sup>A water factor is the number of gallons needed for each cubic foot of laundry. The lower the water factor, the more efficient the washer is.

The Company indicates, based on the new federal standards for dishwashers which became effective in January 2010, the cost effectiveness of this measure will be negatively affected if the Energy Star standard remains the incentive qualification for this measure. The Company proposes modifying the requirement from “Energy Star Qualified” to dishwashers having an energy factor of 0.72 or higher, which aligns with the Consortium for Energy Efficiency Tier 1. As the new baseline represents a higher efficiency dishwasher, fewer savings are made available by each unit. As such, the Company proposes to limit the availability of this measure to homes utilizing electric water heating. The Office does not object to these modifications.

**8. Room Air Conditioners**

The Company proposes to extend the room air conditioning measure from an April 1st through August 30th offering to a year round offering in order to improve measure participation and streamline program administration. The Company is not proposing a change to the incentive for this measure. The Office does not object to these modifications.

**9. Room Air Conditioner Recycling**

The Company proposes to discontinue the Program room air conditioning recycling measure. Currently an incentive is offered to Program customers who recycle an old room air conditioning unit at a “turn-in” event after purchasing a Program qualifying room air conditioner. This proposed change reflects the lack of retailer interest and the availability of recyclers with the appropriate licensing and access to disposal facilities to deliver recycling

services for turn-in events at an affordable price. These factors have led to a lower participation rate for this measure than expected.

The Division suggests discontinuation of this measure is reasonable based upon the lack of interest from retailers, licensed recyclers, and disposal facilities. The Office does not object to this Program modification.

**10. Water Heaters**

The Company proposes the following changes to the Program water heaters measure:

<b>Proposed Electric Water Heater Measure</b>	
<b>Existing Measure</b>	<b>Proposed Measure</b>
$\geq 40$ gallon tank $\geq .93$ Energy Factor (EF) \$50 incentive	40 - 49 gallon tank $\geq .93$ Energy Factor (EF) \$50 incentive
	50 - 65 gallon tank $\geq .91$ Energy Factor (EF) \$50 incentive
	$\geq 66$ gallon tank $\geq .89$ Energy Factor (EF) \$50 incentive

The Company's proposed modification reflects the fact that large water heating tanks meeting the current 0.93 requirement are not widely available and most participation to date has been in the smaller tank sizes. In recognition of the savings available from upgrades in large tank sizes, the Company proposes to adopt three separate energy factor requirements representing the three most common electric water heater tank sizes. The Company maintains this change should help provide a clearer message to the retail suppliers and plumbing

contractors about efficient options that are eligible for incentives. The Office does not object to these modifications.

**11. HVAC Tune-Ups**

The Company proposes the following changes to the Program HVAC Tune-Ups measure:

<b>Table 7</b>	
<b>Proposed HVAC Measure</b>	
<b>Existing Measure</b>	<b>Proposed Measure</b>
AC or heat pump tune-up \$100 customer incentive \$25 contractor incentive Year round offer Contractor required	AC tune-up \$20 customer incentive \$0 contractor incentive Year round offer Contractor required
	Heat pump tune-up \$75 customer incentive \$25 contractor incentive Year round offer Contractor required

The Company explains that savings estimates for this measure are based on a weighted average of unit size. During 2009 a few contractors entered the market and began marketing this measure on a volume basis. Program results indicate that measure participation has been the highest at multi-family sites, which typically utilize smaller units than the average Utah Home. The Company asserts larger than anticipated measure participation by multi-family sites have weighted this measure's energy savings downward such that adjustments to the measure are necessary to maintain cost effectiveness. In addition, the presence of new high volume contractors has introduced some uncertainty regarding the actual costs of providing tune-up services. To account for this the Company now proposes to split the combined air

conditioner and heat pump tune up measure into equipment specific categories. The Company also proposes to adjust the customer and contractor incentives to align with the available savings from the air conditioning and heat pump units.

The Office observes the HVAC tune-ups could become a volume business similar to what has occurred in attic insulation. To avoid potential problems the Office recommends the Company continue to monitor this measure and supports its proposed adjustments.

The Commission received one public comment on this matter from a local energy audit, window, insulation and HVAC company (HVAC Company). The HVAC Company asserted he was notified only the previous week of a meeting to discuss changes to the Program. The HVAC Company explained it has been under contract with local landlords to conduct A/C tune ups using this program for two months and with the Company's proposed effective date, it now has only seven days to complete 3 months of work on over 3,000 units. The HVAC Company maintains the revised program incentive will be insufficient to cover its costs. In addition, landlords are unwilling to pay the difference between the incentive cost and the actual cost of the tuneup as the landlords do not pay the utility bills. The HVAC Company maintained the last time it experienced a similar reduction (i.e., for insulation) the Commission required 45-60 days notice for the change to properly be communicated to contractors and customers. The HVAC Company indicated the Program conducted a "program certification training" on June 9, 2010 (five days after the Company submitted a new tariff proposal). Not only was there a fee associated with this training, but the HVAC Company has spent thousands of dollars on testing equipment to conduct these tune-ups.

**12. Duct Sealing and Duct Insulation**

The Company proposes the following changes to the Program duct sealing and duct insulation measure:

<b>Table 8</b>	
<b>Proposed Duct Sealing and Duct Insulation Measure</b>	
<b>Existing Measure</b>	<b>Proposed Measure</b>
Duct sealing - electric heating or cooling - \$150 customer incentive - \$50 contractor incentive	Duct sealing and insulation - electric heating only - \$300 customer incentive - \$50 contractor incentive
Duct insulation - electric heating or cooling - \$75 customer incentive - \$25 contractor incentive	Duct sealing and insulation - electric cooling only - \$150 customer incentive - \$50 contractor incentive

The Company proposes to combine the duct sealing and duct insulation measures into one in order to promote practices, achieve greater assurance of the quality of work being performed and ensure that savings from both sealing and insulation are acquired at the same time. The Company also proposes to offer separate incentives for the combined measure for homes with electric cooling and those with electric heating, as the potential savings between these two configurations varies. As the revised savings estimates show greater savings from the electric heating configurations, the Company proposes to increase the customer incentive for electric heating over the current combined sealing and insulation incentives available for electric heating and electric cooling configurations. The Office does not object to these modifications.

**13. Administrative Changes - Time for Processing Prior Offers**

The Company proposes to revise Schedule 111 Provision of Service No. 5 to provide customers a 90 day window to request an incentive, rather than the current 45-day

window, after a program measure has changed. In contrast, Schedule 111 Provision of Service No. 7 establishes a 90 day window for customers to submit an incentive application absent any programs changes and this 90 day requirement is included in the current program incentive applications. As opposed to modifying the Schedule 111 Provision of Service language to provide additional clarity around the two different time periods for application submittal, the Company proposes to operate the program with a 90-day window for both conditions to minimize customer confusion and simplify program administration.

The Company also seeks an interpretation from the Commission regarding the strict application of the 90-day requirement for receipt of incentive applications and whether reasonable exceptions to the 90-day period are acceptable on a case by case basis.

The Division notes on Sheet No. 111.2, item 5 “Provision of Service” include should be changed from “include” to “including.”

The Office believes the revised language in Provision No. 5 is unclear. The Office indicates it appears the Company will have a minimum of 90 days to process offers they have received but if the intent is to give customers a 90 day grace period to submit the incentive application the language needs to be clarified. The Office is also concerned with the inclusion of the word “minimum” if it is intended to apply to the submittal of incentive applications. This is too open-ended and could lead to arguments regarding deadlines and payments to customers.

### **DISCUSSION, FINDINGS, AND CONCLUSIONS**

All of the measures addressed by the Program under review here have been designed as part of an overall effort towards encouraging energy-saving measures and practices.

These measures have been valuable in increasing overall energy awareness and energy savings. While the Company indicates the program as a whole passes the TRC, UC and PC tests, we note that several measures within the Program do not. For these Program measures we agree with the Office that the Company should be actively monitoring these measures and propose Program changes, if necessary, to address these measures. We also recognize the Company will shortly be filing its process and impact evaluation for the Home Energy Savings Program which will provide further information to interested parties and the DSM Advisory Group regarding whether or not additional changes should be made to the various measures with the Program.

Based upon our review above of the thirteen Program measure changes proposed by the Company only three require further discussion, namely the Program insulation and HVAC tune-up measures and the Company's proposed Program administration change. The Company presents convincing information that the Program insulation measure must again be modified to reflect current market conditions. We agree that to the degree a customer is not required to make a personal investment the incentive to evaluate options and monitor performance is jeopardized. In addition, the incentives associated with the installation of insulation are not designed to offset the entire cost incurred by a customer. Both the Division and the Office support this change.

Based upon the Company's explanation, we agree with the Company's proposed changes to the Program insulation measure. However, consistent with our order in Docket No. 09-035-T04, we conclude that providing additional time for contractors to adjust to this change and fulfill previous commitments is warranted. Therefore, we approve the Program insulation

measure changes with the exception of the effective date which we determine to be September 1, 2010.

The Company presents compelling information regarding the discrepancies between the savings estimates for this measure based on a weighted average of unit size and the actual program results indicating that measure participation has been highest at multi-family sites, which typically utilize smaller units than the average Utah home. The higher-than-anticipated participation rate at multi-family sites has weighted this measure's energy savings downward such that adjustments to the measure are necessary to maintain cost effectiveness. The Office points out HVAC tune-ups could become a volume business similar to what has occurred in insulation.

Based upon the Company's explanation, we agree with the Company's proposed changes to the Program HVAC measure. However, consistent with our order in Docket No. 09-035-T04, and based upon the comment filed, we conclude that providing additional time for contractors to adjust to this change and fulfill previous commitments is warranted. Therefore we approve the Program HVAC measure changes with the exception of the effective date which we determine to be September 1, 2010.

Regarding the Company's proposed changes to Provisions of Service 5, we agree with the Office that the wording is unclear. In addition, while we agree with the Company's stated intent to provide customers a 90-day window to request an incentive after a Program measure has changed, rather than the current 45-day window, we find the proposed wording change does not reflect that intent. Rather we find the following wording for Provision of

Service 5 more appropriate: “Changes to incentive offer availability, incentive levels and qualifying Equipment or Services will become effective a minimum of 45 days after being filed with the Public Service Commission of Utah, subject to Commission order. Changes will be prominently displayed on the program website and will be communicated at least once to retailers who have participated in the program within one year preceding the date of the change.”

With this change, all customers regardless of the Program measure and whether or not it has changed, will have 90 days after the date of purchase, as provided for in Provisions of Service 7, to submit a complete post-purchase application and request an incentive.

Regarding the Company’s request for an interpretation regarding the strict application of the 90-day requirement for receipt of incentive applications and whether reasonable exceptions to the 90-day period are acceptable on a case by case basis. We recognize there could be instances, such as being called for immediate military duty or other public service or the occurrence of an emergency or extended medical problem, where an extension for submittal of an incentive application may be appropriate. That being said, these types of exceptions are reasonable so long as the exception documented in writing and attested to by the customer’s senior military/public service official, or medical provider and is verifiable. The extent to which exceptions are provided shall be a topic of discussion for the DSM Advisory Group to determine if this issue requires further attention.

Based upon the information provided by the Company, as supported by the comments of the Division and Office, we approve the remaining Program measure changes. However, consistent with our decisions above regarding the insulation and HVAC Program

measure and to avoid confusion we approve these Program measure changes with an effective date of September 1, 2010.

ORDER

Therefore the Commission orders as follows:

1. All proposed Program measure changes are approved with an effective date of September 1, 2010.
2. The deadline for submission of completed rebate applications is 90 days after the date of purchase.
3. The wording to Provisions of Service 5 shall be modified as provided herein. The DSM Advisory Group shall review this change to determine if Provisions of Service 5 requires further revision.
4. The DSM Advisory Group shall review the extent to which exceptions to the 90-day post purchase filing date are provided and if this issue requires further attention.
5. The Company shall file revised tariff sheets reflecting these changes within one week of the date of this Order and the Division shall review these revised tariff pages within one week of the Company's filing.

This Report and Order constitutes final agency action on the Company's June 3, 2010 Application. Pursuant to Sections 63G-4-301 and 54-7-15 of the Utah Code, an aggrieved party may request agency review or rehearing of this Order by filing a written request with the Commission within 30 days after the issuance of this Order. Responses to a request for agency

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review or rehearing must be filed within 15 days of the filing of the request for review or rehearing. If the Commission does not grant a request for review or rehearing within 20 days after the filing of the request, it is deemed denied. Judicial review of the Commission's final agency action may be obtained by filing a petition for review with the Utah Supreme Court within 30 days after final agency action. Any petition for review must comply with the requirements of Sections 63G-4-401 and 63G-4-403 of the Utah Code and the Utah Rules of Appellate Procedure.

DATED at Salt Lake City, Utah this 19<sup>th</sup> day of July, 2010.

/s/ Ted Boyer, Chairman

/s/ Ric Campbell, Commissioner

/s/ Ron Allen, Commissioner

Attest:

/s/ Julie Orchard  
Commission Secretary

G#67672