- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of the Utah Demand-Side Management Annual Report for 2010	)))))	DOCKET NO. 11-035-74 REPORT AND ORDER

ISSUED: July 14, 2011

SYNOPSIS

The Commission acknowledges Rocky Mountain Power's 2010 Annual Energy Efficiency and Peak Reduction Report – Utah. The Commission directs Rocky Mountain Power to provide an addendum filing clarifying report elements.

By The Commission:

In our October 7, 2009, Order in Docket No. 09-035-27[1] we directed PacifiCorp ("Company"), doing business in Utah as Rocky Mountain Power, to file an annual report detailing the Company's yearly demand-side management ("DSM") activities in the state of Utah. Further, we directed the Company to file the report by March 31 of each year. On December 21, 2009, we issued a subsequent order in Docket No. 09-035-27 approving this report's content and format.

On March 31, 2011, the Company filed notice requesting the Commission extend the report filing date from March 31, 2011, to April 7, 2011, as its demand-side management ("DSM") annual report for 2010 was incomplete. The Commission granted this request and on April 7, 2011, the Company filed its "2010 Annual Energy Efficiency and Peak Reduction Report – Utah" ("Report"). On April 12, 2011, the Commission issued an Action Request to the

[1] Docket No. 09-035-27, In the Matter of the Proposed Revision to the Utah Demand Side Resource Program Performance Standards Pursuant to Commission Order in Docket No. 07-035-T04.

Division of Public Utilities ("Division") seeking comments on the Report. On May 12, 2011, the Commission received comments on the Report from both the Division and the Office of Consumer Services ("Office").

The Report summarizes the Company's DSM program activities and trends for the reporting period of January 1, 2010, through December 31, 2010. The Report provides cost effectiveness results utilizing the five cost effectiveness tests as adopted in our October 7, 2009, Order. These are: 1) the Utility Cost test[2] which evaluates the effect of the demand side resource acquisition on revenue requirements and, hence, on average bills, relative to an alternative supply side resource; 2) the Total Resource Cost test which evaluates the impact of the demand side resource on the total costs of providing energy services to the average ratepayer; 3) the PacifiCorp Total Resource Cost test which includes a 10 percent adder to the Company's avoided costs to account for the costs and benefits of supplemental funding for the demand side resource; 4) the Ratepayer Impact Measure test which indicates the direction and magnitude of the expected change in average rates; and 5) the Participant Cost test which evaluates benefits and costs from the participant's perspective.

The Report provides cost effectiveness results at several levels. These levels are: 1) the overall portfolio level where cost effectiveness is calculated for all programs[3] combined; 2) the individual resource type level where cost effectiveness is calculated separately for all the load management programs and all the energy efficiency programs; 3) the customer sector level

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[2] At a minimum, all Utah DSM programs must pass the Utility Cost test to be approved.

[3] The DSM programs are categorized as follows. ***Load Management Programs:*** Cool Keeper; and Irrigation Load Control. ***Energy Efficiency, Residential Programs:*** Low Income Weatherization; Cool Cash; Energy Star New Homes; Refrigerator Recycling; and Home Energy Savings. ***Energy Efficiency, Commercial and Industrial Programs:*** Energy FinAnswer; FinAnswer Express; Recommissioning; and Self Direction. ***Outreach and Communication Programs:*** Power Forward; and the Outreach and Communication Campaign.

where cost effectiveness is calculated separately for all residential energy efficiency programs and all non-residential energy efficiency programs; 4) the individual program level; and 5) the individual measure level within individual programs. In addition, the Report includes information comparing 2010 program performance at designated levels to corresponding forecasts.

The Report provides the Company's plans to evaluate program design and to determine if modifications are needed and includes a schedule showing when evaluations will be conducted and completed for each DSM program. The Report also provides a chronology of DSM Advisory Group meetings held in 2010, discusses public outreach and communications efforts, and lists the Company's 2010 DSM program filings with the Commission.

The Report shows an estimated 209.3 megawatt capacity savings in 2010 from DSM-related load management and energy efficiency programs. The Report states the Company realized an approximate 11 percent increase in load management program participation between 2009 and 2010 resulting in a cumulative total of approximately 172.8 megawatts of load under management. This outcome exceeded the Company's 171.0 megawatt target for 2010. Loads under management increased 7 percent for the Cool Keeper program and 17 percent for the Irrigation Load Control program during 2010.

The Report also shows an estimated 36.5 megawatt capacity savings from 2010 energy efficiency programs and about 218,755 megawatt hours of first-year energy savings. While this outcome exceeds the 197,535 megawatt hour target for 2010, first-year energy savings between 2009 and 2010 decreased by 12 percent. The Company attributes this decline to a decrease in 2010 compact fluorescent lighting activity between the two years. According to the

Report, estimated lifetime energy savings from 2010 energy efficiency acquisitions totals approximately 2.5 million megawatt hours.

For all DSM programs combined, all of the five cost effectiveness tests are passed. According to the Company, the overall portfolio generated more than $90 million in net utility cost benefits and more than $91 million in net benefits as measured by the Total Resource Cost test. The Report also states all individual programs achieved a Utility Cost test benefit cost ratio of at least 1.0.

The Report also indicates the DSM tariff rider balancing account had a balance of about $28.4 million at the end of 2009 which was “unfunded” or owed to the Company by customers. During 2010, the Company collected about $73.8 million in revenue from customers and incurred about $47.6 million in overall program costs and carrying charges. The Company states overall program expenditures decreased by 15 percent between 2009 and 2010 and the DSM tariff rider balancing account showed customers owed the Company a balance of $2.2 million at year end.

PARTY COMMENTS

The Division recommends the Commission acknowledge the Report as compliant with the reporting guidelines ordered in Docket No. 09-035-27. The Division contends the Company followed Commission-approved content and format in preparation of the Report.

According to the Division, the Report shows all portfolios and programs passed the Utility Cost test. The Division also notes the reported failure of any individual residential energy efficiency program to achieve a cost effective score under the Ratepayer Impact Measure test.

The Division verifies that the accumulated DSM Cost Adjustment tariff rider Schedule 193 account had an unfunded balance of $28.4 million at the beginning of 2010 which decreased to $2.2 million still owed to the Company at the end of the calendar year. The Division notes continuance of this downward trend in account collections could lead to over-collection in subsequent years. However, with the recent reduction in the Schedule 193 collection rate from 4.5 percent to 3.7 percent,[4] the Division does not perceive the 2010 under-collection as a problem which needs to be addressed.

The Office finds the Company's Report generally adheres to the format ordered by the Commission in Docket 09-035-27. However, the Office expresses concern the Report does not contain two items ordered by the Commission. First, the Report's Executive Summary does not include an estimate of capacity savings at the time of system peak resulting from energy efficiency programs. Secondly, the Report does not clearly indicate if reported energy savings calculations are ex-ante (estimated) or ex-post (verified) figures. According to the Office, the Report's appendix identifies ex-ante and ex-post results for some programs but states this information is lacking for others, including:

- Irrigation Load Control (Schedule 96 & 96A);
- Cool Keeper (Schedule 114);
- Low Income Weatherization (Schedule 118);
- Energy FinAnswer (Schedule 125);
- FinAnswer Express (Schedule 115);
- Recommissioning (Schedule 126); and
- Self Direction (Schedule 192)

[4] See Docket No. 10-035-T14, Commission correspondence to Company dated December 21, 2010, approving a proposed reduction to the Schedule 193 ("DSM Tariff Rider") collection rate.

The Office disputes the Report's conclusion on page 8 stating all programs within the DSM program portfolio were cost effective in 2010. According to the Office, the Report shows the Energy Star New Homes program has a Utility Cost test ratio of 0.918, which is less than the required threshold level of 1.0. The Office believes this apparently erroneous conclusion is the result of the carryover of language from last year's report. However, the Office notes the Company has taken steps to make this program cost effective, and recommends in the future, the Company better communicate cost effectiveness results to alleviate confusion.

Regarding Report formatting, the Office claims there are summary graphs located on Report pages 48 through 50 which are not aligned with any particular chapter. Lastly, the Office notes the Report shows the DSM Advisory Group met three times during the first quarter of 2010 but did not meet for the remainder of the year. The Office is concerned the DSM Advisory Group isn't meeting sufficiently to perform its designed purpose.

The Office recommends the Commission order the Company to revise the report and include the following required information: 1) an estimate of megawatt savings at the time of system peak corresponding to the megawatt-hour savings for energy efficiency programs; and 2) identify estimated energy savings calculations on either an ex-ante or ex-post basis for the programs cited in the Discussion section.

The Office recommends the Company correct page 8 of the Report to accurately reflect reported program cost effectiveness. The Office also recommends the Company consider moving the summary graphs on pages 48 through 50 to the executive summary section, and include a brief explanation of their significance. Finally, the Office recommends the

Commission order the Company to convene DSM Advisory Group meetings on at least a quarterly basis to allow this group to provide more meaningful feedback on related issues.

DISCUSSION, FINDINGS, AND CONCLUSIONS

The Division and the Office conclude the Report generally conforms to the format of our order in Docket 09-035-27. We concur with this assessment. Therefore, we acknowledge the Report as being in compliance with the Commission Order in Docket No. 09-035-27 and commend the Company for their efforts in generating the report. However, we direct the Company to clarify the following Report elements.

In our October 7, 2009, Order, we stated we were interested in ensuring utility-sponsored DSM programs produce the intended net benefits for ratepayers and emphasized the need for the evaluation of verified energy savings. We defined the term “reported” to include both ex-post (verified) energy savings and ex-ante (estimated) energy savings. We are concerned the Report identifies reported energy savings as either ex-ante or ex-post for some programs but does not provide such clarity for other programs. We direct the Company to file a follow-up addendum to the Report which clarifies whether energy savings for each program discussed in the Report are either ex-ante or ex-post. In future DSM annual report filings, we direct the Company to clearly state for each program and measure whether all reported savings are ex-post or ex-ante.

In this addendum filing we also direct the Company to clarify explicitly and clearly whether the reported megawatt savings from energy efficiency programs, as summarized in Report Tables 1 and 2 on pages 5 and 6, occurs at the time of system peak or to otherwise explain how the megawatt savings values are determined.

We also note the Report's conclusion on page 8 stating all programs pass the Utility Cost test is incorrect since the Report also shows a Utility Cost test result for the 2010 Energy Star New Homes program of 0.918, a value less than the minimum cost effectiveness threshold of 1.0. The Company has elsewhere acknowledged this program failed the Utility Cost Test threshold in 2010. We addressed this issue in our May 19, 2011, Order in Docket No. 11-035-T04 approving the Company's proposed changes which were designed to help this program achieve cost effectiveness. We simply require the company to include in its addendum filing language removing the reference to "all programs" passing the Cost effectiveness tests in the Report. In future DSM annual report filings, we direct the Company to more accurately and clearly report cost effectiveness results to avoid confusion.

ORDER

The Commission acknowledges the "2010 Annual Energy Efficiency and Peak Reduction Report – Utah" as complying with the Commission Order in Docket No. 09-035-27. NOW, THEREFORE, IT IS HEREBY ORDERED, that:

1. The Company provides the addendum filing as discussed herein within 60 days of this Order.

DATED at Salt Lake City, Utah, this 14th day of July, 2011.

/s/ Ted Boyer, Chairman

/s/ Ric Campbell, Commissioner

/s/ Ron Allen, Commissioner

Attest:

/s/ Julie Orchard
Commission Secretary
D#208023