GARY R. HERBERT
Governor

GREG BELL
Lieutenant Governor

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
Danny A.C. Martinez, Utility Analyst
Cheryl Murray, Utility Analyst

Copies To: Rocky Mountain Power
Carol Hunter, Vice President, Services
Beau Brown, Regulatory Manager
Aaron Lively, Regulatory Manager

Division of Public Utilities
Chris Parker, Director
Artie Powell, Energy Section Manager

Date: January 13, 2012

Subject: Docket No. 11-035-74, Addendum filing of Rocky Mountain Power's 2010 Utah DSM Annual Report

Background

On September 12, 2011, Rocky Mountain Power (the Company) filed an addendum to its 2010 Annual Utah Energy Efficiency and Peak Reduction Report (the Report) with the Public Service Commission of Utah (the Commission). This addendum was filed in response to the Commission's July 14, 2011 order in Docket No. 11-035-74, directing the Company to file an addendum clarifying certain elements within the Report. On October 19, 2011, the Commission issued a letter to the Company stating that revisions made in the September 12, 2011 addendum concerning the valuation of megawatt savings did not fully address the Commission's direction concerning this matter. The Commission directed the Company to file again an addendum to the Report more fully clarifying the determination of megawatt savings as reported in Tables 1 and 2 of the Report. On December 15, 2011, the Company filed a revised Report including Appendix 2 – Explanation of Capacity Estimates to address how megawatt savings are determined.

Discussion

Class 1 DSM Programs

Class 1 DSM programs were broken out between the Cool Keeper program and the Irrigation Load Control program, both load curtailment programs. The reported curtailment value is the programs' capacity value available at system coincident peak, which the Office believes is the appropriate way to report MW savings.

Class 2 DSM Programs

The Report included estimates for MW savings for Class 2 DSM that are not intended to reflect capacity savings at time of system coincident peak. The reported MW value represents estimated capacity savings from both business and residential efficiency programs. For business programs, the calculation method varies depending upon the type of program. MW contributions are based on engineering estimates of the capacity value for installed measures. The unique factors of custom projects are individually calculated while deemed factors are utilized for prescriptive measures. For residential programs, the calculation uses an average peak contribution[1] across all measures and programs.

The Office supports the current calculation as a first approximation. However, the Office asserts that the data must be further refined in order to provide meaningful measurements going forward. The Office advocates two improvements

1) If the Company relies on the Class 2 DSM programs to provide capacity benefits in its IRP, then the Company should be required to provide the estimate of MW savings at the time of system coincident peak. The non-coincident peak savings provides limited information in an environment of capacity deficits.
2) The Company should provide more specificity in its reporting, providing the MW savings on an individual program basis.

Inter-related Issues from Docket 10-035-57

The Office notes that it made similar recommendations in Docket No. 11-035-57 in its memo dated December 9, 2011. The Company submitted its response and additional information related to these issues on January 11, 2012. While the Office will provide its response within that docket, we reference it here because we find the Company's response in 11-035-57 to be instructive to this docket as well.

[1] Since the Company explicitly states that the MW savings is not intended to represent the capacity contribution of energy efficiency programs at the time of system coincident peak, the Office presumes that the definition of the energy to capacity factor is meant to reference the non-coincident peak capacity benefit similar to the nameplate capacity for a wind generator rather than that generator's expected generation at time of peak. (See the first page of Appendix 2 for both references.)

The Company's response in 11-035-57 is an adequate explanation for why the program specific and coincident peak data is not available on a forecast basis. However, at issue in this docket is an after-the-fact reporting of savings achieved. The Office asserts that savings achieved must be provided on a program specific basis in order to facilitate any kind of reasonable assessment of actual program performance. As the Company relies more heavily on DSM to meet resource needs, robust program evaluation is essential. Further, while overall MW savings may be interesting, MW savings at coincident peak is necessary to evaluate how each program impacts overall generating resource needs[2].

Recommendation

The Office recommends to the Commission to acknowledge Appendix 2 for explaining how the Company derived its MW contribution. Further, the Office recommends that the Commission order the Company in future filings to provide capacity benefits in terms of coincident peak and for each individual program. If such information is not available, the Company should be ordered to explain why it is not and provide the savings information in as much specificity as possible.

[2] Based on the Company's explanation in its January 11, 2012 response in Docket 11-035-57, the Office is hopeful that the DSM supply curves used in the IRP modeling are shaped such that the model incorporates the estimates of *when* (i.e. time of day, season, etc.) the savings will occur. The Office will follow up on this issue in future IRP and related proceedings.