



State of Utah  
Department of Commerce  
Division of Public Utilities

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## ACTION REQUEST RESPONSE

To: Utah Public Service Commission

From: Utah Division of Public Utilities

Chris Parker, Director

Artie Powell, Energy Section Manager

Brenda Salter, Technical Consultant

Date: November 19, 2014

Re: **Rocky Mountain Power extension and expansion of Docket No. 12-035-77 – In the Matter of the Request for a Home Energy Report Pilot Program – Cost Cap**

Docket No. 12-035-77

## RECOMMENDATION

The Division of Public Utilities (Division) recommends that the Public Service Commission (Commission) approve Rocky Mountain Power's (Company) proposed adjustment to the Home Energy Report (HER) Pilot Program cost cap.

## ISSUE

On October 24, 2014, the Company filed to clarify and request an adjustment to the HER cost cap. On October 29, 2014, the Commission issued a Notice of Filing and Comment Period for interested parties to submit comments by November 14, 2014 with reply comments due on November 21, 2014. The Division requested and the Commission ordered a revised schedule with comments due on November 21, 2014 and reply comments on November 28, 2014. The Division provides its comments in response to the Commission's Notice of Filing and Comment Period.

## **DISCUSSION**

On May 15, 2012 the Commission approved the initial HER Pilot program beginning June 2012 and ending December 2015 with a cost cap of \$3.2 million. The Company filed on September 2, 2014 to expand the HER Pilot program to an additional 200,000 customers with forecasted expenses of \$6.5 million<sup>1</sup> running from September 2014 to December 2017. The Company included in the filing a request to extend the initial HER Pilot through December 2017 to correspond with the 200,000 customer expansion. On September 10, 2014 the Company filed an amendment to the filing requesting the removal of the initial program cost cap of \$3.2 million. In its Order dated September 12, 2014 the Commission approved the expansion and extension increasing the cap from \$3.2 million to \$6.5 million.

The Division understood the Company's September 2, 2014 filing as a request to include the initial HER Pilot projected expenses of \$3.2 million along with the expansion cost of \$6.5 million for a total forecast of \$9.7 million. The Company's request for expansion and extension of the HER Pilot did not explicitly state the expected cost of the program with the expansion and extension.

On October 14, 2014 the Company provided to the DSM Steering Committee the expected cost to continue the HER Program through 2017. This included the initial Pilot costs of \$3.2 million, expansion costs of \$6.5 million, and \$1.8 million for the extension of the initial Pilot through 2017 for a total forecast of \$11.4 million<sup>2</sup>. The initial Pilot along with the expansion have shown to be cost effective through analysis provided by the Company. No additional information was provided on the two year extension of the initial Pilot.

In order to understand the \$1.8 million extension costs the Division made a request for additional information in DPU DR 1. In response to the data request and through phone conversations with

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<sup>1</sup> The expansion costs were derived by the Division from Exhibit B provided with the September 2, 2014 filing - OPOWER Residential Program Cost Effectiveness and Program Design – Utah.

<sup>2</sup> The Company's request is \$11.7 million to include estimated postage cost increases.

the Company, the Company provided the 2016 and 2017 extension budget along with an explanation of how the extension is cost effective based on kWh savings.

The Division noted that, for various reasons but primarily because of move-outs, participating customers were declining. Based on decreasing customer participation it appeared the cost of the program should also decline. The Company explained that included in the vendor contract is the obligation to maintain a cost effective kWh base. If the kWh savings drop to a predetermined level the vendor is obligated to increase the participating customer base<sup>3</sup>. Customers become eligible to participate in the HER program once they have one full year of usage data. If the kWh savings drops the vendor will introduce these types of customers to the program in order to maintain the program kWh cost effectiveness. Only customers in the top three usage quartiles are currently eligible to participate in the HER program.

Because of the confusion surrounding the costs and the cost cap in the HER program, the Division requests that in future filings modifying or increasing DSM program costs the Company clearly provide the estimated program costs.

## **CONCLUSION**

The Division has reviewed the changes as proposed by the Company and recommends that the Commission approve the proposed \$11.7 million cost cap for the Home Energy Report pilot program.

CC Kathryn Hymas, Rocky Mountain Power  
Dave Taylor, Rocky Mountain Power  
Michele Beck, Office of Consumer Services  
Service List

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<sup>3</sup> If the program participant base cannot be increased enough to make the HER program cost effective, the program will be evaluated for termination.