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Date: June 22, 2012

Subject: Docket No. 12-035-T07, Schedule 110 – Proposed Changes to
ENERGY STAR New Homes Program

Background

On May 22, 2012, Rocky Mountain Power (Company) filed with the Public Service Commission (Commission) proposed changes to the ENERGY STAR New Homes Program (Program), including eliminating the reference to ENERGY STAR and changing the name to New Homes Program. The proposed changes result from discussions at the DSM Advisory Group about the cost-effectiveness of the Program, reasons for the decline in savings and concerns going forward as the requirements for ENERGY STAR designation move to version 2.5 followed closely thereafter by version 3.0.

The Company proposes to expand the current Program by providing incentives for new home construction that meet or exceed ENERGY STAR guidelines, construct to the 2009 International Energy Conservation Code or install energy efficient equipment but do not achieve ENERGY STAR certification.

Discussion

In meetings with the DSM Advisory Group the Company indicated that the Program's cost effectiveness was affected, among other things, by the decline in new housing starts and increases in lighting standards that have led to decreased savings attributable to lighting measures under the Program. The Company expressed concern that with the more

stringent requirements associated with upcoming ENERGY STAR versions 2.5 and 3 builder participation in the Program would continue to decline eroding the cost effectiveness of the Program to an even greater extent. Modifying the tariff to allow a transition from ENERGY STAR version 2 to 2.5 and 3 and expanding the Program for installation of certain prescriptive high performance efficiency measures that are above the energy code but did not meet the ENERGY STAR certification were expected to increase both participation and cost effectiveness of the Program.

The Office appreciates the Company's efforts to maintain a cost effective program while continuing to promote energy efficiency in new home construction. In the past the Program has been marginally cost-effective. Because the cost-effectiveness analysis associated with these Program changes includes a number of assumptions related to expected participation between 2012 and 2014, the Office recommends that the Company continue to monitor the Program closely and suggest further modifications or even elimination of the Program if necessary.

Tariff Clarifications

In reviewing the filing the Office noted two areas where we recommend changes to the tariff.

1. The Program is being renamed from Energy Star New Homes Program to New Homes Program. However, Sheets No. 110.2 and 110.4 indicate that "Builder incentives are available through the ENERGY STAR New Homes Program..." (First paragraph, first sentence on both sheets). The Office recommends that the ENERGY STAR designation in the program name be removed to align with the new Program name.
2. Sheet No. 110.4 reads in part: Incentives in these tables are eligible for ENERGY STAR qualified v2.5 or 3 homes permitted on or after November 16, 2011 and submitted *January 1, 2012* (emphasis added). (First paragraph, last sentence). The Company has confirmed that the correct date should be January 1, 2013. The Office recommends that this date be corrected in the tariff sheet.

Cost-Effectiveness Analysis

As discussed above, the Program has been marginally cost effective. In this filing the Company provides its cost effectiveness calculations under six scenarios. Scenario 1 with expected participation and medium carbon has a UCT of 1.24 for 2012 through 2014. The Company also provides cost effectiveness results by year: 2012 (1.24 UTC); 2013 (1.19 UTC); and 2014 (1.29 UTC). Scenario 1 is used as the baseline to apply sensitivity analyses utilizing various participation levels and IRP decrement values with medium carbon and no carbon. Under Scenario 6 - no carbon, low participation - the Program does not pass the UTC (0.99) and under Scenario 4 - expected participation, no carbon - it only marginally passes (1.06). These scenarios demonstrate that the Program requires continued close monitoring to ensure that it remains cost effective.

The Office supports the concept of avoiding lost opportunities by encouraging builders to incorporate energy efficiency measure in new home construction. Therefore, we support the continuation of the Program with the proposed modifications.

Recommendations

The Office recommends that the Commission approve the proposed Schedule 110 changes with the following modifications to the tariff sheets:

1. Remove the ENERGY STAR in the program name designation on tariff sheets 110.2 and 110.4; and
2. Change the submission requirement date to January 1, 2013 on Tariff Sheet 110.4.