

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

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In the Matter of the proposed changes to the )  
ENERGY STAR New Homes program and ) DOCKET NO. 12-035-T07  
advancing it under the New Homes program )  
which will be administered through Schedule ) ORDER  
110. )  
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ISSUED: June 27, 2012

By The Commission:

On May 22, 2012, PacifiCorp (“Company”), d/b/a Rocky Mountain Power, filed an application to modify Schedule No. 110, the ENERGY STAR New Homes Program (“Program”). In its filing, the Company requests an effective date of July 1, 2012. Also on May 22, 2012, the Commission issued an Action Request to the Division of Public Utilities (“Division”) for a review of the Company’s application. On June 21, 2012, the Commission issued an Order suspending the tariff filing to allow additional time to review party comments. On June 25, 2012, the Commission received comments from the Division and from the Office of Consumer Services (“Office”).

To increase builder participation, the Company proposes modifying the Program to include incentives for new home construction which meet ENERGY STAR guidelines as well as incentives for installation of energy efficient equipment that may not necessarily achieve ENERGY STAR certification. Along with these modifications, the Company proposes changing the Program name, as well as the tariff title, from the “ENERGY STAR New Homes Program” to the “New Homes Program.”

These Program modifications will, according to the Company, help offset the expected decrease in builder participation resulting from the increasingly stringent ENERGY

STAR standards promulgated by the federal government. The Company also contends the proposed changes will lower Program delivery costs per unit of energy savings through increased participation, thereby improving Program cost effectiveness.

In the filing, the Company provides an analysis of Program cost effectiveness by identifying what it classifies as a base case scenario consisting of a “medium carbon (adder)” IRP decrement value and expected participation rates. This case is compared with five other scenarios with different assumptions regarding carbon tax levels and participation rates. According to the Company, its expected base case achieves a Utility Cost test benefit cost ratio of 1.24, a Total Resource Cost test ratio of 0.59, a PacifiCorp Total Resource Cost test ratio of 0.65, a Rate Impact Measure ratio of 0.56, a Participant Cost test ratio of 1.79, and a levelized cost of \$0.18 per kilowatt hour. Under the “low” participation/no carbon adder sensitivity scenario, the Program fails all tests except for the Participant Cost test, which is also 1.79.

Both the Division and Office recommend approval of the Company’s proposed Program modifications. While it recommends Program approval and acknowledges improved projected performance from the prior year, the Division expresses continued concern with Program cost-effectiveness. The Division recommends the Company be required to track and report Program participation quarterly. The Division also recommends the DSM Advisory Group be instructed to review the program to determine if additional changes or measures will be needed to improve Program cost effectiveness.

While the Office conceptually supports the Company’s efforts to encourage builders to incorporate energy efficiency measures in the construction of new homes, it also expresses concerns about the Program’s cost-effectiveness. Like the Division, the Office also

contends the Company should continue to closely monitor the Program, particularly to determine if assumed participation rates are realized. The Office recommends the Company consider further modifying or even eliminating the Program if it does not prove to be cost-effective. In addition, the Office identifies two specific modifications to the tariff sheets. First, the Office recommends the Company remove the ENERGY STAR program name designation on tariff sheets 110.2 and 110.4. Secondly, the Company should change the submission requirement date on tariff sheet 110.4 to January 1, 2013. The Division concurs with these recommended modifications.

#### DISCUSSION

We appreciate the Company's efforts to encourage greater builder participation in the construction of more energy efficient housing, particularly in light of current market conditions and increasingly stringent ENERGY STAR requirements. However, we concur with the Division's and Office's concerns regarding Program cost-effectiveness. The Company's cost effectiveness analysis shows the Program must either achieve expected or high participation rates or include a carbon adder to pass the threshold Utility Cost test. We note there is considerable uncertainty concerning congressional approval of a carbon tax "adder," particularly in the near term. As a result, the Company's base case may overstate expected savings if expected participation rates are not realized. We also note the levelized Program costs do not compare favorably to the total resource costs of many supply-side resources listed in the most recent IRP. We therefore concur with the Division and agree that frequent Program monitoring along with potential further adjustments will be essential for continued Program viability.

In spite of concerns regarding estimated Program performance, we recognize the beneficial market transformation effects programs such as this can have. Therefore, while we encourage the Company to further improve Program cost effectiveness, we find continuing the Program to be in the public interest at this time.

ORDER

NOW, THEREFORE, IT IS HEREBY ORDERED, that:

1. The tariff sheets are approved with the recommended changes noted herein with an effective date of July 1, 2012.
2. The Company shall file the appropriate tariff sheets which reflect the decisions made herein within one week of the date of this Order.
3. The Division shall review the revised tariff sheets for compliance with this Order and provide its recommendation to the Commission within one week of the filing of the Company's revised tariff sheets.
4. The Company shall, on a quarterly basis, track and report Program participation rates to the DSM Steering Committee, the DSM Advisory Group, and the Commission within 45 days of the end of each quarter.
5. The DSM Steering Committee and the DSM Advisory Committee shall continue to assess Program performance and will investigate potential Program modifications to improve Program cost effectiveness.

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DATED at Salt Lake City, Utah, this 27<sup>th</sup> day of June, 2012.

/s/ Ted Boyer, Chairman

/s/ Ric Campbell, Commissioner

/s/ Ron Allen, Commissioner

Attest:

/s/ Gary L. Widerburg  
Commission Secretary  
D#228902

Notice of Opportunity for Agency Review or Rehearing

Pursuant to Utah Code Ann. §§ 63G-4-301 and 54-7-15, a party may seek agency review or rehearing of this order by filing a request for review or rehearing with the Commission within 30 days after the issuance of the order. Responses to a request for agency review or rehearing must be filed within 15 days of the filing of the request for review or rehearing. If the Commission fails to grant a request for review or rehearing within 20 days after the filing of a request for review or rehearing, 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 Utah Code Ann. §§ 63G-4-401, 63G-4-403, and the Utah Rules of Appellate Procedure.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 27<sup>th</sup> day of June, 2012, a true and correct copy of the foregoing Order was served upon the following as indicated below:

By Electronic-Mail:

Beau Brown ([beau.brown@pacificorp.com](mailto:beau.brown@pacificorp.com))  
Rocky Mountain Power

Data Request Response Center ([datarequest@pacificorp.com](mailto:datarequest@pacificorp.com))  
PacifiCorp

By Hand-Delivery:

Division of Public Utilities  
160 East 300 South, 4<sup>th</sup> Floor  
Salt Lake City, Utah 84111

Office of Consumer Services  
160 East 300 South, 2<sup>nd</sup> Floor  
Salt Lake City, Utah 84111

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Administrative Assistant