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Division of Public Utilities

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ACTION REQUEST RESPONSE

To: Public Service Commission

From: Division of Public Utilities
Chris Parker, Director
Energy Section
Artie Powell, Manager
Brenda Salter, Technical Consultant

Date: May 6, 2013

Re: **Recommendation – Approval, Rocky Mountain Power Demand Side Management Optional New Application Process for the New Homes Program Docket No. 13-035-53**

RECOMMENDATION

The Division of Public Utilities (Division) recommends that the Public Service Commission (Commission) approve the Rocky Mountain Power (RMP) DSM Optional New Application Process for the New Homes Program on a trial basis.

ISSUE

On April 4, 2013, the Company filed an application seeking Commission approval for its proposed Optional New Application Process for the New Homes Program (Optional Process). The Optional Process is intended to help remove barriers to the application process. On April 17, 2013, the Commission issued an Action Request for the Division to review the notice and make recommendations to the Commission by May 6, 2013. This memorandum represents the Division's response to the Commission's Action Request.

DISCUSSION

In its notice, the Company reports that the New Homes Program is “performing at less than 5 percent of goal (through the end of March).” At this pace, the Program will only achieve approximately 20% of the annual goal.

The Company attributes the low participate rate to two factors:

1. The required time and documentation for submitting an application is burdensome; and
2. A large proportion of applications are incorrectly or untimely filed.¹

The Company concludes that these problems contribute to increasing administrative costs for the program and a loss in the Program savings. If the low participation cannot be reversed, the cost effectiveness of the Program will likely be compromised.

To help mitigate these problems, the Company proposes a new but optional application process. The old or current application process will be available to those builders not choosing to commit to the requirements for the optional process.

Under the new process, builders must commit to install a minimum of 80% high efficiency lighting in participating homes. While builders may participate in other measures, the lighting stand alone measure accounts for 70% of the electrical savings in participating homes. With this commitment, the program administrator will complete the program application and verify the installation of the lighting and other measures. Where verification is more problematic, such as for builders remote from the Wasatch Front, builders may be required to submit receipts for verification of installed measures.

The new application process should increase participation and, since the new process will not add any new costs to the program, should improve the cost effectiveness of the program.

¹ While the Company did not provide a count of the number of applications that are filed incorrectly or untimely, the burdensome nature of the application process likely contributes to the difficulty of filing correctly.

The Steering Committee discussed the new process at its March 6, 2013 meeting. For the most part, the new application process was viewed favorably. However, at least two issues were raised that gave some parties concern. First, a potential conflict of interest with the program administrator filling out the applications and approving incentive payments was noted. Second, the potential for discrimination between large and small builders—the optional application process is more conducive to large builders and could cause smaller builders to be disadvantaged.

With regards to the first issue, a conflict of interest, the Company has its own internal review and verification of applications. After discussions with the Company, the Division believes the Company's internal review mitigates the potential conflict of interest.

To prevent small builders being disadvantaged, the Company has provided an option for builders to submit receipts for verification of incentives to help alleviate some of the administrative costs. The Division will monitor any complaints that small builders are unduly prohibited from participation in the new process.

CONCLUSION

Participation rates in the New Homes Program are far below projections. This is mainly due to the burdensome nature of the application process. The Company proposes a new optional process where the program administrator fills out the application on behalf of the builder. To participate in this new process, the builder must commit to install high efficiency lighting. This commitment will capture the majority of energy savings for participating homes. This commitment will also help maintain the cost effectiveness of the program.

However, there were a couple of concerns raised by some Steering Committee parties with the new application process. Therefore, the Division recommends the Commission require the DSM Steering Committee to monitor the optional application process to ensure no undue discrimination of builders occurs and to also review Program Administrator costs during a trial period. The Division recommends that the Commission approve the Optional New Application Process for the New Homes Program.

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