

March 30, 2015

***VIA ELECTRONIC FILING  
AND OVERNIGHT DELIVERY***

Public Service Commission of Utah  
Heber M. Wells Building, 4<sup>th</sup> Floor  
160 East 300 South  
Salt Lake City, UT 84114

Attention: Gary Widerburg  
Commission Secretary

Re: Advice Letter 15-05  
Modifications to Schedule 140 to Add a Midstream Delivery Channel –  
Docket No. 15-035-\_\_\_\_

Enclosed for filing are an original and five (5) copies of proposed tariff sheets associated with Tariff P.S.C.U No. 50 of PacifiCorp, d.b.a. Rocky Mountain Power, applicable to electric service in the State of Utah. Pursuant to the requirement of Rule R746-405-2(D), Rocky Mountain Power (the “Company”) states that the proposed tariff sheets do not constitute a violation of state law or Commission rule. The Company will also provide an electronic version of this filing to [psc@utah.gov](mailto:psc@utah.gov). The Company respectfully requests an effective date of May 15, 2015 for these changes.

First Revision of Sheet No. 140.2	Schedule 140	Non-Residential Energy Efficiency
First Revision of Sheet No. 140.4	Schedule 140	Non-Residential Energy Efficiency
First Revision of Sheet No. 140.9	Schedule 140	Non-Residential Energy Efficiency
First Revision of Sheet No. 140.26	Schedule 140	Non-Residential Energy Efficiency
Original Sheet No. 140.27	Schedule 140	Non-Residential Energy Efficiency

The purpose of this filing is to propose changes to Schedule 140, Non-Residential Energy Efficiency program (“*wattsmart* Business”). The changes include the addition of a mid-stream delivery channel to *wattsmart* Business as well as a change for small air conditioners and heat pumps to align with updated federal standards. The new offer will include point-of-purchase instant incentives for LED lamps sold to commercial and industrial (“C&I”) customers through qualifying local distributors. Proposed changes to the tariff sheets are included in Exhibit A.

### **Point-of-purchase incentives for LED lamps**

Modifications to *wattsmart* Business requested by the Company in this filing provide an instant, point-of-purchase discount for LED lamps and retrofit kits sold through qualifying local distributors. This offer will complement the existing prescriptive and enhanced small business incentive offer to deliver new savings from the lamp replacement/maintenance market and accelerate adoption of LED technologies. The Company's 2015 DSM Potential Study, published by Applied Energy Group, shows that 7% of the cumulative achievable technical potential in the commercial sector in Utah over the next 20 years is available specifically in interior screw-in LED lighting.<sup>1</sup> It is estimated that there are nearly 1.57 million screw-in sockets in the commercial/industrial sector that could participate in this offer.

C&I customers preferentially purchase and self-install low-cost, matching replacement lamps at their facilities despite the availability of more efficient alternatives, with a higher initial purchase price. Customers seeking lamps on an as-needed, replacement basis are not served by the existing *wattsmart* Business offerings that require pre-approval of a clearly defined lighting retrofit project. Customers purchasing replacements from a qualifying distributor will be directly incentivized to upgrade to higher efficiency LED lamps with a higher initial purchase price and install them at their facilities.

#### Overview

As proposed, the point-of-purchase instant incentive offer will align with a delivery approach successfully employed by several other utilities, as shown in Exhibit B, and utilize Company-approved and qualified distributors to market and administer the incentive offer to customers at the point-of-purchase. Participating distributors offer the incentive as a fixed discount per qualifying lamp to customers at the point-of-purchase and are obligated to collect and report the transactional details (customer name/signature, planned install address, lamp model, quantity, sales price, incentive amount, customer payment, etc.) to the program administrator to receive reimbursement for offered incentives. Distributors are required to pass-through 100% of the defined incentive (capped at 70% of the customer cost) as a discount on the customer's invoice. Alternately, a customer may purchase qualifying lamps from non-participating vendors at full retail price and apply for the incentive after purchase and installation.

The point-of-purchase LED instant incentive offer is proposed as a complementary component of *wattsmart* Business. The existing *wattsmart* Business program design/infrastructure and distributor/contractor administration team will be utilized, linking customers with the program options and contractor/distributor resources that most appropriately address their needs.

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<sup>1</sup> Applied Energy Group, 2015, PACIFICORP DEMAND-SIDE RESOURCE POTENTIAL ASSESSMENT FOR 2015-2034, Volumes 1 and 4.

The Company-hired administrator will qualify and approve distributors to participate in the point-of-purchase LED instant incentive offer. Distributors will be required to meet minimum qualifications at the time of application as listed below to participate:

- Be an existing distributor participant in the Energy Efficiency Alliance in good standing for over one year;
- Maintain one or more physical retail locations in Company's Utah territory currently serving Company business customers;
- Complete a mandatory orientation class (program training) and participate in training when it is offered;
- Submit invoices in a timely fashion for incentive reimbursement;
- Provide data and necessary support for quality assurance and verification activities; and
- Sign a participation agreement with the Company that includes participation terms and conditions, which shall include the following, among others:
  - Provide a single point of contact to resolve issues, communicate changes to sales staff, ensure data accuracy, and respond to inquiries;
  - Pass-through entire incentive amount to end-use customer;
  - Capture required customer/site/product data and submit monthly reports and associated documentation (i.e. customer assignment forms);
  - Clearly mark invoices with language showing qualifying product, quantity sold, incentive amount, and customer payment; and
  - Cooperate on verification/quality assurance activities.

#### Customer Participation Process

The point-of-purchase LED instant incentive will be available to customers through participating distributors, according to the process outlined in Figure 1. Contractors are not eligible to receive the incentive at the point of purchase, but can offer wattsmart Business incentives when qualifying lamps are resold to business customers as part of a lighting retrofit.<sup>2</sup>

Outreach and sales efforts of approved distributors will be the primary means by which customers will learn about the offer, but will be supplemented by Company-led marketing efforts. A customer may work with any participating distributor listed on the Company website. Once engaged, approved distributors will gather customer information, educate customers about screw-in lamp options, and estimate the cost before and after incentive.

At the point-of-purchase, the customer:

- Decides whether to proceed with the purchase;
- Provides requested contact, business name, installation address, and signs the

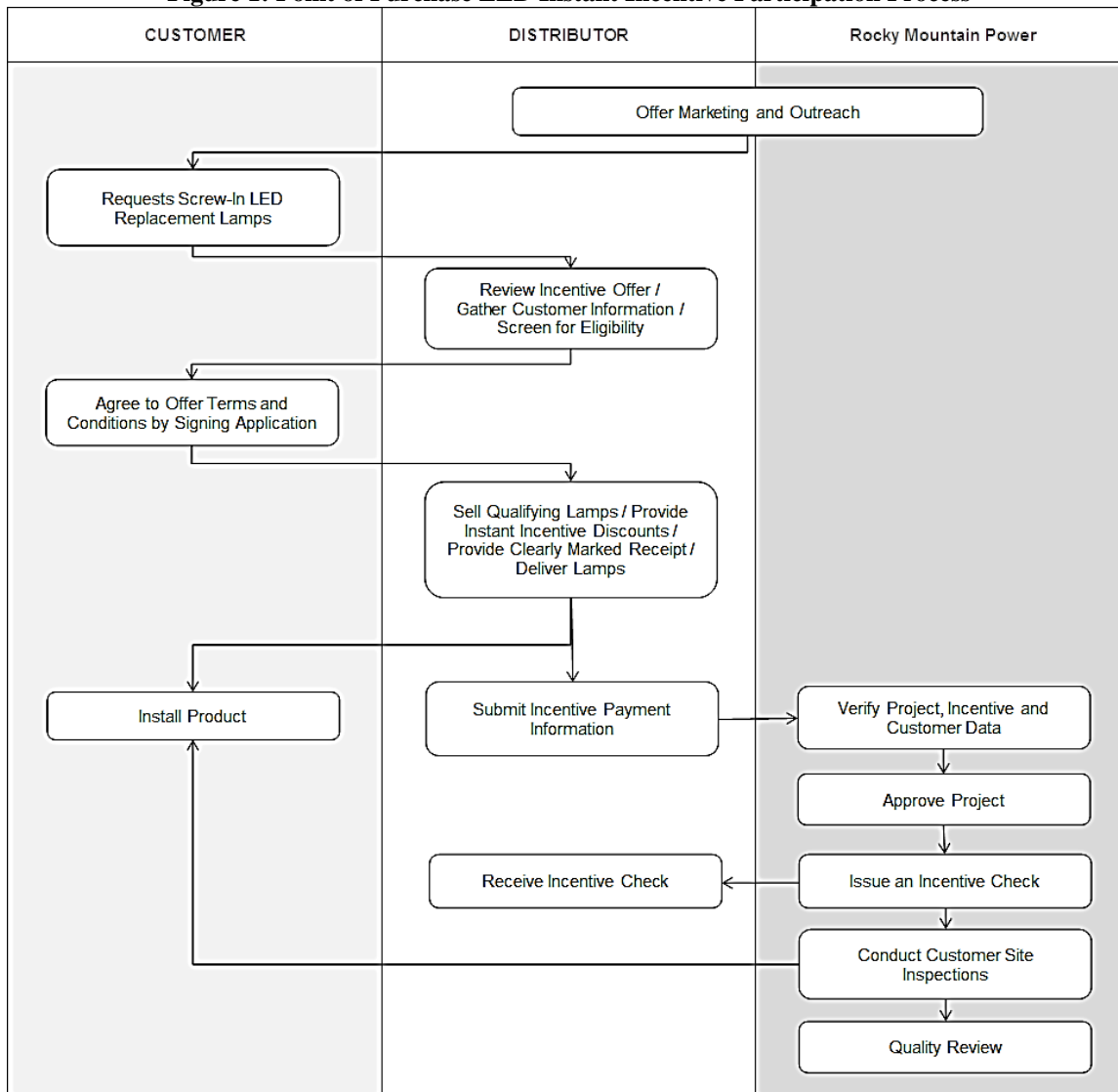
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<sup>2</sup> There will be two participation options: 1) contractors can assist their customers with applying after purchase and installation of eligible lamps, or 2) contractors can use the existing lighting retrofit project process and provide the Company's incentive offer letter prior to purchase.

- application form describing the terms and conditions of the program;
- Pays the non-incentivized portion of the project cost directly to the distributor;
- Receives a distributor invoice showing the incentive as a credit off the purchase price; and
- Receives the product for installation at an eligible facility.

Distributors compile and submit customer application information and the distributor is reimbursed directly for incentives paid to customers.

**Figure 1: Point of Purchase LED Instant Incentive Participation Process**



Customers who do not have access to a local participating distributor, or purchase qualifying lamps directly from another source may alternately participate through a post-purchase application process. Customers must submit documentation showing proof of

purchase, the lamp model number, quantity, and sales price. Upon approval, the customer will receive the incentive as a check mailed to their business address.

Eligible Customers

Customers eligible to participate in this offer are those currently defined as eligible customers in Schedule 140. All program materials, point-of-purchase displays, and forms and applications shall indicate the offer is available only to qualifying Utah customers. Customers will be required to provide their business name, install address and contact information to assist with eligibility/installation verification activities. Distributors will screen for customer eligibility by a variety of methods, including confirming the business address is located in Company territory based on the provided zip code, collecting a copy of the electric bill, or calling the program administrator for confirmation on a 1-800 number. Upon completion of the screening, distributors will provide the incentive as a credit on their invoice to the customer. Completed distributor transactions will be monitored to validate sales are made to eligible customers.

Qualifying Measures

Initially, the measure list will be focused on the most commonly available LED products and form factors in a commercial setting. Small and medium-based, screw-in LED lamps (A-lamps, PAR, BR, globe, candelabra lamps), retrofit kits (downlight/can lights), or pin based lamps (MR16) listed on the *wattsmart* Business program Qualifying LED Product List are initially eligible for this offer. In order to ensure the offering is aligned with market conditions, the measure list will be evaluated periodically and updated as needed.

**Table 1 - Point-of-purchase LED Instant Incentives<sup>3</sup>**

Measure	Category	Eligibility Requirements	Maximum Incentive <sup>4</sup>
LED	Screw-in A-Lamp, Medium Base	LED must be listed on qualified equipment list	Up to \$7/Lamp
	Screw-in PAR Reflector Lamp	LED must be listed on qualified equipment list	Up to \$15/Lamp
	Screw-in BR Reflector Lamp	LED must be listed on qualified equipment list	Up to \$13/Lamp
	Pin-based MR16 Reflector Lamp	LED must be listed on qualified equipment list	Up to \$10/Lamp
	Screw-in Candelabra/Globe Lamp	LED must be listed on qualified equipment list	Up to \$10/Lamp
	Recessed Downlight Kit	LED must be listed on qualified equipment list	Up to \$15/Fixture

<sup>3</sup> Incentives for measures in this table are available through Company-approved retailers/distributors or a post-purchase application process.

<sup>4</sup> Actual incentives will be posted on the Company website and subject to change with a 45-day notice. Change notices will be prominently displayed on the *wattsmart* Business website and communicated to participating distributors and Trade Allies.

**Notes for mid-market incentives:**

1. Incentives are capped at 70 percent of qualifying equipment cost. Qualifying equipment costs are subject to Company approval.
2. Qualified equipment lists referenced in the above table are posted on the Utah energy efficiency program section of the Company's website.

Incentive Structure

The Company is proposing to define the incentives for this offer on a measure-specific basis to cover approximately 30-40% of the incremental lamp cost, reducing the simple payback by up to 1.5 years at an incentive rate of \$0.07 - \$0.12/kWh. On a measure basis, incentives may not exceed the amounts listed in the table above without Commission approval. Due to wide variations in market pricing and a continuing reduction in LED lamp costs, the Company has also proposed a 70% measure cost cap to ensure a minimum customer co-pay after incentive.

Incentive amounts per lamp will be explicitly defined on the Company website and distributors will be required to pass-through the full incentive amounts as an up-front discount off the invoice provided to the customer. The distributor will be directly reimbursed by the utility for point-of-purchase incentives offered to customers following submission and approval of sales data and transactional documentation (customer application/signature, lamp quantity, planned install address, sales prices, incentive amount, etc.) by the program administrator.

Retail price data was collected from a market survey in the fourth quarter of 2014 to establish the initial incentive amounts by polling 13 lighting distributors operating within the Company's service territory. Eight of those companies serve the Utah market, and seven provided average pricing information for qualifying LED products targeted by this offer. It is the Company's intent to make adjustments to the incentives periodically to address market conditions for lighting (changes in material costs, product availability, and price competition), ensure the customer out-of-pocket expenses are no less than 30% of the overall project cost, and align with Company's defined savings target, incentive budget and cost-effectiveness requirements. When the Company needs to change the incentives, the Company will post a notice on its website announcing the coming changes. The notice will be posted at least 45 days prior to the changes taking effect.

The Company maintains multiple lighting incentive offers by delivery channel and C&I customer segments, aligning program participation to address specific customer barriers and purchasing habits. Incentives for LED lamps offered through the Trade Ally/lighting retrofit project channel (listed in Schedule 140.4) will be modified to accommodate a midstream lighting offer, as listed in Table 1a of Schedule 140.4. A customer may receive only one incentive per lamp purchased, even if participating through multiple delivery channels at the same site.

**Table 2 – Highlights for Changes to Lighting Retrofit Measures**

<u>Measure</u>	<u>Existing program</u>	<u>Proposed change</u>	<u>Reason for change</u>
<u>LED: Integral Screw- in Lamp, Recessed Downlight</u>	<u>\$10/lamp incentive</u>	<u>Offer incentive at a rate of \$0.15/kWh annual energy savings</u>	<u>Consolidates all interior general illuminance LEDs into one pay for savings category.</u>

Incentives are capped at 70 percent of Energy Efficiency Project Costs and will not be available to reduce the Energy Efficiency Project simple payback below one year.

Quality Assurance and Controls

A robust quality assurance regime is planned for the point-of-purchase LED instant incentive offer, focused on the following:

*Distributors* – Each participating distributor will be required to sign an agreement with the Company outlining participation terms and conditions. Distributor performance will be regularly monitored by the Company-hired administrator through incentive request review, customer satisfaction surveys, on-site inspections, office visits and ongoing communications. Distributor incentive requests will be reviewed to validate the correct incentive was paid for qualifying products, complete customer information was collected, invoices correctly display incentive reductions, and qualifying products are sold to eligible customers. Distributors not meeting or exceeding quality, customer service, project, invoicing and other requirements will be subject to removal from participation in the point-of-purchase LED instant incentive offer.

*Customer Eligibility, Purchase and Installation Verification* - A sample of participants will be called to confirm customer eligibility, purchase information (lamp type, quantity, amount paid), installation status (fully installed, partially installed, placed in inventory for future installation, etc.), installation location(s), and customer satisfaction. Installation sites will be screened against other active *wattsmart* Business projects to prevent duplicate incentive payments for the same measure through other downstream incentive offers. Incentives available through other downstream incentive offers may be adjusted as part of project close-out activities to prevent duplicate incentive payment for the same lamp. Site inspections may be conducted on a random basis and for lamp orders that exceed specific thresholds.

**Change to Small Air Conditioner and Heat Pump Measures to Align with Updated Federal Standards**

The federal manufacturing standard for single phase air conditioners and heat pumps less than 65,000 BTU/hr changed on January 1, 2015. To align with this change and provide incentives only for equipment that is more efficient than the new standard, incentives will be available for equipment meeting CEE Tier 2 at the \$50/ton level. The proposed

changes to the HVAC incentive table can be found in Schedule 140.9 in Exhibit A. These changes are not forecasted to materially impact cost effectiveness.

### **Cost-Effectiveness**

The point of purchase LED instant incentive offer is an addition to an existing program that has been cost effective in prior years<sup>5</sup> and was recently forecasted to be cost effective with changes,<sup>6</sup> so cost effectiveness was assessed for this offer on a stand-alone basis. Cost effectiveness utilized the Company's 2013 Integrated Resource Plan ("IRP") east commercial lighting decrement values as the avoided costs. The stream of costs utilized in this analysis can be found on pages 358-359 of Volume 2 of the 2013 IRP dated April 30, 2013.

Inputs for measure costs, measure life, storage rates, and net-to-gross ratio are specific to this offer and are provided in Tables 2 and 3 of Exhibit C – Cost Effectiveness Analysis.

Measure costs used to assess the cost effectiveness are based on the 2014 market survey of lighting distributors described above. Seven firms provided average pricing information for qualifying LED products targeted by this offer. The pricing information from the seven distributors was combined, outliers were eliminated and an average price per lamp was estimated. Measure life aligns with the values for the lighting measures assessed in Advice No. 14-03 in Docket No. 14-035-T03 and closely with the assumptions used in the 2013 annual report.

Assumptions for the installation rate, net-to-gross ratio, and leakage rate are taken from the recently completed (April 2014) impact evaluation of the ComEd Business Instant Lighting Discounts (BILD) program, which employs a program design very similar to the point of purchase instant incentive offer.

Savings assumptions incorporate Energy Independence and Security Act compliant baseline wattages where applicable and the presence of compact florescent lamps in a fraction of the baseline sockets. These assumptions serve to reduce the available savings of this offer, but are appropriate since savings are deemed and will be reported absent an inspection of each site's baseline conditions. Operating hours utilized in the savings calculations are derived from historical *wattsmart* Business lighting participants further screened for only equipment configurations with screw-in lamps.

The point of purchase instant incentive offer is cost effective from four of the five standard cost tests. Results of the Ratepayer Impact Measure tests are less than 1.0, which is typical for many energy efficiency programs and indicates there may be upward pressure on rates. Results are available in Exhibit C.

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<sup>5</sup> 2013 annual report.

<sup>6</sup> Advice No. 14-03, filed May 7, 2014 in Docket No. 14-035-T03.



Results of the cost effectiveness analysis dated 2/17/2015 for the offer (base case) can be found in Table 3 below.

**Table 3 – 2015-17 UT Mid-Market Incentive – Cost-Effectiveness**

Cost-Effectiveness Test	Levelized \$/kWh	Costs	Benefits	Net Benefits	Benefit/Cost Ratio
Total Resource Cost Test (PTRC) + Conservation Adder	\$0.039	\$5,817,362	\$15,040,033	\$9,222,671	2.59
Total Resource Cost Test (TRC) No Adder	\$0.039	\$5,817,362	\$13,672,757	\$7,855,395	2.35
Utility Cost Test (UCT)	\$0.024	\$3,567,042	\$13,672,757	\$10,105,716	3.83
Rate Impact Test (RIM)		\$16,489,725	\$13,672,757	(\$2,816,968)	0.83
Participant Cost Test (PCT)		\$6,887,804	\$21,032,118	\$14,144,315	3.05
Discounted Participant Payback (years)					3.47
Lifecycle Revenue Impact (\$/KWh)					\$0.00001034

Sensitivity Analysis - Proposed *wattsmart* Business Program Cost Effectiveness Scenarios Summary

The Company performed sensitivity analysis on this offer by varying unit energy savings per lamp and holding other inputs constant. The lower savings per lamp is a proxy to account for reduced savings if actual hours of operation are less than estimated and/or the baseline is more efficient than initially assumed. The higher savings per lamp accounts for the possibility the planned operating hours are higher and/or the baseline is less efficient than initially assumed. Sensitivity analyses utilized the same commercial lighting decrement values described above.

The results for the sensitivity analysis are provided on Tables 6 and 7 in Exhibit C. The proposed program is forecasted to be cost effective under the sensitivity scenarios.

**Program costs**

Program costs for the point of purchase LED instant incentive offer by year and category are in Table 4 below. This information can also be found in Exhibit C.

**Table 4 - Point of Purchase LED Instant Incentive Offer Program Costs by Year**

Measure	Year	Delivery	Incentives	Total Utility Costs	Participant Incremental Cost
Mid-Market Incentive	2015	\$308,236	\$664,085	\$972,321	\$1,779,010
Mid-Market Incentive	2016	\$345,865	\$946,321	\$1,292,186	\$2,535,089
Mid-Market Incentive	2017	\$415,903	\$1,167,129	\$1,583,032	\$3,126,610

### **Stakeholder Involvement**

On October 14, 2014, the Company met with the DSM Steering Committee and presented an overview of this program and other upcoming changes to the *wattsmart* Business program. A draft of this filing and request for comments was circulated on February 27, 2015 to the Steering Committee. On March 5, 2015, the Company met with the Steering Committee to answer any questions on the draft filing. Steering Committee members were generally supportive of this filing and no major concerns were raised. Some questions after the March 5, 2015 meeting were received from the Division of Public Utilities, Office of Consumer Services, and Utah Clean Energy (collectively, the “Parties”). After responding to the Parties’ questions, they were supportive of the Company moving forward with this filing.

The *wattsmart* Business program will continue to be funded by revenue from the existing DSM surcharge, administered through Schedule No. 193. The Company is not proposing an adjustment to the DSM surcharge as part of this filing.

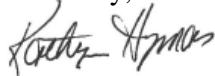
It is respectfully requested that all formal correspondence and staff requests regarding this matter be addressed to:

By E-mail (preferred): [datarequest@pacificorp.com](mailto:datarequest@pacificorp.com)  
[michael.snow@pacificorp.com](mailto:michael.snow@pacificorp.com)

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Informal inquiries may be directed to Michael Snow, DSM Regulatory Projects Manager, at (801) 220-4214.

Sincerely,



Kathryn Hymas  
Vice President, Demand Side Management

Enclosures