

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

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In the Matter of Rocky Mountain Power's  
Proposed Revisions to Electric Service  
Schedule No. 110, New Homes Program

DOCKET NO. 15-035-T07  
ORDER APPROVING TARIFF  
SHEETS WITH MODIFICATION

ISSUED: June 15, 2015

**SYNOPSIS**

The Commission approves PacifiCorp's request to change the Electric Service Schedule No. 110 ("Schedule 110"), New Homes Program with an effective date of July 1, 2015, with the modification that incentives will not be provided for air source heat pumps where natural gas is available at the property line.

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**PROCEDURAL HISTORY**

On May 15, 2015, PacifiCorp, dba Rocky Mountain Power ("PacifiCorp"), filed Advice No. 15-08 proposing changes to Electric Service Schedule No. 110 ("Schedule 110"), New Homes Program ("Program") with an effective date of July 1, 2015. On May 15, 2015, the Public Service Commission of Utah ("Commission") issued an action request to the Utah Division of Public Utilities ("Division") for review of PacifiCorp's filing and issued a Notice of Filing and Comment Period with comments due June 1, 2015, and reply comments due June 8, 2015.

On June 1, 2015, the Division, the Utah Office of Consumer Services ("Office"), and Utah Clean Energy ("UCE") filed comments. PacifiCorp filed reply comments on June 8, 2015, in response to concerns raised by the Office.

**PARTIES' POSITIONS**

**A. PacifiCorp**

According to PacifiCorp, the proposed tariff modifications are designed to increase participation and energy savings while maintaining or enhancing the Program cost-effectiveness. PacifiCorp states the Program remains cost-effective with the proposed changes under the expected, high and low participation scenarios. Detailed costs by cost category and year for the expected participation scenarios are provided in PacifiCorp's filing.

PacifiCorp proposes administrative changes to the Program including extending the incentive application deadline from 120 days to 180 days to align with Questar Gas Company's ("Questar") submission deadline, and changing language in the tariff to clarify measure names and requirements. PacifiCorp believes aligning the submission deadlines with Questar will eliminate confusion between the two programs and will provide a better customer experience.

In addition to the administrative changes, PacifiCorp proposes to include the following new qualifying measures to the Program.

1. Add a \$150 incentive for installing a high efficiency natural gas furnace with an annual fuel utilization efficiency ("AFUE") of 95 percent or higher that is equipped with an electrically commuted motor ("ECM") in a single family or multifamily new home. An ECM is able to save electric energy during both heating and cooling seasons by adjusting the speed of the fan to maintain optimal airflow. Installing furnaces with an ECM is not standard practice, therefore offering an incentive for these installations provides an opportunity to improve the performance of heating and cooling systems throughout the year.

2. Add incentives for air source heat pumps for new homes. By adding air source heat pumps, along with the incentive for 95 percent AFUE gas furnaces with an ECM, the Program will cover all of the main heating and cooling system types in a new home. Based on discussions with HVAC contractors and feedback from the Utah Demand-side Management (“DSM”) Steering Committee (“Steering Committee”), the Program proposes to offer incentives for two different types of installation scenarios. A lower incentive will be offered for air source heat pumps where natural gas is available at the property line and a higher incentive will be provided where natural gas is not available at the property line. For the air source heat pump application where natural gas is available at the property line, only savings for cooling will be claimed.
3. Add a lower tier incentive for lighting that contains 60 percent ENERGY STAR bulbs. Currently, the Program offers incentives for homes built when at least 80 percent of the fixtures contain ENERGY STAR qualified lighting products such as CFLs, LEDs or pin-based florescent bulbs. The Program has received feedback from builders that the 80 percent threshold is difficult to achieve. To encourage more builders to incorporate high efficiency lighting into their homes, PacifiCorp proposes to add a lower incentive for lighting at 60 percent of the fixtures containing ENERGY STAR bulbs than the 80 percent tier.

PacifiCorp notes its proposed changes were reviewed with the Steering Committee on October 14, 2014. A draft of the proposed changes was shared with the Steering Committee via email on March 23, 2015. PacifiCorp held a teleconference with the Steering Committee on

April 15, 2015, to discuss the changes and address concerns and questions. PacifiCorp also discussed the draft with the Steering Committee on April 16, 2015. PacifiCorp states the Steering Committee is supportive of the majority of the proposed changes.

PacifiCorp notes the Program is funded through Electric Service Schedule No. 193, DSM Cost Adjustment (“Schedule 193”). Any proposed adjustment to Schedule 193 will be informed by the next tariff rider analysis, which will examine the combined effect of the current balance, forecasted revenues, and forecasted expenditures for all programs. PacifiCorp is not recommending an adjustment to Schedule 193 in this case.

In its reply comments, PacifiCorp responds to the Office’s concerns regarding potential load building and fuel switching as a result of adding air source heat pump technology to the Program. PacifiCorp indicates this measure is targeted for new homes being constructed where the decision to install an air source heat pump already has been made. If an air source heat pump is going to be installed, PacifiCorp wants to promote a more energy efficient air source heat pump to reduce electricity consumption.

**B. Division**

The Division notes PacifiCorp’s proposed changes to the Program include adding new qualifying measures, removing or retiring measures from the tariff sheets, and making administrative changes to the tariff, as discussed above. The Division has reviewed the proposed changes and the Program’s cost-effectiveness analysis, and concludes the Program with the changes is cost-effective. Specifically, the utility cost test (“UCT”) is 1.45 and participant cost test (“PCT”) is 1.23 for expected participation in 2015. The Division notes the UCT is

recommended as the threshold test in determining program prudence. Based on its review, the Division recommends the Commission approve the proposed changes to Schedule 110.

**C. Office**

The Office notes PacifiCorp's proposed revisions to Schedule 110 provide incentives to developers to equip new homes with energy saving technologies. The Office acknowledges preliminary drafts of the proposed changes were circulated to the Steering Committee and states the Office worked closely with PacifiCorp and members of the Steering Committee in advance of PacifiCorp's formal filing.

The Office supports all proposed changes to Schedule 110 except for the inclusion of air source heat pumps in homes where natural gas is available at the property line. While acknowledging an air source pump may provide an efficient source of climate control, the Office concludes air source heat pumps where natural gas is available at the property line would result in load building or the use of levels of electricity that would not otherwise be required, and relates to fuel switching.

The Office objects to PacifiCorp's proposal to include only cooling savings in the analysis of air source heat pumps when natural gas is available at the property line because this would ignore the effects of increased energy consumption caused by the measure. The Office also disagrees with PacifiCorp's claim that adding the air source heat pump measure where natural gas is available at the property line complements the incentives in the Home Energy Savings Program.<sup>1</sup> The Office asserts an incentive for air source heat pumps in that program is available only to homes with existing electric heat.

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<sup>1</sup> See *Rocky Mountain Power Electric Service Schedule No. 111, Home Energy Savings Incentive Program*.

The Office recommends that air source heat pumps installed in homes where natural gas is available at the property line should not be eligible for a DSM incentive. The Office recommends the Commission reject the measures involving air source heat pumps where natural gas is available at the property line and approve the remaining revisions to Schedule 110.

**D. UCE**

UCE supports PacifiCorp's proposal to add new qualifying measures under the Program. While incentives for central air conditioners and evaporative coolers already exist, UCE believes introducing incentives for air source heat pumps will help move contractors towards installing more efficient air source heat pumps in new residential construction. UCE supports PacifiCorp's proposal of offering different levels of incentives where natural gas is available at the property line, as this will help provide higher savings for homes that rely on electricity for both heating and cooling purposes.

**DISCUSSION, FINDINGS AND CONCLUSIONS**

Based on our review and the recommendations of the parties, we find the proposed changes to Schedule 110 are cost effective and reasonable except for the incentive for air source heat pumps where natural gas is available at the property line. We agree with the Office that offering an incentive to install this technology could lead to fuel switching and an increase in electric load, which runs counter to the goal of the DSM program to reduce electric consumption and to shave peak loads. We are not persuaded by PacifiCorp's response that the measure will only be available for installations in which the decision already has been made to install an air source heat pump. We expect the availability of the incentive would factor in a decision regarding heating systems and potentially incent fuel switching and load building. Any party

wishing to make this proposal in future proceedings should accompany the proposal with additional supporting evidence that it is in the public interest.

**ORDER**

1. PacifiCorp's proposed changes to Electric Service Schedule No. 110, except for the incentive for air source heat pumps where natural gas is available at the property line, is approved, effective July 1, 2015.

2. PacifiCorp is directed to file revised tariff sheets consistent with this Order by June 26, 2015.

DATED at Salt Lake City, Utah, this 15<sup>th</sup> day of June, 2015.

/s/ David R. Clark, Commissioner

/s/ Thad LeVar, Commissioner

Attest:

/s/ Gary L. Widerburg  
Commission Secretary

DW#266912

CERTIFICATE OF SERVICE

I CERTIFY that on the 15<sup>th</sup> day of June, 2015, a true and correct copy of the foregoing was delivered upon the following as indicated below:

By Electronic-Mail:

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