



State of Utah  
Department of Commerce  
Division of Public Utilities

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## MEMORANDUM

To: Utah Public Service Commission

From: Utah Division of Public Utilities

Chris Parker, Director

Artie Powell, Energy Section Manager

Brenda Salter, Technical Consultant

Date: July 6, 2017

Re: **Rocky Mountain Power's Demand-Side Management 2016 Annual Energy Efficiency and Peak Load Reduction Report**

Docket No. 17-035-32

### RECOMMENDATION (ACKNOWLEDGEMENT)

The Division of Public Utilities (Division) recommends that the Public Service Commission (Commission) acknowledge the Revised Utah Demand-Side Management (DSM) Annual Energy Efficiency and Peak Load Reduction Report for 2016 (DSM Annual Report), filed by Rocky Mountain Power (RMP or the Company) as it appears to comply with the Commission requirements as outlined in the Company's Appendix 1 included with the initial filing.

### ISSUE

On May 15, 2017 the Company filed its DSM Annual Report for 2016. On May 15, 2017, the Commission issued an Action Request for the Division to review for compliance and make recommendations by June 14, 2017. The Commission subsequently filed a Notice of Filing and Comment Period in this Docket requesting interested parties submit comments on or before June

12, 2017 with reply comments submitted on or before June 26, 2017. On May 23, 2017 the Company filed a replacement for page 12 correcting the Carrying Charge column. On June 7, 2017 the Commission approved the Division's request to extend comment and reply comment due dates based on the expectation of the Company filing a revised DSM Annual Report. The Amended Notice of Filing and Comment Period allows parties to submit comments by July 6, 2017 with reply comments due July 20, 2017. The Company filed its Revised 2016 DSM Annual Report on June 15, 2017. This memorandum represents the Division comments on the Revised 2016 DSM Annual Report.

## **DISCUSSION**

The Division appreciates the time and work that has been put into the DSM Annual Report by the Company. The DSM program provides valuable energy and cost savings to Rocky Mountain Power's customers.

The filing contains the 2016 DSM Annual Report along with supporting Appendices 1 through 8.

- Appendix 1 – Report Requirements
- Appendix 2 – Utah Cost Effectiveness
- Appendix 3 – Utah Measure Installation Verifications
- Appendix 4 – Home Energy Savings Retailers and Trade Allies
- Appendix 5 – *wattsmart* Business Trade Allies
- Appendix 6 – Utah Program Evaluation Recommendations and Responses
- Appendix 7 – Utah DSM Outreach and Communications Year 7 Report
  - Exhibit A – National Energy Foundation
  - Exhibit B – Creative and News Stories
- Appendix 8 – Confidential Cost Effectiveness 2016 Utah Peak Reduction

Appendix 1 provides the revised Commission filing requirements as approved in Docket No. 17-035-04. The comments provided by the Division do not reference every Commission filing requirement. Silence on an issue indicates the Division acknowledges the filing requirement has been met.

The 2016 DSM Annual Report contains information on the performance and activities within each program, as well as the cost-effectiveness test results. The cost-effectiveness test results

cover overall portfolio level, program level (residential and non-residential programs), and measure level. The DSM Annual Report indicates that the DSM portfolio passed the utility cost test (UCT), the total resource cost test (TRC), the total resource test plus 10 percent (PTRC), and the participant cost test (PCT). The DSM portfolio did not pass the ratepayer impact cost test (RIM)<sup>1</sup>. At the residential program level, all programs, except for the New Homes program, passed four of the five cost-effectiveness tests. The commercial and industrial program also passed four of the five cost-effectiveness tests.

The residential New Homes program failed four of the five cost-effectiveness tests in 2016. On November 1, 2016, the Company proposed changes to the New Homes program that involved a new design including HERS index whole-home performance measures. The Company anticipated the proposed changes would make it easier for customers to participate and would lower administrative costs. The measure was also consolidated with Schedule 111 to incorporate residential measures into one program similar to the business program. The Commission approved the recommended changes on November 29, 2016. The Division, as part of the DSM Steering Committee, will monitor the program changes and provided recommendations to the Commission as needed.

The 2016 DSM Annual Report indicates that based on the November 1, 2015 target numbers, the Program was below its Utah target of 365,132 MWh/year of energy efficiency and did not meet its estimated 135 MW of load management. 2016 actual achieved energy efficiency acquisitions were 334,148 MWh/year with realized load management reductions of 127 MW. The Company attributes the missed 2016 load management reduction target to higher than expected participant opt-out of the Irrigation Load Control Program. In response to the energy efficiency residential sector not meeting its target the Company decided to ramp up non-residential energy efficiency

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<sup>1</sup> The RIM examines the impact of energy efficiency expenditures on non-participating ratepayers overall. Unlike supply-side investments, energy efficiency programs reduce energy sales. Reduced energy sales can lower revenue requirements while putting near-term upward pressure on rates as the remaining fixed costs are spread over fewer kilowatt-hours.

participation. Also, in August 2016 the Company filed to restructure the small business program with an enhanced incentive direct install program.

The load control programs have consistently under achieved targets in the last five years as shown in the table below.

<b>Class 1 - Load Control</b>		
	<b>Forecast</b>	<b>Actual</b>
	<b>MW</b>	<b>MW</b>
<b>2012</b>	177	150
<b>2013</b>	152	127
<b>2014</b>	147	135
<b>2015</b>	135	116
<b>2016</b>	135	127

\* Gross at Gen

The energy efficiency programs are doing a little better at meeting their goal with two out of the five years exceeding the target.

<b>Class 2 - Energy Efficiency</b>		
	<b>Forecast</b>	<b>Actual</b>
	<b>MWh</b>	<b>MWh</b>
<b>2012</b>	256,345	236,247
<b>2013</b>	247,839	264,375
<b>2014</b>	227,547	269,016
<b>2015</b>	311,857	311,064
<b>2016</b>	365,132	334,148

\* Gross at Gen

The Company relies on the DSM Program in its Integrated Recourse Plan (IRP) to reduce loads and lower costs. The Division acknowledges that the DSM Program provides value to RMP and its customers but is concerned about the reliance on a program that is having a difficult time

achieving its targets. As with the New Homes measure, the Division will monitor the program and make recommendations as needed.

At the beginning of 2016, the DSM balancing account showed an under-collected balance of \$14.3 million. By the end of 2016, the DSM balancing account reversed and was over-collected by \$4.4 million. On December 22, 2016, the Commission authorized a DSM Surcharge adjustment from 4.0 percent to 3.68 percent effective January 1, 2017. The intent of the Surcharge adjustment was to align projected expenditures with DSM Surcharge revenues by December 2017. On July 3, 2017, the Company filed its Semi-Annual DSM Forecast Report showing an \$11.9 million over-collected balance at the end of May 2017. The Semi-Annual Report also shows a forecasted over-collected balance of \$17.0 million by the end of 2017. The Company has indicated in the Semi-Annual Report that it intends to make a filing with the Commission this month to better align the DSM revenue with expenses.

## **CONCLUSION**

The Division has reviewed the revised report and found that it complies with Commission requirements. Therefore, the Division recommends that the Commission acknowledge the Company's Revised DSM Annual Report for 2016 as complying with Commission Orders.

CC Michael Snow, Rocky Mountain Power  
Bill Comeau, Rocky Mountain Power  
Michele Beck, Office of Consumer Services  
Service List