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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 18, 2019

Re: **Rocky Mountain Power's Demand-Side Management 2018 Annual Energy Efficiency and Peak Load Reduction Report**

Docket No. 19-035-22

Recommendation (Acknowledge with Recommendation)

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 2018 (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. The Division recommends a Utah Line Loss analysis be completed for the DSM Program at least every five years, if not more often, to keep up with Rocky Mountain Power's changing infrastructure.

Issue

On May 14, 2019, the Company requested a one-time extension of the DSM Annual Report which the Commission granted. On June 18, 2019 the Company filed its DSM Annual Report for 2018. On June 20, 2019, the Commission filed a Notice of Filing and Comment Period in this Docket requesting interested parties submit comments on or before July 19, 2019 with reply comments submitted on or before August 5, 2019. This memorandum represents the Division comments on the 2018 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 2018 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 – *wattsmart* Homes Retailers 2018
- Appendix 5 – *wattsmart* Business Vendor Network
- Appendix 6 – Utah Program Evaluation Recommendations and Responses
- Appendix 7 – Utah DSM Outreach and Communications Year 9 Report
 - Exhibit A – 2018 Energy Efficiency Residential Research Questionnaire
 - Exhibit B – National Energy Foundation *Be wattsmart* 2018 Report
 - Exhibit C – Creative and News Stories
- Appendix 8 – Confidential Cost Effectiveness 2018 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 2018 DSM Annual Report contains information on the performance and activities within each program, as well as the cost-effectiveness test results.

The 2018 DSM Annual Report indicates that based on the November 1, 2017 target numbers, the Program was below its Utah target of 292,830 MWh/year of energy efficiency and was above its estimated 127 MW of load management. 2018 actual achieved energy efficiency acquisitions were 284,684 MWh/year with realized load management reductions of 258 MW. The increased reduction to load management is the result of the Company's cycling change to the Cool Keeper Program. The Company explains that "[d]uring the 2018 control season, the Company modified the cycling strategy for events approximately 30 minutes or less. For short events, the cycling strategy was modified to a 100% cycling compared to a 50% cycling for longer events. The modified cycling strategy is allowing the program to curtail significantly more load over shorter periods of time without creating a negative customer experience."¹

Cost-effectiveness test results cover overall portfolio level, program level (residential and non-residential programs), and at a high level by measure category. The DSM Annual Report indicates that the DSM portfolio passed the utility cost test (UCT) at 2.39, the total resource cost test (TRC) at 2.15, the total resource test plus 10 percent (PTRC) at 2.37, and the participant cost test (PCT) at 3.28. The DSM portfolio did not pass the ratepayer impact cost test (RIM).² Higher cost-effectiveness results on the portfolio level are primarily attributable to the change in the Cool Keeper Program cycling as noted above. On a program level, the Non-Residential Program passed all but the RIM test. The Residential Program passed the UCT and PCT. The Residential Program cost-effective test result for PTRC and TRC was 0.88 and 0.80 respectively. The Company indicates that "[t]he marginal cost effectiveness for the TRC and PTRC is largely due to the reduction in avoided costs calculated in the 2017 IRP and increased customer reported costs for specific measure groups in *wattsmart* Homes program."³ Multiple measure categories in

¹ Rocky Mountain Power's Demand-Side Management 2018 Annual Energy Efficiency and Peak Load Reduction Report. Page 19

² 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.

³ Rocky Mountain Power's Demand-Side Management 2018 Annual Energy Efficiency and Peak Load Reduction Report. Page 24

each portfolio fail the benefit/cost ratio tests but removal of failed measures removes the opportunity to provide some level of energy efficiency incentive to some ratepayer classes.

The Company relies on the DSM Program in its Integrated Resource Plan (IRP) to reduce loads and lower costs. The Division acknowledges that the DSM Program currently provides value to RMP and its customers but is concerned that decreasing decrement values in the last few IRPs is creating an obstacle to the cost effectiveness analysis. The Division is cognizant of this and will monitor the programs and provide comments and recommendations in the Steering Committee and to the Commission as needed.

At the beginning of 2018, the DSM balancing account showed an under-collected balance of \$4.4 million. By the end of 2018, the DSM balancing account reversed and was over-collected by \$13.1 million. On July 1, 2019, the Company filed its DSM Semi-Annual Report forecasting an ending balance at December 2019 of approximately \$6.3 million over collected with forecasted over collection of \$8.0 million by the end of 2020. The Company's November 2019 forecast filing for 2020 will provide an opportunity to discuss adjustments to the DSM surcharge if necessary.

The Division noted that the line loss values used to calculate savings and cost-effectiveness for 2018 were the same for multiple years. Informal discussions with the Company noted that the last update to line losses was from a 2009 Loss Analysis – Utah study. Many things have changed since 2009 and a ten year old study would not incorporate those changes. The Division recommends a Utah Line Loss analysis be completed at least every five years, if not more often, to keep up with Rocky Mountain Power's changing infrastructure.

Conclusion

The Division has reviewed the report and found that it complies with Commission requirements. Therefore, the Division recommends that the Commission acknowledge the Company's DSM Annual Report for 2018 as complying with Commission Orders. The Division recommends the Commission require the Company to complete a Utah Line Loss analysis for the DSM Program

at least every five years, if not more often, to keep up with Rocky Mountain Power's changing infrastructure.

Cc: Michael Snow, Rocky Mountain Power
Michel Beck, Office of Consumer Services
Service List