



GARY R. HERBERT
Governor

SPENCER J. COX
Lieutenant Governor

State of Utah
DEPARTMENT OF COMMERCE
Office of Consumer Services

MICHELE BECK
Director

To: Public Service Commission

From: Office of Consumer Services
Michele Beck, Director
Cheryl Murray, Utility Analyst

Date: July 18, 2019

Subject: In the Matter of Rocky Mountain Power's Demand-Side Management 2018 Annual Energy Efficiency and Peak Load Reduction Report – Docket No. 19-035-22.

On June 18, 2019 Rocky Mountain Power (Company) filed with the Public Service Commission (Commission) its Demand-Side Management 2018 Annual Energy Efficiency and Peak Load Reduction Report (2018 Report). The Public Service Commission (Commission) requires Rocky Mountain Power (Company) to file an Annual Energy Efficiency and Peak Load Reduction Report between May 1 and June 1 each year. In this docket, the Commission granted the Company's request for a one-time extension to change the due date of the 2018 Report to June 18, 2019¹. On June 18, 2019, the Company filed the required 2018 Report.²

On June 18, 2019, the Commission issued a Notice of Filing and Comment Period establishing July 19 and August 5, 2019 as the dates by which parties may submit comments and reply comments, respectively. In keeping with the established schedule following are comments of the Office of Consumer Services (Office).

Reporting Requirements

Reporting requirements for the Annual Energy Efficiency and Peak Load Reduction Report were revised and approved in the Commission's Order issued February 16,

¹ Appendix 1 identifies the extended due date of the 2018 Report as June 18, 2018.

² The 2018 Report is filed pursuant to the Commission's February 16, 2017 order in Docket No. 17-035-04.

2017, in Docket No. 17-035-04. Generally, the Office's review of the 2018 Report was to determine if the Commission's reporting requirements were met.

Appendix 1, Report Requirements, of the 2018 Report includes a table (Appendix 1 Table) listing eleven reporting requirements as modified in Docket No. 17-035-04 and identifies where the information is located within the 2018 Report or attached Appendices. The Office found the Appendix 1 Table to be helpful in locating the required information.

The Office had minor issues with two of the Reporting Requirements, No. 2 and No. 6.

Reporting Requirement No. 2

Requirement No. 2. The Company shall report Class 1 capacity reduction, estimated Class 2 megawatt savings during system peak, and Class 2 megawatt-hour savings achieved, all compared against the Integrated Resource Plan targets and forecast target submitted in the applicable DSM November 1st Deferred Account and Forecast Report. Report Reference, Table 2, Page 7.

The Office notes that the amount of Class 2 megawatt savings on Table 2 is 51 MW. On page 23 Table 14, the amount of Class 2 megawatt savings at peak is reported as 47.09 MW. In data request OCS 1.5, the Office asked the Company to reconcile the two different megawatt savings amounts. The Company responded as follows:

“The 51 MW in Table 2 was calculated using an average conversion value, while the 47.09 MW reported in Table 14 used a conversion value that takes into account only the coincident system peak.”

In future reports the Office recommends that the Company identify the reason for the differences in the MW amounts.

Reporting Requirement No. 6

Requirement No.6: The Company shall perform cost effectiveness tests using avoided costs from planned assumptions. Report Reference, Appendix 2

The Office's comments on Requirement No. 6 in the 2017 Report included the following statement:

“Appendix 2 does not include any references to avoided costs, however, the Navigant Memorandum does identify the decrements it used in the cost effective analysis. When questioned, the Company stated that the decrement values are from the Integrated Resource Plan (IRP) and are based on avoided costs. Since the requirement is to perform cost effectiveness tests using avoided costs, the Office suggests that a sentence disclosing this information would be an appropriate addition to the report.”

In the 2018 Report, the Navigant cost effectiveness evaluation in Appendix 2 states “Cost-effectiveness was tested using the 2017 IRP decrement for all measure categories.”³ Although the use of the 2017 IRP decrement is stated, there is no reference to avoided costs and the relationship with IRP decrement values. The Executive Summary includes two references to avoided costs: 1) “Program cost effectiveness is performed using a Company specific modeling tool, created by a third party consultant. The tool is designed to incorporate PacifiCorp data and values such as avoided costs,....”⁴; and 2) “Decrement values or avoided costs are considered confidential on load control programs.”⁵

The Office recommends that the Company include an explanation regarding the relationship between avoided costs and decrement values in future reports. If necessary, the Commission has measures in place to address any confidential data involved.

Cost Effectiveness Tests

Navigant provided the cost effectiveness analysis for Rocky Mountain Power. Appendix 2 contains the estimated cost-effectiveness for the overall energy efficiency portfolio and component sectors, as well as the Utah Home Energy Savings Program, the Home Energy Reporting Program⁶, Low-Income Weatherization, and Wattsmart Business Program.

The Benefit/Cost Ratios by Portfolio Type for 2018 are as follows:

³ A reference to decrement values and avoided costs can be found on page 16, footnote 17, which reads in part: “Decrement values or avoided costs are considered confidential on load control programs.”

⁴ 2018 Report, page 15.

⁵ 2018 Report, page 16, footnote 17.

⁶ Cost-effectiveness for the Home Energy Reporting Program was provided both with and without the contractor closeout costs incurred due to program provider change.

Table 3 - Benefit/Cost Ratios by Portfolio Type

| Portfolio Type | PTRC | TRC | UCT | RIM | PCT |
|--|------|------|------|------|------|
| DSM Portfolio with Load Control Programs | 2.37 | 2.15 | 2.39 | 0.98 | 3.28 |
| Total Energy Efficiency Portfolio | 1.10 | 1.00 | 1.73 | 0.38 | 3.05 |
| C&I Programs | 1.25 | 1.14 | 1.88 | 0.41 | 3.10 |
| Residential Programs | 0.88 | 0.80 | 1.59 | 0.33 | 2.94 |

For comparison, the following table is from the 2017 Report:

Table 3 – Benefit/Cost Ratios by Portfolio Type

| Measure Group | PTRC | TRC | UCT | RIM | PCT |
|--|------|------|------|------|------|
| DSM Portfolio with Load Control Programs | 2.18 | 1.98 | 2.23 | 0.89 | 3.31 |
| Total Energy Efficiency Portfolio | 1.89 | 1.72 | 2.86 | 0.66 | 3.07 |
| C&I Programs | 1.93 | 1.75 | 3.24 | 0.77 | 2.53 |
| Residential Programs | 1.92 | 1.74 | 2.24 | 0.47 | 5.36 |
| Load Control Programs | PASS | PASS | PASS | PASS | n/a |

With the exception of “DSM Portfolio with Load Control Programs”, overall cost-effectiveness for the UCT has declined. There have been program modifications but no specific reason for the decline is noted.

Regardless of the general decline in the UCT at the measure level, the portfolio passes cost effectiveness for all the tests except the RIM test.

Residential Energy Efficiency Portfolio

The 2018 Report at page 24 of 42 reads as follows:

“The residential energy efficiency portfolio was comprised of three programs: *wattsmart Homes* (formerly Home Energy Savings), *Home Energy Reports*, and *Low Income Weatherization*. Residential savings decreased by approximately 26% from 2017.”

The next paragraph explains that the residential portfolio was cost effective based on two of the five standard cost effectiveness tests for the 2018 reporting period and that marginal cost effectiveness for the TRC and PTRC is largely due to the reduction in avoided costs calculated for the 2017 IRP and increased customer reported costs for specific measure groups.

The Office views the 26% decline in residential savings to be significant. Therefore, the Office issued OCS data request 1.6 asking, “to what does the Company attribute this significant drop in energy savings?”

Company response to OCS Data Request 1.6. “The decrease in savings from 2017 was expected based on the forecast targets for 2018 submitted in the November 1st Forecast Report from Docket No. 18-035-27. The lower targets and savings are attributable to the 2017 IRP targets, which represented a drop in energy savings from the 2015 IRP. The total energy efficiency savings target for 2017 was 384,010 MWH, which stemmed from the 2015 IRP, and the total energy efficiency savings target for 2018 was 292,830 MWH, which stemmed from the 2017 IRP.”

The Office recommends that when there is a significant decline in reported savings the Company should include an explanation as to the reason(s) for the decline and if remedies are being considered. Although the 2018 Report states that the cost effective analysis is affected by the decrease in avoided cost, the Office believes the Company should provide more clarity for significant decreases in savings.

2018 Performance Compared to Forecast

The Company reports that on November 1, 2017, it filed its 2018 forecast for Class I load control and Class II energy efficiency programs against its Integrated Resource Plan (IRP). “Overall, the Company achieved 98 percent of its Class I and Class II forecast.”⁷

The following Table 2 provides a comparison of the November filing to actual savings achieved.

⁷ 2018 Report, page 6.

Table 2
2018 Forecast to Actual Savings Comparison

| Utah 2018 DSM Programs | 2017 IRP for 2018 (Gross - at Gen) | | 2018 Forecast (Gross - at Gen) | | 2018 Actual (Gross - at Gen) | |
|--|---------------------------------------|------------|-----------------------------------|------------|---------------------------------|------------|
| | MWH | MW | MWH | MW | MWH | MW |
| Class 1 - Load Control Programs | | | | | | |
| A/C Load Control | | 115 | | 114 | | 239 |
| Irrigation Load Control | | 20 | | 13 | | 19 |
| Total Class 1 | | 135 | | 127 | | 258 |
| Class 2 - Residential Programs | | | | | | |
| Low Income | | | 250 | - | 223 | - |
| Home Energy Reports | | | 52,000 | 9 | 39,282 | 7 |
| wattsmart Homes | | | 69,450 | 12 | 65,116 | 11 |
| Total Residential Class 2 | N/A | | 121,700 | 21 | 104,622 | 18 |
| Class 2 - Non-Residential Programs | | | | | | |
| wattsmart Business | | | 171,130 | 31 | 180,063 | 33 |
| Total Non-Residential Class 2 | N/A | | 171,130 | 31 | 180,063 | 33 |
| Total Class 2 | 240,790 | 43 | 292,830 | 52 | 284,684 | 51 |
| Total Class 2 Estimated Range | | | 280,000 - 318,000 | | | |
| Total Class 2 w/incremental HER savings | | | 240,830 | 43 | 245,402 | |

Table 2 includes “Total Class 2 w/incremental HER savings”. The Office recommends that in future reports the Company include an explanation for this line of the Table.

General Comments

The Office found the 2018 Report to be informative and generally easy to follow and understand. The reports also help identify areas of interest or concern for future Steering Committee meetings.

The Office appreciates the Company’s incorporating some of our prior recommendations in the 2018 Report. However, as identified above and in our recommendations that follow the Office believes there are a few areas where adding clarifying language could be beneficial to the reader’s understanding of the results presented in the reports.

Recommendation

The Office recommends that the Commission acknowledge the Demand-Side Management 2018 Annual Energy Efficiency and Peak Load Reduction Report as complying with Commission requirements. The Office further recommends that the Commission impose the following requirements on future reports. The Company should be required to:

- 1) explain the reasons for any differences in the amount of Class 2 MWh savings reported;
- 2) include a clear explanation of the relationship between the decrements used in the cost effectiveness analysis and avoided cost;
- 3) explain the cause of significant year-over-year declines in reported savings and remedies being considered, if appropriate; and
- 4) explain the meaning of the line "total class 2 w/incremental HER savings" on the Forecast to Actual Savings Table.

Copies to: Rocky Mountain Power
Jana Saba
Michael Snow

Division of Public Utilities
Chris Parker
Artie Powell