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DEPARTMENT OF COMMERCE
Office of Consumer Services

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To: Public Service Commission

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

Date: February 25, 2019

Subject: Rocky Mountain Power's Proposed Tariff Revisions to Electric Service Schedule No. 140, Non-Residential Energy Efficiency Program. Docket No. 19-035-T01

On February 8, 2019, Rocky Mountain Power (Company) filed with the Public Service Commission (Commission) an application to make tariff revisions to Schedule 140.[1] The Commission posted a Notice of Filing and Comment Period on February 11, 2019 establishing February 25, 2019 and March 1, 2019 as dates by which interested parties may submit comments and reply comments, respectively.

Discussion

The Company states that the purpose of the proposed changes to the Schedule 140 Non-Residential Energy Efficiency Program (Program) is to adjust customer incentives, add new measures, and other miscellaneous maintenance. These changes align with the 2019 budget ($39,889,609) and savings (188,675 MWh) forecast from the Company's November 1, 2018 Deferred Accounting and Forecast Report. [Docket No. 18-035-27]

Overview of Proposed Changes

The proposed adjustments include:

1. Modify the design of lighting system retrofit & non-general illuminance incentives;

2. Adjust Mid-Market lighting incentives;
3. Adjust new construction/major renovation lighting incentives;
4. Add new measure variations of Advanced Rooftop unit controls; and
5. Miscellaneous maintenance.

Modifications to Lighting System Retrofit Incentives

As explained by the Company, the intent of the proposed modifications to lighting system retrofit incentives is to "facilitate optimized participation across the full spectrum of customers (i.e. small, medium, and large.)" [February 8, 2019 cover letter page 2] In order to accomplish this the Company proposes to 1) change the incentive design; and 2) segment incentives between small, medium, and large customers. The redesign will consist of changing the incentive rate, which is currently based on kWh saved, to a rate based on watts reduced. This customer segmentation will occur using statistical modeling software as explained on pages 4 – 5 of the application.

Although the current incentive plan has encouraged participants to design lighting retrofits for higher efficiency, participation has been greater from facilities with high hours of operation, because hours of operation affect kilowatt-hours saved. The Company asserts that lighting incentives based on a per-watt reduced basis should encourage participation among facilities with lower hours of operation, without compromising participation levels among high-hour facilities. Thus encouraging adoption of energy-efficient technologies best suited to each customer size.

The Company anticipates that these changes will result in:

- The same levels of cost-effectiveness as the prior incentive portfolio.
- The same level of participation among high-hour facilities.
- The same average incentive levels for high-hour facilities. Facilities with extremely high hours of operation will see modestly decreased incentives (10% or less), while those with lower hours of operation will see an increase under the per-watt reduced structure.
- Increased participation among lower-hour facilities.
- Increased ability to meet all customer needs across the full spectrum of potential participants.

[1] Also on February 8, 2019, the Company filed a corrected tariff due to a minor error in the cover letter.

- Broader efforts from the wattsmart Business Vender Network to market and sell to all customer sizes with facilities across the full spectrum of operating hours.
- Continued offering of wattsmart Business incentives that encourage customer to graduate to the next level of efficiency. [Application page 3]

The table below shows the percentage of customers by segment size that have participated in the wattsmart Business lighting incentive offerings since 2013.

Participation Rate by Year

Segment	2013	2014	2015	2016	2017	2018*
Small	1.6%	1.8%	2.0%	1.3%	0.9%	0.4%
Medium	3.0%	4.8%	6.6%	4.9%	4.3%	2.2%
Large	3.5%	7.7%	9.5%	8.3%	8.0%	6.4%

*As of September 2018

[Application page 2]

As shown above the small customer segment clearly lags behind the other segments, especially large customers, in participation in lighting incentive offerings. The Company asserts that the proposed changes will encourage more participation by the small and medium segments as the incentives will provide more benefit to those segments.

Because customer segmentation will be determined by statistical modeling, customers may not intuitively be aware of their assigned segment for purposes of this measure. In response to a query by the Division of Public Utilities, the Company indicated that a “button” will be added to the website to allow individual customers, as well as qualified business vendors, to determine the appropriate segment for individual customers.

In prior comments, the Office has noted that small business customers have had less opportunity to participate in DSM programs than opportunities afforded larger customers. We appreciate the Company’s consideration of ways to better meet the needs of these customers and support the Company’s attempt to modify the program in a manner that will provide more cost-effective opportunities for smaller customers to participate in the program.

Incentive Changes

Mid-Market Incentive Adjustments

In order to receive an incentive for both lamp replacements and lighting controls customers currently must participate in both the Mid-Market program, and the pre-approval based lighting system retrofits program. The Company proposes to add the Mid-Market lighting incentives to the lighting system retrofits table, thereby allowing customers replacing lamps to receive the Mid-Market incentive at the same time as the controls incentive on a pre-approval basis.

The Company notes that a high-hours of operations facility of a large customer may see little benefit from lighting controls, therefore it proposes an option to complete an alternative DSM project approved by the Company in lieu of controls. For example, the customer could agree to upgrade their HVAC system or install advanced rooftop controls and the Company may allow such projects to fulfill the controls eligibility requirement.

Pages 6 – 8 of the Application include tables identifying specific measures and maximum incentive levels for Lighting System Retrofits, Large Customer Segment Incentive Offer Details, Medium Customer Segment Incentive Offer Details (Lighting System Retrofits), and Small Customer Segment Incentive Offer Details (Lighting System Retrofits).

The Office believes that the ease of applying for and receiving incentives should enhance customer participation in the program, thus increasing potential energy savings. Regarding the availability to qualify for an incentive for replacing fixtures when coupled with an alternative DSM project the Office suggests that the Company should report to the Steering Committee on the details of such approved alternative projects, including number of participants, types of projects approved, incentives provided and energy savings achieved.

New Construction Lighting Incentive Adjustments

The Company notes that LEDs have become industry standard for New Construction and Major Remodel exterior lighting applications, thus incentives will only be available for interior lighting with the exception of advanced lighting control options, which will be available for both interior and exterior lighting applications.

Advanced Rooftop Unit Controls

The Company states that Advanced Rooftop Unit Controls added in 2017 was the most productive source of kWh savings from all new offerings in the wattsmart portfolio. The Company proposes to expand the offerings with the initial offered incentive amounts at the proposed maximum amount in the tariff. The Company contends that offering incentives for a wider range of existing equipment configurations will increase participation and may allow some customers to consolidate the operation of all rooftop units on a building or campus creating a more effective control system.

Miscellaneous Maintenance

The Company also proposes to update several measures within Schedule 140 based on its review of those measures. Changes include:

- Removing Electric Steam Cooker, Tier 1 and Electric Commercial Fryer
- Increasing incentive levels for Electric Insulated Holding Cabinet
- Decreasing incentive level for Electric Convection Oven
- Expanding eligibility for Commercial Clothes Washer incentives.

Office Final Comments

In this filing, the Company explains that on May 17, 2018, it posted a 45-day notice to reduce certain Mid-Market offerings to $0 due to indicators of LED lighting market acceptance. “At that time, market research and behavior suggested that incentives were no longer needed to move the market with these measures, and to continue offering incentives would invoke free-ridership. After notifying DSM Steering Committee members of the upcoming changes, the Steering Committee requested that the Company, to the extent possible, monitor distributor sales to measure the effect of the reduced incentives on market sales to verify market acceptance.” [Page 9] The Company goes on to say that based on monitoring and current market research, it determined adoption of these technologies has not fully occurred, thus the proposal to re-incentivize these offerings but at a reduced amount.

The Office appreciates that the Company continued to reevaluate the issue of LED lighting incentives, however, we note that several members of the DSM Steering Committee expressed concern that using the 45-day notice last May was premature and they requested more evidence of market transformation before eliminating incentives. The Office recognizes the Company's concerns with free-ridership, over-payment for measures and other issues that may arise with DSM programs; we share those concerns. We believe that the 45-day notice should be utilized judiciously and expect further discussion on the issue to occur in future Steering Committee meetings. Determinations about market transformation must be based on clear market evidence, especially since stopping and re-starting programs are likely to inhibit the progress being made.

Recommendation

The Office recommends that the Commission approve the Company's proposed changes to Schedule 140. The Office further recommends that the Commission require the Company to report to the Steering Committee on each alternative DSM project approved by the Company under Schedule 140.

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