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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: April 9, 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.

On February 22, 2019, the Headquarters Facilities Department of The Church of Jesus Christ of Latter-Day Saints filled comments opposing the changes to Schedule 140.

On February 25, 2019, the Division of Public Utilities (Division) and the Office of Consumer Services both filed comments recommending the approval of the proposed changes to Schedule 140. Also, on February 25, 2019, Utah Clean Energy (UCE) and the Southwest Energy Efficiency Project (SWEEP) together submitted comments, wherein they did not specifically oppose nor support the Company's filing but offered suggestions regarding the program.

On March 5, 2019, the Commission issued an Action Request to the Division requesting "analysis and support that cost-effectiveness of the portfolio, large customer participation, and large customer average incentives will remain at basically the same levels." On March 7, 2019, the Division responded to that Action Request and reiterated its recommendation that the modifications to Schedule 140 be approved.

On March 8, 2019, the Commission issued an order suspending tariff and notice of scheduling conference. The Commission stated that "[W]e find that the current record in this docket contains inadequate analysis and support for PacifiCorp's assertion that the Tariff adjustments will provide the same levels of cost effectiveness as the prior incentive portfolio".

As per the March 8, 2019 order a scheduling conference was held on March 14 at which time a technical conference was set for March 26 to be followed on March 27 with a supplemental filing by the Company. Comments related to the Order suspending tariff were scheduled for April 9 and reply comments on April 16, 2019.

At the March 26 technical conference the Company provided additional analysis addressing the issues raised by the Commission in its suspension order. The Company submitted its supplemental filing on March 27, which consisted of the slide presentation from the technical conference.

Discussion

In its suspension order the Commission requested "additional analysis to supplement PacifiCorp's assertions that the proposed Tariff adjustments will provide the same level of participation among high-hour facilities, increased participation among lower-hour facilities, the same average incentive levels for high-hour facilities, and decreased incentives for extremely-high-hour facilities." As noted above the Company presented its additional analysis on March 26, 2019.

The Office, in our February 25, 2019 comments, provided an overview of the proposed changes to Schedule 140 and our reasons for recommending that the Commission approve the tariff. The Office continues to support those recommendations. Rather than repeating those comments, we will provide additional reasoning behind our support of the proposed changes in this memo.

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

Participation Levels

Although the Company cannot precisely predict the number of participants in each customer segment, it seems reasonable to assume that with an increase in the incentive amount for Small and Medium customer segments participation by those segments will improve. For very Large customers where the incentive payment amount will decrease there could be some decline in participation. On the other-hand customers may view this as a continued opportunity to receive an incentive before further declines or complete elimination of incentives, as happens from time to time. Also, if participation for Large customers decline it could be in part due to saturation since those customers have participated more than others to date.

At page 9 of the supplemental filing the Company responded to UCE/SWEEP Question 3: “Please present the impact of the proposed lighting incentive changes on three hypothetical/typical customers, one from each of the three proposed customer segments: Small, Medium, and Large. Please compare the forecasted electricity savings and available incentives for each customer type under the old incentive structure and under the proposed new incentive structure.”

The Company responded to Question 3 by providing its analysis of the impact of the proposed lighting incentive changes for Small, Medium and Large customer segments under three scenarios, Baseline (current tariff), Proposed (offered incentive) and Incremental (difference between the current and proposed amounts). Under all three scenarios each of the three customer segments show an increase in kWh savings and incentive amounts. The following Table from the March 27 supplemental filing shows the results as presented by the Company.

Baseline	Savings		Customer Costs		Incentives	
Measure Category	2019	2020	2019	2020	2019	2020
Lighting - Small	1,200,000	1,242,000	$ 540,000	$ 553,311	$ 118,800	$ 122,958
Lighting - Med	4,200,000	4,347,000	$ 1,806,000	$ 1,850,518	$ 441,000	$ 456,435
Lighting - Large	28,000,000	28,980,000	$ 11,480,000	$ 11,762,982	$ 3,080,000	$ 3,187,800
Total	**33,400,000**	**34,569,000**	**$ 13,826,000**	**$ 14,166,811**	**$ 3,639,800**	**$ 3,767,193**

Proposed (Offered Incent)	Savings		Customer Costs		Incentives	
Measure Category	2019	2020	2019	2020	2019	2020
Lighting - Small	3,360,000	3,477,600	$ 1,512,000	$ 1,549,271	$ 369,600	$ 382,536
Lighting - Med	8,820,000	9,128,700	$ 3,792,600	$ 3,886,088	$ 943,740	$ 976,771
Lighting - Large	42,000,000	43,470,000	$ 17,220,000	$ 17,644,473	$ 4,326,000	$ 4,477,410
Total	**54,180,000**	**56,076,300**	**$ 22,524,600**	**$ 23,079,831**	**$ 5,639,340**	**$ 5,836,717**

Incremental	Savings		Customer Costs		Incentives	
Measure Category	2019	2020	2019	2020	2019	2020
Lighting - Small	2,160,000	2,235,600	$ 972,000	$ 995,960	$ 250,800	$ 259,578
Lighting - Med	4,620,000	4,781,700	$ 1,986,600	$ 2,035,570	$ 502,740	$ 520,336
Lighting - Large	14,000,000	14,490,000	$ 5,740,000	$ 5,881,491	$ 1,246,000	$ 1,289,610
Total	**20,780,000**	**21,507,300**	**$ 8,698,600**	**$ 8,913,020**	**$ 1,999,540**	**$ 2,069,524**

Recognizing that participation levels may not be as projected the Office recommends that the Company monitor the program and report to the Steering Committee at the quarterly meetings on how each segment is performing. The Company should also report on anecdotal information regarding customers unwilling to participate under the new incentive arrangement.

Small Customer Participation in Current Program

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

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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 than under the current program.

The Office has observed that Small business customers have, in general, had less opportunity to participate in DSM programs than Large 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 cost-effective opportunities for Small customers to participate in the program.

Special Provision for Large Customers

The Office also notes that the Company has provided a specific option for Large customers in the mid-market incentive measure. A Large customer that replaces fixtures, but does not install controls, may still be eligible to receive an incentive if they agree to complete an alternative beneficial DSM project that the Company approves in lieu of adding lighting controls. This is a special concession not offered to Small customers. The Office supported this measure for Large customers viewing it as potentially beneficial and in-part as an offset to high-load hour customers who may see a small decline in incentives received due to the lighting incentive changes.

Market Transformation

One often cited reason for DSM programs is to "transform the market" for certain high efficiency products. In the case of lighting system retrofits, based on participation levels, it appears that the Large customer segment may be moving to market transformation more quickly than the Medium and Small customer segments as there is less participation by those groups. Market transformation is likely enhanced by the larger incentive payment available to Large customers[2]; the Office would like to see Medium and Small customers benefit as well. In addition, the Office is concerned that as the market is transformed for Large customers there will be increased free-ridership among this group. With market transformation, DSM incentives may no longer be necessary or could be reduced or offered on a much more limited basis, thereby allowing those dollars to be utilized for other DSM offerings.

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[2] The larger incentive payment is based on the way the incentive is currently calculated.

Cost effectiveness

Importantly, the Company's analysis indicates that Schedule 140 remains cost-effective with the proposed changes. While the precise level of cost-effectiveness may not be the same under these changes as in the prior year, the change cannot necessarily be attributed to the program changes proposed by the Company. Other inputs into a cost-effective analysis have almost certainly changed over the time this program has been in place.

As programs mature, the market changes, or they simply do not perform as anticipated[3], the Company proposes various modifications, sometimes at the urging of the DSM Steering Committee. The Office believes that it is appropriate to review programs and to make changes as necessary even if the cost-effectiveness results may change. Although the overall level of cost-effectiveness of a program is extremely important in our view, it is not the only consideration that should be used in determining program parameters.

Final Comments

The Office asserts that all contributors to the DSM surcharge should have opportunities to participate in DSM programs that will benefit the specific participant and customers in general. Small non-residential customers have had fewer overall opportunities to participate in DSM programs and while we recognize that sometimes Large customers can provide greater energy savings we believe all contributors to DSM funding should have the opportunity to utilize energy savings programs. The Company has been working to develop programs directed at Small non-residential customers; the Office appreciates those efforts. We believe that the proposed changes to the lighting retrofit measure will provide an opportunity for Small non-residential customers to participate to a greater extent than here-to-for due to the larger incentive available to them. Again, even with these changes the Company's analysis indicates that the program remains cost effective.

[3] Participation may be higher or lower than anticipated, prices of offered equipment may decrease such that the incentive level is set too high, etc. They are any number of reasons to review and adjust programs; it is a necessary part of demand side management.

Recommendation

The Office continues to recommend 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 the Mid-Market measure of Schedule 140 and to report on program participation by customer segments at quarterly Steering Committee meetings.

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