



State of Utah

Department of Commerce Division of Public Utilities

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Action Request Response

To: Utah Public Service Commission

From: Utah Division of Public Utilities
Artie Powell, Director
Brenda Salter, Utility Technical Consultant Supervisor
Paul Hicken, Utility Technical Consultant

Date: October 26, 2020

Re: **Docket No. 20-035-T09 Approval of Tariff Sheet Changes**, Rocky Mountain Power's Proposed Tariff Revisions to Electric Service Schedule No. 111, Residential Energy Efficiency Program.

Recommendation (Approval)

The Division of Public Utilities ("Division") recommends the Public Service Commission ("Commission") approve Rocky Mountain Power's ("RMP" or "Company") proposed revisions to Schedule 111, effective November 9, 2020.

Issue

On October 9, 2020, RMP filed Advice No. 20-10 with the Commission proposing revisions to Electric Service Schedule No. 111, Residential Energy Efficiency Program ("Program"), to better align with measure research, market conditions, and cost-effectiveness thresholds. RMP requests an effective date of November 9, 2020. On October 9, 2020, the Commission issued an action request to the Division requesting it to investigate RMP's filing and make recommendations. The Commission asked the Division to report back by October 26, 2020. On October 14, the Commission issued its Notice of Filing and Comment Period. Any party may submit comments on or before October 27, 2020 and reply comments on or before November 3,

2020. This memorandum represents the Division's response to the Commission's request to investigate RMP's filing.

Background

The Residential Energy Efficiency Program is managed and described under Schedule 111 of RMP's Electric Service Tariff. It was initially proposed and adopted in November 2016 with the consolidation of the Home Energy Savings Program under Schedule 111 and the cancellation of the New Homes Program under Schedule 110. The restructuring and renaming of Schedule 111 was to create consistency with the structure of Schedule 140, Non-Residential Energy Efficiency and other DSM programs marketed under *wattsmart* Homes and *wattsmart* Business. Schedule 111 has been modified several times since then to accommodate new technology and to streamline and simplify rebate offerings as new products become available and with changes to the market.

Discussion

The purpose of these changes is to better align with market research, market conditions, and cost-effectiveness thresholds. The revised Schedule 111 tariff sheets will add measure types to various tables and remove some of the detail such as sub-category, minimum efficiency requirements, and incentive "up-to" amounts and other information the Company feels is non-essential for the tariff. All requirements, eligibility, and other detailed information necessary for participation will be posted and maintained on the Company's website and in the application materials and other prominent places for transparency to keep customers informed. Streamlining the Schedule 111 tariff sheets as proposed is not anticipated to reduce the level of detail transparency displayed or readily available. Program information will continue to be displayed, with changes conveyed as they occur.

Miscellaneous updates to adjust incentives, add new offerings, retire existing offerings, and streamline offerings are proposed for the following measure categories:

- a. Lighting Incentives; Changes generally reduce the amount of the incentives available.

- b. Appliance Incentives; Changes remove sub categories and minimum efficiency requirements. They also add equipment types that were not previously included.
- c. Building Envelope Incentives; Changes remove smart thermostats for electric heat and cooling, and add windows and infiltration control equipment.
- d. HVAC Incentives; Changes remove ECM upgrade for existing gas furnace and add several other equipment types. They also remove sub category and minimum efficiency requirements detail, and simplify the incentive up-to amounts.
- e. New Construction Incentives; Changes generally remove the minimum efficiency requirements and simplify the incentive up to amounts.
- f. Insulation Incentives; Changes remove sub category, equipment types, and minimum efficiency requirements. They also simplify the incentive up-to amounts.

The cost-effectiveness analysis conducted by Guidehouse consultants indicates the proposed changes are expected to remain cost-effective for years 2020-2021 under the Utility Cost Test (UCT) and the Participant Cost Test (PCT) with benefit/cost ratios of 1.36 and 1.60 respectively. The program changes show they are not cost-effective under the Total Resource Cost Test (TRC) with a ratio of 0.53 and ratio of 0.35 for the Rate Impact Test (RIM).

The Company provided a draft of the proposed Schedule No. 111 changes to the Steering Committee on September 30, 2020 and also discussed the content in a call on October 7, 2020. Concerns were raised about the new dual fuel heat pump offering proposed by the Company. High efficiency heat pumps can do a great job down to about 38° F outside but in Northern climates where it gets cold, a dual fuel heat pump is more optimal. With a hybrid system, when it's too cold out for the heat pump, a high efficiency gas furnace takes over. RMP's advice letter did not mention a standardized set point at which the switch to a gas furnace takes over. The concern is that the gas and electric utility might have different requirements and many installation contractors might also have differing standards. Further discussion with the Company clarified that industry standards along with Utah climate zones will be used to set the switch point for optimal efficiency. The Company also indicated that details for rebates on dual fuel heat pump conversion and installation, whether electric or gas, will be clearly spelled out and the

incentive for heat pumps is specific to the RMP tariff and independent from what is offered by the gas utility. The Division notes there are different incentives levels for electric verses gas heat conversions.

In review of RMP's advice letter for this matter, the Division reviewed Utah Administrative Code R746-405-2(D)(3)(g), which requires a statement that the tariff sheets proposed do not constitute a violation of state law or Commission rule. However, the rule also states that the filing of proposed tariff sheets shall of itself constitute the representation of the filing utility that it, in good faith, believes the proposed sheets or revised sheets to be consistent with applicable statutes, rules and orders. The filing does not appear to violate statute or rule.

Conclusion

The Division concludes that RMP's filing is reasonable and appropriate to simplify the Schedule No. 111 and enable the Company to respond to market conditions. The residential energy efficiency measure changes are expected to be cost-effective under the Utility Cost Test which the Commission has determined to be the determining cost-effective test. The Division recommends that the Commission approve RMP's filing with an effective date of November 9, 2020 as requested by the Company.

Cc: Michael Snow, RMP
Michele Beck, OCS