

Utah Division of Public Utilities Compliance Review

Demand Side Management Programs of Rocky Mountain Power

January 1, 2021 – December 31, 2021

Prepared by
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OBJECTIVE

This report presents the Division of Public Utilities (DPU) compliance review of Rocky Mountain Power's (RMP or Company's) Demand Side Management (DSM) program Annual Report Docket No. 22-035-27. The DPU completed this compliance review or audit¹ of the RMP 2021 Utah Energy Efficiency and Peak Reductions Annual Report pursuant to the Commission's order dated February 16, 2017, Docket No. 17-035-04².

BACKGROUND

Utah allows the recovery of DSM expenses through a system benefit charge (SBC) tariff rider outlined in RMP's Electric Service Schedule No. 193. In a general rate case, the DSM revenue and costs are removed to prevent double recovery. Because most DSM costs are removed and therefore not subject to a thorough review or audit during rate cases, the DPU conducted this review.

The Company contracts with numerous providers to help administer the DSM programs. Projects in the DSM program include:

- Load Controls: Cool Keeper, A/C Load Control, Irrigation Load Control, Wattsmart Batteries
- Energy Efficiency Residential: Low Income, Home Energy Reports, Wattsmart Homes
- Energy Efficiency Non-Residential: Wattsmart Business
- Other Portfolio Activities: Outreach & Communications, and EM&V (Evaluation, Measurement and Verification)

METHODOLOGY

The information required to review the 2021 DSM program was provided to the Division through the data request process. The Company was responsive in supplying the requested documentation of DSM revenue and expenses.

All departments follow the Company's general policies and procedures for tasks such as procurement of material or services, processing of invoices, accrual policies,

¹ In using the term "Audit" the Division notes that it did not conduct an independent audit as defined and conducted under Generally Accepted Auditing Standards as promulgated under the Auditing Standards Board of the American Institute of Certified Public Accountants. In this instance "Audit" means compliance review.

² The annual DSM reporting criteria are listed in Docket No. 17-035-04 Appendix A. The PSC Order is dated 02-16-2017.

etc. The Company follows a set of standard policies and procedures resulting in reduced risk. The sample utilized for testing purposes was a random sample.

The Company explained that Company assets or lease contracts were not assigned to the DSM program, therefore no review of plant, equipment, depreciation, or leasehold agreements was required for this review.

VERIFICATION ACTIVITIES and RESULTS

Revenues

Revenues for the DSM program are collected through a system benefit charge, Rocky Mountain Power Electric Service Schedule 193, referenced on RMP's billing statement under "Efficiency & STEP Programs." A sample of customer statements, selected by the company, representing one of each customer class and DSM program were reviewed. The audit review and work performed concludes that the revenues appear to be properly stated. The compliance audit included the following verification activities:

- Review and discuss revenue accounting procedures with appropriate RMP personnel.
- Compared revenues to prior years and reviewed month-to-month trends.
- Reviewed revenue accounts and compared balances with expected revenue calculations.
- Compare customer billing amounts to applicable Tariff schedules.

Disbursements/Expenses

RMP administers the DSM program in six states, California, Oregon, Washington, Idaho, Wyoming, and Utah. The Company's DSM expenses Attributed to Utah for 2021 were \$62,067,389 as state in the 2021 Utah Energy Efficiency and Peak Reduction Annual Report. t. This is a decrease of about \$1,994,281 down 3% from the previous year.

The Utah expenses appear to be properly stated. The compliance review included the following verification activities:

- Reviewed and discussed expense recording and cost allocation procedures with appropriate personnel.
- Compared expenses to prior years and reviewed month-to-month trends.
- Reviewed several operating expenditures (including payroll), with applicable receipts, invoices, and statements, etc.

Regulatory Reporting Requirements

Based on a review of the 2021 filings with the Public Service Commission of Utah and the associated 2021 DSM programs, the Company appears to be in compliance with regulatory and reporting requirements for the following associated programs:

- Schedule 105 – Irrigation Load Control
- Schedule 114 – Load Management
- Schedule 140 – Non-Residential Energy Efficiency
- Schedule 193 – DSM Cost Adjustment

The following residential programs reporting methodologies were changed for calendar year 2021. Further study was needed to determine if the regulatory reporting requirements were met for the following programs:

- Schedule 111 – Residential Energy Efficiency
- Schedule 118 – Low Income Weatherization

Observation A: The DSM report, Table 13: 2021 Cost Effectives Results by Program, shows an uncharacteristically high PTCR, TRC and UTC ratios for the Home Energy Reporting (HER) and Low-Income Weatherization programs. “In its 2021 DSM Energy Efficiency Report, the Company reported a utility cost test (UCT) of 12.93 for the HER program. This UCT score was a 639% increase over 3 years and seemed unusually high. Further review showed that while the HER program costs increased from \$858K to \$1.4M from 2019-2021, the estimated benefits increased significantly from \$1.5M to \$18.1M, a 1106% increase.”³

On, August 26, 2022, the Commission requested further information from the Company regarding the dramatic increase in cost effectiveness of the programs. RMP’s response explained *the change in methodology from the original design to a deemed savings approach* due to expanded participation levels. The DPU concluded the Company answered the Commissions question and recommended that the Commission acknowledge the Companies Compliance Letter of October 25, 2022. These ratios should be monitored in future reports to safeguard that the new data metrics are representative of the program’s performance.

The compliance audit included the following verification activities:

³ Docket No. 22-035-27 DPU Action Request Response, November 25, 2022, page 2.

- Reviewed program results from the 2021 year (provided to DSM Advisory Group along with annual report filing) for completeness and accuracy.
- Reviewed the most recent Tariff rates used in audit period for compliance to Commission-approved rates.
- Reviewed revenue and expense accounts for propriety and proper regulatory reporting.
- Reviewed prior Commission Orders for RMP compliance.

FINDINGS AND CORRECTIVE ACTIONS

No audit findings were issued and therefore no corrective actions.