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## UTAH DEPARTMENT OF COMMERCE

### Division of Public Utilities

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## Action Request Response

**To:** Public Service Commission of Utah

**From:** Utah Division of Public Utilities

Chris Parker, Director  
Brenda Salter, Assistant Division Director  
Abdinasir Abdulle, Utility Technical Consultant Supervisor  
Paul Hicken, Technical Consultant

**Date:** June 27, 2023

**Re:** **Docket No. 23-035-26**, Rocky Mountain Power's Demand Side Management 2022 Annual Energy Efficiency and Peak Load Reduction Report.

## Recommendation (Acknowledge with Recommendation)

The Division of Public Utilities (DPU or Division) recommends the Public Service Commission (PSC or Commission) acknowledge the Utah Demand Side Management (DSM) Annual Energy Efficiency and Peak Load Reduction Report for 2022 (DSM Annual Report) filed by Rocky Mountain Power (RMP or Company), as it appears to comply with the Commission requirements as outlined in the Company's Appendix A included with the initial filing.

However, the Division recommends that the Commission require RMP to provide justification for approving programs that fail adopted cost effectiveness tests. In the alternative, the Division recommends that the current cost effectiveness tests be re-evaluated to determine their future applicability.

## Issue

On June 1, 2023, the Company filed with the Commission its DSM Annual Report, and the Commission issued an Action Request for the Division to review the filing and make

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recommendations by June 30, 2023. The Commission also issued a Notice of Filing and Comment Period on June 5, 2023, requesting interested parties submit comments by July 5, 2023, and reply comments by July 20, 2023. This memorandum represents the Division's comments on the DSM Annual Report.

## **Background**

RMP applies energy efficiency and peak reduction programs as alternatives to the acquisition of supply-side resources. Ideally, these programs assist in addressing load growth and contribute to the ability to meet system peak requirements. RMP employs third parties to administer the programs and independent external evaluators to assess the programs and validate the energy savings derived from the energy efficiency programs.<sup>1</sup> The Company seeks input regarding its energy efficiency programs from both the Utah DSM Steering Committee and the Utah DSM Advisory Group, and the Company consulted with these groups on various matters throughout the year. This report provides details on program results, activities, and expenditures of the DSM Cost Adjustment Tariff Rider (Schedule 193) for the 2022 calendar year reporting period.

## **Discussion**

The DSM Annual Report provides details and results of the activities and evaluations for the following energy efficiency and peak reduction programs:

- **Energy Efficiency Programs:**
  - Wattsmart Homes
  - Home Energy Reports
  - Low Income Weatherization
  - Wattsmart Business
  
- **Peak Reduction Programs:**
  - Irrigation Load Control
  - Cool Keeper
  - Wattsmart Batteries

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<sup>1</sup> Program Administration can be found at <https://www.pacificorp.com/environment/demand-side-management.html> under the "Program administration" section.

- Wattsmart Business Demand Response

RMP invested \$68 million in energy efficiency and peak reduction resource acquisitions during the reporting period. The investment yielded approximately 305,731 megawatt hours (MWh) in first year energy savings,<sup>2</sup> with 3,251,218 MWh of lifetime savings from the 2022 energy efficiency acquisition.<sup>3</sup> Net benefits are estimated at \$133 million, based on the projected value of the energy savings over the life of the individual measures.<sup>4</sup>

The DSM portfolio was cost effective based on the Utility/Administrator Cost Test (UCT), which is the primary cost benefit test used in Utah. The residential programs scored an overall UCT rating of 1.90 for cost effectiveness. Only the water heating and electronics categories scored below the UCT standard of 1.0 for cost effectiveness.<sup>5</sup> The commercial and industrial programs scored an overall UCT rating of 1.74 for cost effectiveness, with only the HVAC and water heating categories scoring below the UCT rating of 1.0 for cost effectiveness.<sup>6</sup> Overall, the total DSM portfolio, including load control programs, scored a 1.95 UTC rating for cost effectiveness.<sup>7</sup> The Wattsmart Battery Program was the one program that did not pass the UCT standard for cost effectiveness. It also failed the standards for PTRC, TRC, PCT and RIM cost/benefit tests.<sup>8</sup>

Compared to 2021, the cost effectiveness scores by program were generally lower overall in 2022.<sup>9</sup> Although the DSM programs still appear to encourage energy efficiency and load reduction overall, cost effectiveness has declined significantly compared to previous years.

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<sup>2</sup> Reported ex-ante savings are gross at generation.

<sup>3</sup> Estimated lifetime savings of the 2022 Energy Efficiency Acquisitions was calculated by multiplying First Year Acquisitions (ex-ante, measured at generator) by the weighted average measure life of the portfolio of 10.6 years.

<sup>4</sup> *Rocky Mountain Power's Demand-Side Management (DSM) 2022 Annual Energy Efficiency and Peak Load Reduction Report*, Docket No. 23-035-26, 2022 DSM Report, Appendix B, Memorandum on PacifiCorp Utah Portfolio and Sector Level Cost-Effectiveness Results tbl.4.

<sup>5</sup> *Id.* at Appendix B, Memorandum on PacifiCorp Utah Wattsmart Homes Cost-Effectiveness Results tbl.4.

<sup>6</sup> *Id.* at Appendix B, Memorandum on PacifiCorp Utah Wattsmart Business Program Cost-Effectiveness Results tbl.4.

<sup>7</sup> *Id.* at Appendix B, Memorandum on PacifiCorp Utah Portfolio and Sector Level Cost-Effectiveness Results tbl.3.

<sup>8</sup> *Id.* at 22 tbl.13.

<sup>9</sup> *Id.*

The 2022 and 2021 Cost Effectiveness Results by Program are presented below for reference.

**Table 13: 2022 Cost Effectiveness Results by Program<sup>10</sup>**

Program	Benefit/Cost Test				
	PTRC	TRC	UCT	PCT	RIM
DSM Portfolio	0.88	0.80	1.95	1.19	0.55
Energy Efficiency Portfolio	0.70	0.64	1.72	1.16	0.43
Non-Residential Energy Efficiency Portfolio	1.20	1.09	1.74	2.19	0.42
Residential Energy Efficiency Portfolio	0.46	0.41	1.90	0.66	0.48
Wattsmart Homes	0.38	0.35	1.66	0.58	0.45
Home Energy Reporting	7.63	6.94	6.94	n/a	0.64
Low Income Weatherization	22.46	20.41	2.62	n/a	0.63
Wattsmart Business	1.20	1.09	1.74	2.19	0.42
Irrigation Load Control Program <sup>17</sup>	Pass	Pass	Pass	n/a	Pass
AC Load Control Program <sup>18</sup>	Pass	Pass	Pass	n/a	Pass
Wattsmart Battery Program <sup>19</sup>	Fail	Fail	Fail	n/a	Fail
C&I Demand Response <sup>20</sup>	n/a	n/a	n/a	n/a	n/a

**Table 13: 2021 Cost Effectiveness Results by Program<sup>11</sup>**

Program	Benefit/Cost Test				
	PTRC	TRC	UCT	PCT	RIM
DSM Portfolio	2.55	2.32	2.70	3.01	1.04
Energy Efficiency Portfolio	1.56	1.42	2.55	2.73	0.55
Non-Residential Energy Efficiency Portfolio	1.30	1.18	2.30	2.51	0.51
Residential Energy Efficiency Portfolio	2.24	2.04	3.30	3.15	0.62
Wattsmart Homes	1.64	1.49	2.51	2.77	0.49
Home Energy Reporting	14.32	12.93	12.93	n/a <sup>13</sup>	1.50
Low Income Weatherization	19.21	17.47	2.35	n/a <sup>14</sup>	0.63
Wattsmart Business	1.30	1.18	2.30	2.51	0.51
Irrigation Load Control Program <sup>15</sup>	Pass	Pass	Pass	n/a	Pass
AC Load Control Program <sup>16</sup>	Pass	Pass	Pass	n/a	Pass
Wattsmart Battery Program <sup>17</sup>	Pass	Pass	Pass	n/a	Pass

RMP provided minimal to no information regarding DSM Program cost effectiveness decline in its report. In Docket No. 09-035-27, RMP's 2009 DSM Report outlined the cost

<sup>10</sup> Id.

<sup>11</sup> Rocky Mountain Power's Demand-Side Management (DSM) 2021 Annual Energy Efficiency and Peak Load Reduction Report, Docket No. 22-035-27, 2021 DSM Report, at 20 tbl.13.

effectiveness guidelines, and the Commission included the following in its October 7, 2009 Order (2009 Order):

The 2009 Report also recommends judging cost effectiveness at the program level rather than the measure or measure group level and that the Commission exercise judgement based on a review of all five tests in the determination of program effectiveness, with emphasis placed on the UC test as the threshold test for cost-effectiveness in the assessment of program prudence. The 2009 Report explains there are instances where individual measures may not be cost effective on their own, but enhance the overall program. The Company will continue to provide cost-benefit analysis for measures or groups of measures within a program and where a measure fails one or more of the tests, the Company will provide sufficient justification for including the measure as part of the overall program.<sup>12</sup>

In addition, the 2009 Order included the following regarding program evaluation:

Second, the 2009 Report recommends the utility cost test as the threshold test for program approval; the 1995 performance standards recommended passage of all tests. We will continue to expect the Company to design programs that pass all of the tests at this stage of review and will consider any arguments to approve a program that fails certain tests but is still shown to be in the public interest. We concur with the recommendation to require the program to pass the utility cost test at a minimum.<sup>13</sup>

The Division reiterates that RMP provided little to no explanation as to why some programs failed certain tests. The Division understands that the UCT is generally treated as the threshold, but as the Commission approved and the Division agrees, the remaining tests have value and indicate something meaningful about a program's cost effectiveness.

The Division recommends that the Commission hold RMP to the standard set previously and require the Company to provide sufficient justification for programs that fail certain tests. If programs that previously passed certain tests are now failing or a have significant decrease in cost effectiveness, RMP should provide arguments for the programs in the annual report. In the alternative, the Division recommends that the cost effectiveness tests be re-evaluated to determine their applicability going forward.

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<sup>12</sup> Proposed Revision to the Utah Demand Side Resource Program Performance Standards, Docket No. 09-035-27, Order issued Oct. 7, 2009, at 6.

<sup>13</sup> *Id.* at 10.

## **Conclusion**

The Division has reviewed the report and found that it generally complies with the Commission requirements, but that RMP should provide “sufficient justification for including the measure as part of the overall program” as the 2009 Order requires. Therefore, the Division recommends that the Commission acknowledge the Company’s DSM Annual Report as complying with Commission orders after it has provided justification for programs that fail adopted cost effectiveness tests. In the alternative, recommends that the Commission acknowledge RMP’s DSM Annual Report as complying with Commission orders and re-evaluate current cost effectiveness tests to determine their future applicability.

cc: Michael Snow, RMP.  
Michele Beck, OCS.  
Service List