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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:** February 14, 2023

**Re:** **Docket No. 23-035-T04**, **TARIFF** Rocky Mountain Power's Proposed Changes to Schedule No. 111, Residential Energy Efficiency Program.

## Recommendation (Approval)

The Division of Public Utilities (DPU or Division) has reviewed the tariff filing and recommends the Public Service Commission (PSC or Commission) approve Rocky Mountain Power's (RMP or Company) proposed revisions to Schedule 111, Residential Energy Efficiency Program (Program). The Company requests an effective date of March 6, 2023.

## Issue

On February 3, 2023, RMP filed Advice No. 23-02 with the Commission requesting modifications to the Tariff for the Residential Energy Efficiency Program. The purpose of this filing is to propose changes to the Residential Energy Efficiency Program administered through Electric Service Schedule No. 111. The proposed changes align with targets presented in the Demand Side Management (DSM) Deferred Account and Forecast Report filed on November 1, 2022, in Docket No. 22-035-37. The Company requests an order approving the proposed revisions gwith an effective date of March 6, 2023.

Division of Public Utilities

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## 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. Schedule 111 has been modified several times since then to accommodate new technologies and to streamline and simplify rebate offerings as new products become available and with changes to the market. In Docket No. 17-035-T12, the Custom Multi-Family Program was approved as part of the Schedule 111, to offer participating customers education on the benefits of energy efficiency, to provide an energy/audit assessment of their property identifying energy saving measures that could be installed with the associated savings estimates, and an explanation of the life cycle and non-financial benefits that would result. Additionally, the program helps multi-family owners gain access to additional incentives and rebates offered by other utilities and federal agencies, tax credits, and financing.

On February 3, 2023, the Commission issued an Action Request for the Division to investigate RMP's filing and make recommendations by February 17, 2023. The Commission also issued a Notice of Filing and Comment Period on February 6, 2023, with comments due on or before February 21, 2023, and reply comments due on or before February 28, 2023. This memorandum represents the Division's response to the Commission's Action Request.

## Discussion

The filing proposes changes to Schedule 111 for the following:

1. *Remove lighting offerings for Light Emitting Diodes (LED) and fixtures from Schedule 111.* The LED lighting incentives were discontinued in August 2021 and the Company proposes to remove Table 1, which details the incentive from Schedule 111. All other table numbers and references in the schedule will be shifted accordingly.
2. *Revise tariff language and incentive offerings for various measures.* Proposed changes will reduce incentives for various areas including Wi-Fi smart plugs,

evaporative coolers, heat pumps, engine block heater controls, and dual fuel heat pump conversions.

3. *Change the incentive structure for New Construction from a deemed value to a site-specific pay for performance model.* The new incentive structure will be site-specific and based on a performance model rather than deemed values and ratings from the Home Energy Rating System (HERS). In addition, various incentives for low income and market rate property types will be slightly increased to stimulate participation in the Custom Multi-Family Program.

Cost-effectiveness analysis of the Wattsmart Homes Program, also known as the Residential Energy Efficiency Program, was conducted by Applied Energy Group (AEG). The results of the study are presented in Exhibit B of the filing. Assuming the proposed changes are approved, the Program is expected to remain positive for PY2023 using the Utility Cost Test (UCT) and the Participant Cost Test (PCT). However, projected cost-effectiveness was negative when measuring Total Resource Costs (TRC), Total Resource Cost plus Conservation Adder (P-TRC), and Rate Impact Test (RIM). The Division is concerned that some Program categories are not performing well and may be impeding the overall performance of the Program. There are six measure categories in the Wattsmart Homes Program including, Appliances, Building Shell, HVAC, New Homes, Water Heating, and Lighting. Using the TRC test, only Lighting scored above 1.0 for cost-effectiveness, with four measures scoring below 0.50. The P-TRC didn't fare much better.

Regarding cost-effectiveness testing, the Commission's Order in Docket No. 09-35-27 states the following:

(...), 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. [Emphasis added]

The Company's filing did not address the failed tests, therefore, the Division requested additional information. The Company indicated that as the Program portfolio has moved away from lighting incentives, it has had a significant effect on the portfolio level cost-effectiveness. Lighting has always been a positive driver in all programs but as lighting has become standard practice, it's not generally an appropriate efficiency measure anymore. The Company also stated that measures with high incremental costs, where incentives may not be as high, don't drive down UCT results as much as say the TRC. HVAC standards increased to SEER 14 and HVAC costs have gone up significantly in the last 18 months. Higher standards alone would result in higher incremental costs, but both higher standards and cost compound the issue. RMP receives savings only from the cooling portion.

In the past, the Program has been cost-effective and has been in the public interest. Due to the above reasons and possibly others, the Program appears to be struggling. The Division requested the Company provide further review and discussion of the Program in the next DSM Steering Committee Meeting. The Division will continue to monitor the Program and report to the Commission its findings.

The Company discussed the proposed changes with the DSM Steering Committee on October 27, 2022, and a draft Advice Letter was circulated on January 17, 2023, for review and comments. Both the Division and the Office of Consumer Services (OCS) raised concerns about the cost-effectiveness measures.

## **Conclusion**

The Company's Advice Letter for this matter, complies with 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.

The Division concludes that RMP's filing reasonably passes the UCT measurement for defining cost-effectiveness as the Commission directs is the threshold test. But, as the Commission has indicated, a reasonable program would pass all cost-effective tests. The Division will work with the Steering Committee to help determine the course the Program should take. The Division recommends the Commission approve RMP's Tariff Schedule 111 filed on February 3, 2023, and make it effective March 6, 2023, as requested.

cc: Michael Snow, RMP.  
Jana Saba, RMP.  
Michele Beck, OCS.