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UTAH DEPARTMENT OF COMMERCE

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To: The Public Service Commission of Utah
From: The Office of Consumer Services
Michele Beck, Director
Alex Ware, Utility Analyst

Date: February 21, 2023
Subject: Docket 23-035-T04

In the Matter of: Rocky Mountain Power's Proposed Tariff Changes to Electric Service Schedule No. 111, Residential Energy Efficiency Program (changes to Wattsmart Homes)

INTRODUCTION

On February 3, 2023, Rocky Mountain Power (RMP or Company) filed an application with the Public Service Commission of Utah (PSC) for approval of its proposed changes to tariff Schedule 111 (Residential Energy Efficiency Program) that impact the Wattsmart Homes program. On February 6, 2023, the PSC issued a Notice of Filing and Comment Period establishing that interested parties may submit initial comments about the application on or before February 21, 2023 and reply comments on or before February 28, 2023. The Office of Consumer Services (OCS) provides the following comments pursuant to that schedule.

BACKGROUND

In its application, RMP explains that the proposed changes to the Wattsmart Homes program "align with targets ... filed in the Demand Side Management (DSM) November 1st Deferred Account and Forecast Report on November 1, 2022, in Docket No. 22-035-37." The proposed changes include:

1. Remove lighting offerings for Light Emitting Diodes (LED) and fixtures;
2. Revise tariff language and incentive offerings for various measures; and
3. Change the incentive structure for New Construction from a deemed value to a site-specific pay for performance model.

DISCUSSION OF RMP'S PROPOSAL

The OCS reviewed RMP's application in this docket and its associated exhibits.

Discontinuation of LED lighting incentives

In its application, RMP states that with the lighting market transformation through the adoption of LED technology, it is time to discontinue associated incentives. After a 45-day notice process, the discontinuation became effective August 15, 2021. RMP now proposes changes to the tariff that reflect the discontinuation. The OCS acknowledges the widespread market adoption of LED lighting and therefore agrees with the end of associated incentives.

Changes to other incentives

RMP states certain proposed changes to other incentives reflect product retail price changes in order to keep the measures cost effective. These changes include:

- Reducing WiFi Smart Plug maximum incentives from \$10 to \$5,
- Reducing Evaporative Cooler maximum incentives from \$200 to \$150,
- Reducing Heat Pump maximum incentives from \$4,000 to \$2,500, and
- Reducing Engine Block Heater Control incentives from \$150 to \$125.

The OCS will assess the performance of these incentive changes as data becomes available, but we do appreciate RMP's intent to keep incentives cost effective in the face of retail price increases.

Changes to New Construction Incentives

RMP proposes to shift its Whole Home incentives from a deemed savings approach using the Home Energy Rating System (HERS) to a site-specific pay for performance model. The company states this "new structure will allow builders to receive incentives for modeled energy savings and enable the Program to capture all energy savings built above code as opposed to a deemed value." Under this strategy, a HERS rater will rate the home and enter the information into industry standard software to determine the amount of energy savings above code. Overall, this incentive will change from a maximum of \$1,000 to \$0.05/kWh up to \$2,000 per home.

For new construction that does not want to go through the site-specific pay for performance process, RMP will retain a \$50 maximum for standalone incentives. Also, for Climate Zones 3 and 5-6, RMP is proposing a maximum incentive for heat pumps of \$1,250 and \$2,250 respectively. Lastly, RMP proposes various increases to low income and market rate incentives under the Custom Multifamily Program to "stimulate the market and increase participation due to higher incremental costs associated with building retrofits and new construction projects." For example, the largest incentive increases under the Custom Multifamily Program is \$0.11/kWh for low income HVAC and Heat Pump Water Heaters (\$0.36/kWh increased to \$0.47/kWh). The OCS does not object to the changes under this section, however our support is tentative at this time until we have the opportunity to review cost effectiveness outcomes when they become available.

COST-EFFECTIVENESS

While the OCS generally does not take issue with RMP's proposed changes in this docket, we do have concern with the projected cost-effectiveness outcomes included in the application for 2023. We reviewed the attached Wattsmart Home measure analysis done by RMP's consultants Applied Energy Group (AEG) and compared it to the 2021 measure analysis. While all cost/benefit tests (except the Rate Impact Test or RIM) for Wattsmart Homes were above one in 2021, only the Utility Cost Test (UCT) and the Participant Cost Test (PCT) are anticipated to remain cost-effective (i.e. above one) in 2023. The OCS observes that LED lighting incentives have traditionally been very cost effective, so the discontinuation of these incentives this year certainly will lower the cost effectiveness of the portfolio. However, it does not appear that discontinuation of LED lighting incentives alone explains the changes. Therefore, the OCS believes now is the time for RMP to undertake an assessment of each of its offerings to determine how cost-effectiveness performance can be improved.

RECOMMENDATIONS

The OCS has reviewed RMP's application and exhibits in this docket and recommends that the PSC approve the proposed changes to the Wattsmart Homes program. However, the OCS also recommends that the PSC require RMP to prepare a cost effectiveness analysis for the entire Wattsmart portfolio of incentives and present its findings before the DSM steering committee.

cc:

Jana Saba, Rocky Mountain Power

Michael Snow, Rocky Mountain Power

Chris Parker, Division of Public Utilities

Service List