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September 30, 2024

VIA ELECTRONIC FILING

Public Service Commission of Utah
Heber M. Wells Building, 4th Floor
160 East 300 South
Salt Lake City, UT 84114

Attention: Gary Widerburg
Commission Secretary

**Re: Docket No. 24-035-47
In the Matter of the Application of Rocky Mountain Power for Approval of
Proposed Revisions to the Utah Demand Side Management Program
Performance Standards**

PacifiCorp, dba Rocky Mountain Power (“PacifiCorp” or the “Company”), submits this Application to the Public Service Commission of Utah requesting approval of proposed revisions to the Utah Demand Side Management Program Performance Standards.

Informal inquiries may be directed to me at (801) 220-4214.

Sincerely,

A handwritten signature in blue ink that reads "Michael S. Snow".

Michael S. Snow
Manager, Regulatory Affairs

cc: Division of Public Utilities
Office of Consumer Services

Enclosures

Joseph M. Dallas
Senior Attorney
PacifiCorp
825 NE Multnomah, Suite 2000
Portland, Oregon 97232
Email: joseph.dallas@pacificorp.com

In addition, the Company requests that all data requests regarding this matter be addressed to:

By e-mail (preferred): datarequest@pacificorp.com
michael.snow@pacificorp.com

By mail: Data Request Response Center
Rocky Mountain Power
825 NE Multnomah St., Suite 800
Portland, OR 97232

Informal questions related to this Application may be directed to Michael Snow, Regulatory Affairs Manager, at (801) 220-4214.

BACKGROUND

3. The Commission adopted the performance standards proposed in the 1995 “Demand Side Resource Cost Recovery Collaborative Final Report to the Commission” in Docket No. 92-2035-04.¹ On April 27, 2009, the Company filed a collaborative report entitled, “Utah Demand Side Management and Other Resources Benefit and Cost Analysis Guidelines and Recommendations” (“2009 Report”) in Docket No. 09-035-27. On October 7, 2009, the Commission ordered that the 1995 performance standards be amended to include the 2009 Report recommendations, subject to the comments and additions contained in the Commission’s Order (“2009 Order”).

¹ Demand Side Resource Cost Recovery Collaborative, Final Report to the Commission, Appendix VII, March 31, 1995, Docket No. 92-2035-04, “In the Matter of Rate Making Treatment of Demand-Side Resources and the Analysis of Regulatory Changes to Encourage Implementation of Integrated Resource Planning.”

DISCUSSION

Cost Effectiveness Expectations and Sensitivity Analyses

4. The 1995 performance standards recommended passage of all cost effectiveness tests, namely, the Total Resource Cost Test (“TRC”), Utility Cost Test (“UCT), Participant Cost Test (“PCT”), and the Ratepayer Impact Cost Test (“RIM”). The 2009 Report updated this recommendation to consider the Utility Cost Test (“UCT”) as the threshold test for DSM program approval. The Commission acknowledged this updated recommendation, and concurred with utilizing the UCT as the threshold test for DSM program approval. Notwithstanding, the Commission also stated that it would still expect the Company to design programs that pass all tests, but would consider arguments to approve programs that fail certain tests that are still shown to be in the public interest.²

5. One of the concerns referenced in the 2009 Order was what to do when a program marginally passes a test. To address this concern, the Commission directed the Company to provide sensitivity analyses of the major drivers of a program when filing for program approvals or modifications.

Cost Effectiveness Test Implications and Trends

6. The primary goal of cost effectiveness testing is to identify DSM resources where the benefits exceed the costs. The energy efficiency industry has evolved over the last two decades, rendering traditional cost effectiveness testing standardized in the California Standard Practice manual less and less representative of values for energy efficiency. A prime example is the evolution away from lighting savings. Nationally, utilities are having increasing difficulty passing traditional TRC tests, particularly for

² 2009 Order at 10.

residential programs, which have relied heavily on lighting historically. The discontinuation or ramping down of appliance recycling programs and energy efficiency kits, which many utilities previously offered cost effectively, has also had an impact on portfolio TRC ratios. The Company has experienced these effects in recent years as its program portfolio has evolved.

7. Historically, the RIM test has failed cost effectiveness in most scenarios. A failing RIM test indicates that a program will put upward pressure on rates, which is almost always the case. The RIM test compares the avoided cost benefits of the conserved energy to the costs incurred by the utility, both program costs and lost revenue. Because retail rates (which include both fixed and variable costs) used to calculate lost revenue are higher than avoided costs, energy efficiency measures and programs almost always fail the RIM test.

8. The PCT remains a useful tool for specific purposes, including a determinant for how likely customers are to participate, and for providing individual customers with information about which measures to adopt. The PCT tends to pass cost effectiveness if any other test also passes, which essentially means that DSM program participants are almost always better off than non-participants.

9. With the evolution of program portfolios in recent years, new cost effectiveness test trends have begun to emerge across the utility industry. Many jurisdictions are moving away from, or adjusting, the standard tests described in the California Standard Practice manual to reflect their priorities. In many jurisdictions this has meant including more non-energy benefits in the TRC test, including avoided air emissions, the social cost of carbon, and other benefits that have historically been included only in the Societal Cost Test. Notwithstanding these new cost effectiveness trends, the

Company believes the UCT offers the simplest, most direct indication of the ability of energy efficiency to reduce costs and customer bills, and is also consistent with how supply-side resources are evaluated.

Proposed Revisions/Clarifications

10. At the time the 2009 Order was issued, it was viable for the Company to design programs that passed most tests. However, as discussed above, designing programs to pass all tests in the present era is impracticable. As such, the Company proposes to update cost effectiveness guidelines such that the expectation is for the Company to design programs that pass the UCT, in lieu of designing programs that pass all tests. The Company will continue to include all tests as it has historically, but without the expectation that all programs be designed to pass all tests. The Company will also continue to provide sensitivity analyses to address concerns for programs that marginally pass the UCT. For further clarity, if a program passes the UCT with a 1.0 or greater cost/benefit ratio, it is considered to be cost effective under these guidelines and will continue to be the threshold test for DSM program approval and prudence.

STAKEHOLDER INVOLVEMENT

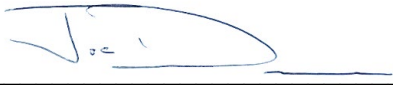
11. On September 7, 2023, in response to the Commission's August 1, 2023 Acknowledgement Letter in Docket No. 23-035-26, the Company discussed with the DSM Steering Committee possible paths forward for cost effectiveness guidelines, including continuing with the status quo, seeking clarification with the Commission on program expectations, or consider a custom test specific to Utah. The general consensus at the time among Steering Committee members was for the Company to file to seek clarification with

the Commission. The Company circulated a draft of this Application to the DSM Steering Committee on September 11, 2024 for initial review prior to filing.

WHEREFORE, the Company respectfully requests the Commission issue an order approving the clarifications and updates to the cost effectiveness guidelines, as described in this Application.

DATED this 30th Day of September, 2024.

Respectfully submitted,

By 

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Email: joseph.dallas@pacificorp.com

Attorney for Rocky Mountain Power

CERTIFICATE OF SERVICE

Docket No. 24-035-47

I hereby certify that on September 30, 2024, a true and correct copy of the foregoing was served by electronic mail to the following:

Utah Office of Consumer Services

Michele Beck mbeck@utah.gov
ocs@utah.gov

Division of Public Utilities

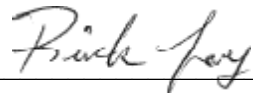
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