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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: October 25, 2024

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

Recommendation (Approval With Conditions)

The Division of Public Utilities (“DPU” or “Division”) recommends the Public Service Commission (“PSC” or “Commission”) approve with condition that Rocky Mountain Power (“RMP” or “Company”) provide the sensitivity analysis of all cost effectiveness tests in the Utah Demand Side Management (“DSM”) Program Performance Standards.

Issue

On September 30, 2024, RMP filed an advisory letter and application (“Application”) with the Commission for approval of Proposed Revisions to the Utah Demand Side Management Program Performance Standards. Subsequently, the Commission issued an Action Request to the Division on September 30, 2024, to review the filing and make recommendations to the Commission by October 30, 2024. In addition, the Commission issued a Notice of Filing and Comment Period on October 1, 2024, providing interested parties the opportunity to submit comments by October 30, 2024, with reply comments due

Division of Public Utilities

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by November 14, 2024. This memorandum is the Division's response to the Commission's Action Request and Notice of Filing and Comments Period.

Background

On March 31, 1995, the Commission adopted the performance standards proposed in the "Demand Side Resource Cost Recovery Collaborative Final Report to the Commission" in Docket No. 92-2035-04.¹ Years later, on April 27, 2009, the Company filed a collaborative report ("2009 Report") containing additional guidelines and recommendations for cost benefit study and analysis in Docket No. 09-035-27.² Subsequently, on October 7, 2009, the Commission ordered that the 1995 performance standards be amended to include the 2009 Report recommendations ("2009 Order").³

Discussion

Expectations and Sensitivity Analyses - 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 Ratepayer Impact Cost Test ("RIM"). The 2009 Report updated this recommendation to consider the UCT as the threshold test for DSM approval. The Commission concurred with this recommendation but still expected the Company to design programs that would pass all tests and/or provide convincing arguments to approve programs that failed certain tests but are still in the public interest. The Company was directed to provide sensitivity analyses of the major drivers when filing for program approval or modifications.⁴

Test Implications and Trends – Cost effectiveness testing was initially designed to identify resources where benefits exceed costs. However, the energy efficiency industry has evolved over the past two decades making traditional testing standards less representative of values for efficiency. For example, with the TRC test as energy saving improvements to residential lighting become more commonplace, the utility companies whose programs rely heavily on consumer participation have more difficulty passing the TRC test. Likewise, the

¹ Utah PSC. Docket No. 92-2035-04, Demand Side Resource Cost Recovery Collaborative, Final Report to the Commission, Appendix VII.

² Utah PSC Docket No. 09-035-027, Guidelines Revision Report, April 27, 2009.

³ Utah PSC Docket No. 09-035-027, Order, October 7, 2009.

⁴ 2009 Order at 10.

RIM test is very often failed because it compares the program's avoided costs to the Company's actual costs which are almost always higher. This causes upward pressure on rates and a failing RIM test score. Most of the DSM programs pass PCT standards, and it is a good indicator of how likely customers are to participate and which measures to adopt. Programs with passing PCT scores show that participants are better off energy wise than non-participants.

The Company has indicated that energy efficiency and cost effectiveness trends have evolved in the West and that many jurisdictions are moving away from the standard tests. Because it wasn't supplied with the Application, the Division requested the Company's support for this statement. The Company provided Applied Energy Group's, Cost-Effectiveness Overview – Practices Across the West and Considerations for Utah, Sept 7, 2023 (see confidential attachment). Page 13 summarizes the Western states Primary and Secondary cost effectiveness tests. The Division notes that there are a few modified versions of the standard tests, but the basic premise is still in use, including secondary tests. It appears a few jurisdictions are adopting Societal Cost Testing measures for non-energy benefits, such as avoided air emissions and the societal cost of carbon, but in past cases before the PSC, it has excluded the use of societal cost measures.

Program Revisions and Clarifications – The Company states that when the 2009 Order was issued, it was practical for the Company to design programs that passed the UCT, TRC, and PCT tests but now indicates that it is not practical. Therefore, the Company proposes to design programs that pass the UCT but without the expectation to pass all tests. The Company has indicated that it will continue to include all tests and provide sensitivity analyses to address concerns when programs marginally pass the UCT. It is the Division's understanding that all cost effectiveness tests have value and are an integral part of DSM reporting. The Division understands the Company's concerns but notes that Enbridge Gas Utah ("Enbridge"), albeit a natural gas company, continues to include, and pass, all cost effectiveness tests. Enbridge's DSM program is designed to pass all tests with a much smaller portfolio than RMP's program. The Division recommends the Commission require the Company to continue the practice of including and reporting all sensitivity analysis for all cost effectiveness tests.

Stakeholder Involvement – The Company discussed cost effectiveness guidelines and DSM program expectations with the Steering Committee on September 7, 2023. The consensus was to petition the Commission for clarification and approval. A draft of this Application was circulated to the Steering Committee members on September 11, 2024.

Conclusion

The Division has reviewed the filing and recommends the Commission require the Company to continue the practice of including and reporting all sensitivity analysis for all cost effectiveness tests.

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