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# Office of Consumer Services

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: October 30, 2024

Subject: Docket 24-035-47

**In the Matter of:** Application of Rocky Mountain Power for Approval of Proposed Revisions to the Utah Demand Side Management Program Performance Standards

## INTRODUCTION

On September 30, 2024, Rocky Mountain Power (“RMP or Company”) filed with the Public Service Commission of Utah (“PSC”) a request to revise its performance standards for its Demand Side Management (“DSM”) program. On October 1, 2024, the PSC issued a Notice of Filing and Comment Period establishing that interested parties may submit initial comments on RMP’s filing on or before October 30, 2024 and reply comments on or before November 14, 2024. The Office of Consumer Services (“OCS”) provides the following comments on the filing pursuant to that schedule.

## BACKGROUND

The PSC adopted DSM performance standards March 31, 1995 following a collaborative in Docket No. 92-2035-04. Following another collaborative in 2009, the PSC amended the DSM performance standards on October 7, 2009 in Docket No. 09-035-27. The 1995 performance standards recommended passage of all cost effectiveness tests such as the Total Resource Cost Test (“TRC”), Utility Cost Test (“UCT”), Participant Cost Test (“PCT”), and the Ratepayer Impact Cost Test (“RIM”). The 2009 order updated this recommendation to consider the Utility Cost Test (“UCT”) as the threshold for approval of the DSM program. However, the PSC also ordered that RMP would still be expected to design DSM programs to pass all tests but would consider arguments to continue underperforming programs that still pass the UCT and are in the public interest. Also, sensitivity analyses are required to explain the context of programs failing or marginally passing cost effectiveness tests.

## **RMP'S PURPOSE FOR THIS FILING**

The Company states that the energy efficiency industry has evolved over the last two decades and believes traditional cost effectiveness tests standardized in the California Standard Practice manual are less and less representative of the value of energy efficiency programs. For example, RMP refers to the widespread adoption of efficient LED lighting in the marketplace and the subsequent ending of no-longer-needed lighting programs and incentives, which utilities heavily relied on for the cost effectiveness of their DSM portfolios. The Company also states that ramping down of appliance recycling programs has also had an impact on portfolio TRC ratios. RMP references that utilities in other jurisdictions are moving away from the standard tests and focusing on non-energy benefits in the TRC test such as avoided air emissions and the social cost of carbon. Notwithstanding the new trends in cost effectiveness assessments, 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.” RMP states they believe it is now impossible to design programs to pass all cost effectiveness tests and proposes that the new standard should be that programs are only expected to just pass the UCT.

## **OCS REVIEW OF RMP'S PROPOSAL**

In 2023, the OCS and the Division of Public Utilities (“DPU”) provided comments on RMP's 2022 DSM annual energy efficiency and peak load reduction report in Docket No. 23-035-26. Those comments included a shared concern of the downward trend in cost effectiveness outcomes in some areas of the Company's DSM portfolio. DPU's June 27, 2023 comments included a recommendation to the PSC to “re-evaluate current cost effectiveness tests to determine their future applicability.” Following those comments, RMP and its consultant AEG presented additional considerations regarding cost effectiveness tests during the September 7, 2023 DSM Steering Committee meeting. In that meeting, three potential paths forward to the question of declining cost effectiveness outcomes were considered:

1. Continue with the status quo
2. Seek amended language/clarification of the expectation that the “Company ...design programs that pass all of the tests”
3. Consider custom UCT and/or TRC tests specific to Utah's needs and/or priorities

Ultimately, the Steering Group supported RMP seeking amended language. On September 10, 2024, during a DSM Advisory Group, RMP presented the proposal contained within the application in this docket and circulated a draft of the application to stakeholders on September 11, 2024. The OCS participated in the September 10, 2024 DSM Advisory Group meeting and participated in related discussions at that time. Of note, the OCS and DPU both voiced the opinion that while we do not necessarily oppose making the UCT the primary cost effectiveness threshold test for a DSM program, we do not want to lose the reporting on the outcomes for the TRC, PCT, and RIM tests. The Steering Committee agreed that

while stakeholders may not oppose dropping the requirement that DSM programs be designed to pass all tests, all tests and sensitivity analyses should continue to be conducted and transparently reported to the PSC in DSM annual reports for informational and trend comparison purposes. In accordance with that discussion, RMP states in its application in this filing that:

“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.”

The OCS notes that while RMP discusses increasing difficulties achieving cost effective DSM programs and cites to utility trends toward using non-energy benefits, the UCT in fact measures actual utility system benefits (such as avoided energy and delayed infrastructure costs) and does not incorporate externality benefits such as avoided air emission or the social cost of carbon. The OCS cautions against the appropriateness of moving to measures that include non-energy benefits.

Overall, while the OCS does not object to a change in DSM cost effectiveness expectations to focus solely on the UCT results, the OCS will continue to review the cost effectiveness outcomes of all tests and scrutinize the reasons for continued downward trends over time. The OCS believes it continues to be important for the PSC and stakeholders to receive transparent data from RMP that can identify struggling program areas across multiple test metrics.

## **RECOMMENDATION**

The OCS does not oppose RMP’s request in this filing as long as the Company continues to provide transparent cost effectiveness results and sensitivity analyses for all tests as has been the process since the setting of the 2009 DSM standards.

cc:

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Service List