

DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER
COMMISSIONER RAPER
COMMISSIONER ANDERSON
COMMISSION SECRETARY
COMMISSION STAFF**

**FROM: BRANDON KARPEN
DEPUTY ATTORNEY GENERAL**

DATE: OCTOBER 21, 2016

**SUBJECT: ROCKY MOUNTAIN POWER'S APPLICATION FOR PRUDENCY
DETERMINATION OF DEMAND-SIDE MANAGEMENT EXPENDITURES;
CASE NO. PAC-E-16-14**

On October 11, 2016, Rocky Mountain Power applied for an Order establishing that it prudently incurred demand-side management (DSM) expenditures in 2014 and 2015 of \$7,460,715. Generally, DSM refers to utility activities and programs that encourage customers to use less overall energy or use less energy during peak usage hours. Rocky Mountain's DSM programs include: Low Income Weatherization/Education (Schedule 21); Refrigerator Recycling (Schedule 117); Home Energy Saver (Schedule 118); Home Energy Reports (no tariff); Non-Residential Energy Efficiency/*wattsmart* Business (Schedule 140).¹

BACKGROUND

The Company declares that it has offered a variety of DSM programs to its customers since the 1970s. In 2006, the Commission approved a set of DSM programs and provided the Company with a cost recovery mechanism. Typically, DSM programs have two parts. First, the utility designs and implements DSM programs to promote energy efficiency and conservation, or reduce customer demand during periods of peak demand and/or in times of supply constraint. Second, utilities periodically report on the effectiveness of their DSM programs and seek permission to recover the deferred costs of the DSM programs.

¹ Energy FinAnswer; FinAnswer Express; and Agricultural Energy Services have been consolidated into a single "*wattsmart* Business program." See Order No. 33178. Also, in 2011, the Company's Irrigation Load Control program was cancelled and treated as a system-wide benefit. As such, the performance results of this program are not included in annual DSM reports, but are instead submitted as a confidential document to the Commission. See Order No. 32760.

In Order No. 29976 issued in March 2006, the Commission authorized Rocky Mountain to establish a DSM tariff rate (or “rider”) as a separate line item on customers’ bills under tariff Schedule 191. The DSM tariff rider is the mechanism used to recover the costs of the DSM programs. The Company was authorized to defer the costs of its DSM programs until such time as the Commission finds that the “Company’s DSM expenditures and programs are or will be found to be reasonably and prudently incurred and executed.” Order No. 29976 at 6.

THE APPLICATION

A. The DSM Programs

During the period under consideration, Rocky Mountain offered five distinct DSM/energy efficiency programs. Application at 2-3. The programs are summarized below:

Home Energy Saver – this program is designed to provide a number of products and services to customers in new or existing homes, multi-family housing units, or manufactured homes for customers taking service under Schedules 1 and 36. Services and products under this program include insulation, duct sealing, energy efficient windows, CFL and LED lighting, and other services. Application attachment 1 at 18-21.

Refrigerator Recycling – this program is designed to decrease electric usage through the voluntary removal and recycling of inefficient refrigerators and freezers. Customers receive a \$50 incentive for each qualifying appliance and an energy saving kit which includes two CFL bulbs, a refrigerator thermometer card and other energy-saving educational materials. This program is administered by JACO Environmental, which is one of the largest recyclers of household appliances in the United States. *Id.* at 22-24.

Low Income Weatherization – this program provides energy efficiency services through local non-profit agencies to residential customers meeting income-eligible guidelines. Services are provided at no cost to eligible customers. Services provided under this program include insulation, furnace repair, air infiltration, replacement door/windows, and other services. The Company’s non-profit program administrators include the Eastern Idaho Community Action Partnership and Southeastern Idaho Community Action Partnership. *Id.* at 24-26.

Low Income Conservation Education – this program targets customers receiving low income home energy assistance funds and provides information about how to better conserve energy and understand their bill. It also provided customers with measures aimed at furthering those goals. *Id.* at 26-28

Non-Residential Energy Efficiency – In 2014, commercial and industrial energy efficiency programs were consolidated into a single portfolio labeled as *wattsmart*. The *wattsmart* program is aimed to help commercial and industrial

customers to improve the efficiency in lighting, HVAC, motors, building envelopes, and other equipment.

B. The Deferred Expenses

Rocky Mountain asserts that the DSM programs resulted in energy savings in 2014 and 2015. The utility reports that overall the programs were cost-effective. Application at 5. However, the Company states that its Low Income Weatherization Program was not cost-effective under the TRC or UCT tests. Id. at 6.

In sum, Rocky Mountain requests authorization to recover \$7,460,715 in DSM expenses from the DSM rider account and asserts these expenses were “prudently incurred.” Application at 1. This request included \$3,222,115 for expenditures made in 2014, and \$4,238,600 in 2015.

In support of its Application, the Company submitted prefiled testimony, an annual DSM report for each year, the results of its cost-effectiveness analysis, and the third-party program evaluation reports. The Company requests that its Application be processed under Modified Procedure.

STAFF RECOMMENDATION

Staff concurs with the Company’s request to process its Application under Modified Procedure. Staff recommends that the Commission issue a Notice of Application and set a 21-day deadline for intervention. Once the intervenors to this case have been determined, then Staff recommends that it convene an informal scheduling conference with the parties to develop a schedule to process this case.

COMMISSION DECISION

1. Does the Commission wish to issue a Notice of Application and set a 21-day deadline for intervention?
2. After the Commission Secretary issues the Notice of Parties, does the Commission desire that Staff convene an informal conference for the parties to discuss the appropriate scheduling of this case?



Brandon Karpen
Deputy Attorney General