

## **DECISION MEMORANDUM**

**TO: COMMISSIONER KJELLANDER  
COMMISSIONER REDFORD  
COMMISSIONER SMITH  
COMMISSION SECRETARY  
COMMISSION STAFF  
LEGAL (DAPHNE HUANG)**

**FROM: DON HOWELL  
DEPUTY ATTORNEY GENERAL**

**DATE: JULY 25, 2014**

**SUBJECT: ROCKY MOUNTAIN POWER'S APPLICATION REGARDING THE  
PRUDENCY OF ITS DSM PROGRAM FOR THE YEARS 2010-2013, CASE NO.  
PAC-E-14-07**

On July 7, 2014, PacifiCorp dba Rocky Mountain Power filed an Application requesting the Commission find that the utility's demand-side management (DSM) expenses for the years 2010 through 2013 were prudently incurred. More specifically, Rocky Mountain seeks to recover \$25.76 million in deferred costs for seven DSM programs. "DSM" generally refers to utility activities and programs that encourage customers (i.e., on the "demand-side" as opposed to the "generation side") to use less overall energy or use less energy during peak usage hours.<sup>1</sup> These DSM programs include: Low Income Weatherization/Education (Schedule 21); Irrigation Load Control (Schedules 72 and 72A)<sup>2</sup>; FinAnswer Express (Schedule 115); Refrigerator Recycling (Schedule 117); Home Energy Saver (Schedule 118); Energy FinAnswer (Schedule 125); and Agricultural Energy Services (Schedule 155).

### **BACKGROUND**

The Company declares that it has offered a variety of DSM programs to its customers since the 1970s. In 2006, the Commission approved an enhanced set of DSM programs and provided for cost recovery of Rocky Mountain's energy efficiency and DSM programs. Typically, DSM programs have two parts. First, the utility designs and implements a variety of DSM programs to promote

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<sup>1</sup> DSM programs can be specific and focused such as the immediate and temporary curtailment of usage, or broad and less immediate such as the installation of energy efficient equipment and other energy efficiency programs.

<sup>2</sup> Schedule 72 and 72A were cancelled in Order No. 32760 (Case No. PAC-E-12-14) when the Irrigation Load Control Program was treated as a system-wide benefit in 2011.

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.

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***

Rocky Mountain offers various DSM/energy efficiency programs to all major customer classes including residential, commercial, industrial and agricultural. Exh. 1 at 324. The Company offers residential customers three DSM programs: Home Energy Saver, Residential Refrigerator Recycling, and Low Income Weatherization.

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: attic insulation, floor insulation, wall insulation, energy efficiency windows, CFL lighting, and other services. This program is administered by PECEI, a private non-profit corporation, which has been implementing energy efficiency programs since 1990. *Id.* at p. 326.

Refrigerator Recycling – this program is designed to decrease electric usage through the voluntary removal and recycling of inefficient refrigerators and freezers. Customers receive a \$30 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 332-33.

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 including ceiling/wall/ floor 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. The Company provides 85% of the cost of approved measures with the balance of funds provided

by the Idaho Department of Health & Welfare. *Id.* at 335. In addition to conservation services, the Company also provides energy conservation education to low-income residential customers for Company customers that receive Low Income Home Energy Assistance (LIHEAP) funds. The information packet includes items such as a low-flow showerhead, outlet/switch plate gaskets, one CFL bulb, and other efficiency products. *Id.* at 334-36.

The Company also provides three DSM programs for its commercial, industrial and agricultural customers. These programs include:

The FinAnswer Express – this program is designed to help commercial and industrial customers to improve the efficiency of their lighting, HVAC, electric motors, building envelopes, and other equipment. This program is administered by two contractors. *Id.* at 339.

Energy FinAnswer – this program is available to all commercial and industrial customers with buildings in excess of 20,000 square feet. The program provides energy engineering incentives of 12¢ per kWh for the first year energy savings and \$50 per kW of average monthly demand savings up to a cap of 50% of the approved project cost. This program is operating in conjunction with the more streamlined FinAnswer Express and also seeks efficiency improvements in HVAC systems, motors, refrigeration, lighting, irrigation, and other equipment. *Id.* at 344-46.

Agricultural Energy Services – this program is designed to improve the overall energy efficiency of irrigation systems for customers taking service on tariff Schedule 155. Portions of this program were suspended in 2013 in Order No. 32879. *Id.* at 342-43.

### ***B. The Deferred Expenses***

In its Application, Rocky Mountain asserts that the seven DSM programs resulted in energy savings for the years 2010-2013. Dir. Testimony, Table 1. The utility reports that five of the programs were cost-effective in all years with two exceptions. Application at 4. First, the Company indicated that the Agricultural Energy Service Program was not cost-effective in 2013 when its benefit/cost ratio for the total resource cost (TRC) test was 0.84.<sup>3</sup> Second, the Company stated that its Low Income Weatherization Program was not cost-effective under the TRC or UCT tests in any of the years under review. Dir. Testimony at 15-16. Rocky Mountain requests authorization to recover \$25,765,486 in DSM expenses from the DSM rider account and asserts these expenses were “prudently incurred.” Application at 1. The requested expenses per year are set out below:

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<sup>3</sup> The Company uses several analytical tools to “test” the cost-effectiveness of its DSM programs. These tests include: the TRC; the utility cost test (UCT) from the utility’s perspective; the participant cost test (PCT) from the average participating customer’s perspective; and the PacifiCorp total cost test (PTCT) which is a variant of the TRC with a 10% adder to reflect non-energy benefits. Dir. Testimony at 13.

<b>YEAR</b>	<b>EXPENDITURES</b>
2010	\$7,515,026
2010	\$8,100,681 (load control incentives) <sup>4</sup>
2011	\$2,815,694
2012	\$3,459,989
2013	<u>\$3,874,096</u>
	\$25,765,096

Source: Direct Testimony at p. 2.

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. Application at 1. 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 14-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 14-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?
3. Anything else?

  
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 Don Howell  
 Deputy Attorney General

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<sup>4</sup> In 2011 the two Irrigation Load Control programs under tariff Schedules 72 and 72A were cancelled and a new program was offered to customers using a third-party aggregator, EnerNOC. The load control expenses for 2011 and beyond are no longer included the DSM rider from tariff Schedule 191. Order No. 32760.