BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of	DOCKET UE-210830
PACIFICORP d/b/a PACIFIC POWER & LIGHT COMPANY,	ORDER 02
2020-2029 Ten-Year Achievable Electric Conservation Potential and 2022-2023 Biennial Conservation Target Under RCW 19.285.040 and WAC 480-109-010	REGARDING PACIFICORP'S 2022-2023 BIENNIAL CONSERVATION ACHIEVEMENT, WAIVING PENALTY

BACKGROUND

- 1 The Energy Independence Act (EIA)¹ requires Washington's qualifying electric utilities to "pursue all available conservation" that is cost-effective, reliable, and feasible. Electric utilities are required to acquire this conservation by setting (and achieving) biennial conservation targets.²
- ² To address extenuating circumstances such as those arising from the COVID-19 pandemic and the effects of inflation, the Legislature adopted, effective in July 2021, subsection 1(e) of RCW 19.285.040³ to allow an electric utility to be considered in compliance even when failing to meet its biennial acquisition target for cost-effective conservation in certain circumstances. This subsection states that even if a utility has not achieved its target, it can be "considered in compliance" with its biennial acquisition target if there were "events beyond the reasonable control of the utility that could not have been reasonably anticipated or ameliorated prevented it from meeting the conservation target."⁴

¹ RCW 19.285.040.

² WAC 480-109-100(3).

³ RCW 19.285.040(1)(e).

⁴ RCW 19.285.040(1)(e) goes on to state: "Events that a qualifying utility may demonstrate were beyond its reasonable control, that could not have reasonably been anticipated or ameliorated, and that prevented it from meeting the conservation target include (i) Natural disasters resulting in the issuance of extended emergency declarations; (ii) the cancellation of significant conservation projects; and (iii) actions of a governmental authority that adversely affects the acquisition of cost-effective conservation by the qualifying utility."

- 3 On May 31, 2024, PacifiCorp d/b/a Pacific Power & Light Company (PacifiCorp or Company) filed its 2022-2023 Biennial Conservation Report with the Washington Utilities and Transportation Commission (Commission) in Docket UE-210830, as the statute requires.⁵ The Company filed a revision to its Biennial Conservation Report on June 21, 2024, to address errors found through the Commission Staff's (Staff) review of the Company's draft report.
- ⁴ In comments on electric biennial conservation reports, filed July 24, 2024, Staff notes 2022-2023 were difficult years for conservation achievement.⁶ The pandemic left lingering effects of an overflow of challenges, such as customer financial challenges; changes in customer demand; and labor and supply chain shortages. These challenges added to the already significant challenges utilities face in achieving the remaining conservation in the region.⁷
- 5 Table 1 summarizes PacifiCorp's electric conservation target achievements as outlined in the Company's biennial and annual conservation reports.

А	Total Conservation Goal	98,921
В	Decoupling Penalty Threshold	4,711
С	Total Conservation Achievement	86,961
D	% of Total Conservation Goal Achieved (C/A X 100%)	88%
Е	EIA Target	94,210
F	EIA Penalty Threshold	87,436
G	EIA Penalty Threshold plus Decoupling	92,147
Н	Excess Savings Applied	0

Table 1: 2022-2023 Electric Conservation Targets and Achievements (MWh)⁸

⁷ Id.

⁵ WAC 480-109-120; PacifiCorp's electric biennial conservation target is contained within its 2022-23 Biennial Conservation Plan, which was approved in Order 01 in Docket UE-210830.

⁶ In the Matter of PacifiCorp d/b/a Pac. Power & Light Co. 2020-2029 Ten-Year Achievable Electric Conservation Potential and 2022-2023 Biennial Conservation Target Under RCW 19.284.040 and WAC 480-109-010, Dockets UE-210830, Commission Staff Comments Regarding Electric Utility Conservation Achievements Under the Energy Independence Act (Staff Comments) (July 24, 2024).

⁸ In re PacifiCorp d/b/a Pac. Power & Light Co Revised 2022-2023 Biennial Conservation Report, Docket UE-210830, PacifiCorp's Revised 2022-2023 Biennial Conservation Report at 04 (June 21, 2024).

Ι	EIA Penalty-Liable Achievement	80,523
J	% of EIA Penalty Threshold Achieved (I/F X 100%)	92%

- 6 The Company used several adaptive management strategies unique to this biennium to increase incentives, expand online loan application offerings, focus on vendor support and small business outreach/participation in Named Communities, and increase application-specific targeted outreach among other actions.
- 7 **Table 2** shows that the Company experienced an upward trend in conservation achievement throughout the last two biennia, reflecting its steps to attempt to ameliorate the impacts of the pandemic.

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	2020 ¹⁰	2021 ¹¹	2022^{12}	2023 ¹³
Target	36,514	37,700	48,840	48,287
Achieved	37,182	24,866	34,528	45,995
Percent achieved	102%	66%	71%	95%

Table 3: Comparison of Targets by Year 2020-2023 during COVID-19 (MWh)⁹

As noted in the Company's 2023 Annual Conservation Report, a few programs were either canceled or failed to attract enrollment in 2023. Due to concerns about overload, a distribution efficiency project was terminated.¹⁴ The online bill financing pilot program saw some success, with over 204 loan applications processed, amounting to \$3.1 million in financing. However, the CTA-2045-enabled heat pump pilot faced challenges during

¹³ See id.

⁹ All numbers reported have been rounded up to the nearest MWh.

¹⁰ In the Matter of PacifiCorp d/b/a Pac. Power & Light Co.'s 2020-2029 Ten-Year Achievable Electric Conservation Potential and 2022-2023 Biennial Conservation Target Under RCW 19.285.040 and WAC 480-109-010, Docket UE-190908, PacifiCorp's Revised 2020-2021 Biennial Conservation Report at 11, (June 21, 2022).

¹¹ See id.

¹² In the Matter of PacifiCorp d/b/a Pac. Power & Light Co. 2020-2029 Ten-Year Achievable Electric Conservation Potential and 2022-2023 Biennial Conservation Target Under RCW 19.285.040 and WAC 480-109-010, Docket UE-210830, PacifiCorp's Revised 2022-2023 Biennial Conservation Report at 11, (June 21, 2024).

¹⁴ In the Matter of PacifiCorp d/b/a Pac. Power & Light Co. 2020-2029 Ten-Year Achievable Electric Conservation Potential and 2022-2023 Biennial Conservation Target Under RCW 19.285.040 and WAC 480-109-010, Docket UE-210830, PacifiCorp's Revised Annual Conservation Report at 21, (June 21, 2024).

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the biennium due to limited market-ready options and logistical issues with demand response management. As a result, this pilot has been discontinued.¹⁵

- 9 Despite making progress, PacifiCorp did not achieve its EIA or decoupling targets. PacifiCorp asserts that the lingering effects of the pandemic and its related challenges constitute events beyond the reasonable control of the utility that prevented it from meeting its conservation target, as well as identifying a shortfall in its Annual Conservation Plan, filed in November of 2022.¹⁶ However, Staff did not find that PacifiCorp had provided enough justification in its filing to "be considered in compliance" under RCW 19.285.040(1)(e) and avoid penalties.
- 10 Staff reviewed the conservation reports for compliance with relevant rules and orders. If a Company did not meet its conservation target(s), Staff looked for evidence of the following two items: (1) circumstances that would allow a Company to be "considered in compliance" under RCW 19.285.040(1)(e);¹⁷ and (2) demonstration of adaptive management as discussed in WAC 480-109-100(1)(a)(iv) (namely, continuous review and updates to adapt to changing conditions and technologies). Additionally, Staff acknowledges the attempts from PacifiCorp to ameliorate¹⁸ in response to the continued challenges faced during this biennium. The following discussion underscores some of the key dynamics underlying the Company's achievement, highlighting adaptive management techniques employed by the utility as they reacted to this biennium's challenges. These highlights are explored further in Staff comments.¹⁹

¹⁵ In the Matter of PacifiCorp d/b/a Pac. Power & Light Co. 2020-2029 Ten-Year Achievable Electric Conservation Potential and 2022-2023 Biennial Conservation Target Under RCW 19.285.040 and WAC 480-109-010, Docket UE-210830, PacifiCorp's Revised 2023 Annual Conservation Report at 25, (June 21, 2024).

¹⁶ In the Matter of PacifiCorp d/b/a Pac. Power & Light Co. 2020-2029 Ten-Year Achievable Electric Conservation Potential and 2022-2023 Biennial Conservation Target Under RCW 19.285.040 and WAC 480-109-010, Docket UE-210830, 210830-PAC-2023-Annual-Conservation-Plan-11-15-2022 at 11, (November 15, 2022).

¹⁷ RCW 19.285.040(1)(e) provides circumstances where a qualifying electric utility can be "considered in compliance" with the biennial acquisition targets.

¹⁸ Merriam-Webster. "Ameliorate." Merriam-Webster.com Dictionary. Accessed August 7, 2024. https://www.merriam-webster.com/dictionary/ameliorate. *Ameliorated: to make better or more tolerable. RCW 19.285.040(1)(e), "A qualifying utility is considered in compliance with its biennial acquisition target for cost-effective conservation in (b) of this subsection if events beyond the reasonable control of the utility that could not have been reasonably anticipated or ameliorated prevented it from meeting the conservation target."*

¹⁹ In the Matter of PacifiCorp d/b/a Pac. Power & Light Co. 2022-2023 Biennial Conservation *Report*, Docket UE-210830, Staff Comments, p. 22-24 (July 24, 2024).

- Staff recognized PacifiCorp did face challenges connected to the pandemic. While Staff acknowledges that these issues have affected PacifiCorp's program delivery, Staff believes that these events could have been reasonably anticipated or ameliorated prior to and during the biennium, as the pandemic started two years prior, and supporting documents provided by the Company show that it knew there would be challenges in December of 2021.²⁰ Additionally, the delay or cancellation of seven projects in 2023, totaling 7,700 MWhs of savings, were not tied directly to the pandemic. The Company states that the reasons for these cancellations were "...plant shutdown for approximately six months in 2023, market conditions, and ownership turnover."²¹
- 12 Accordingly, Staff recommends penalties for (1) failure to comply with energy conservation goals as authorized in RCW 19.285.060(1) and (2) for failing to meet decoupling targets pursuant to Order 12 in Docket UE-152253 which goes into further detail regarding decoupling triggers, rate adjustment caps, and decoupling conditions.²² Within the language of Order 12, the Commission approved PacifiCorp's decoupling mechanism subject to Staff's conditions including, "[f]ailure to meet this incremental conservation requirement shall be subject to the same financial penalties as apply under RCW 19.285.060."²³
- On conservation goals, due to PacifiCorp only achieving 80,523 MWh out of the 87,436
 MWh EIA penalty threshold, Staff recommends penalties under RCW 19.285.060(1).²⁴

²⁰ In the matter of PacifiCorp d/b/a Pac. Power & Light Co. 2022-2023 Biennial Conservation Report, Docket UE-210830, 210830-PAC_Appendix-4-5-31-24, at 1, (May 31, 2024).

²¹ In the Matter of PacifiCorp d/b/a Pac. Power &Light Co. 2020-2029 Ten-Year Achievable Electric Conservation Potential and 2022-2023 Biennial Conservation Target Under RCW 19.285.040 and WAC 480-109-010, Dockets UE-210830 and 210820-PAC-Revised-ARpt-2023-Conservation-Acqyusutuib-6-21-24.pdf at 20, (June 21, 2024).

²² See Wash. Utils. & Transp. Comm'n v. Pac. Power & Light Co., Docket UE-152252, Order 12 at 43-50 (filed September 1, 2016).

²³ *Id.* at 49. The specific Order language references RCW 19.285.030. Commission Staff has reviewed RCW 19.285.030, which outlines specific definitions for the Energy Independence Act, and finds that it does not include references to financial penalties. Staff believes that Order 12 was intended to reference RCW 19.285.060, which outlines accountability and enforcement for the Energy Independence Act. Staff will therefore be referring to RCW 19.285.060 regarding penalties for failing to achieve decoupling goals.

²⁴ The statute provides: "(1) Except as provided in subsection (2) of this section, a qualifying utility that fails to comply with the energy conservation or renewable energy targets established in RCW <u>19.285.040</u> shall pay an administrative penalty to the state of Washington in the amount of fifty dollars for each megawatt-hour of shortfall. Beginning in 2007, this penalty shall be

Staff calculated the final penalty for PacifiCorp, applying the gross domestic product (GDP) implicit price deflator (GDPDEF) specified by RCW 19.285.060(1) by multiplying \$72.72²⁵ by the MWh deficit of 6,913, to arrive at \$502,713.36.²⁶

- Regarding Decoupling, Staff recommends the Commission assess penalties according to Commission Order 01 in Docket UE-210830. PacifiCorp's Two-Year Decoupling Penalty Threshold for 2022-2023 is 4,711 MWh.²⁷ Due to PacifiCorp meeting none of the 4,711 MWh decoupling requirement, Staff recommends penalties under RCW 19.285.060(1), as described above for the EIA penalties. Using the same calculation, Staff recommends PacifiCorp's penalty for failing to achieve the decoupling target should be \$342,583.92.²⁸
- 15 In Staff's memo, Staff also cites to Order 12 in Docket UE-152253 as support for imposing penalties. As explained at the Recessed Open Meeting, since Order 12 in Docket UE-152253 is only referring to the statute regarding potential penalties and not exceptions to penalties, Staff does not believe that the statutory language regarding exceptions to penalties applies to decoupling goals. Therefore, Staff recommends that PacifiCorp be penalized for failing to achieve its EIA and decoupling goals. The combined fine for failing to achieve each of these goals is \$845,297.28.²⁹

Adminstrative Penalty Rate_n

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= Administrative Penalty Rate_{n-1} \times \left(1 + \frac{GDPDEF}{100}\right)
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adjusted annually according to the rate of change of the inflation indicator, gross domestic product-implicit price deflator, as published by the bureau of economic analysis of the United States department of commerce or its successor."

²⁵ Staff used data from the Bureau of Economic Analysis of the United States (BEA) published on the Federal Reserve Economic Data's (FRED) website for the gross domestic product (GDP) implicit price deflator (GDPDEF).

Staff adjusted the statutory penalty rate of \$50 (RCW 19.285.060(1)) with the GDPDEF by year.

For the current year, the penalty rate is \$72.72 per MWh. The administrative penalty rate formula, which results in \$72.72 up from \$50, is as follows:

²⁶ Penalty Calculation for EIA (\$72.72 * 6,913= \$502,713.36)

²⁷ In the Matter of PacifiCorp d/b/a/ Pac. Power & Light Co.2022-2023 Biennial Conservation *Report*, Docket UE-210830, Order 01 Accepting 2020-2029 Ten-Year Achievable Conservation Potential and 2022-2023 Biennial Conservation Target, Subject to Conditions, at 6 (January 18, 2022).

²⁸ Penalty Calculation for Decoupling (4,711 * \$72.72 = \$342,583.92).

²⁹ \$502,713.36 + \$342,583.92 = \$845,297.28.

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- 16 After Staff filed its recommendations on August 19, 2024, PacifiCorp responded, filing comments on August 21, 2024. In its comments, PacifiCorp strongly contests Staff's penalty recommendations on several grounds, including that the delay and cancellation of customer conservation projects are events outside the reasonable control of the utility, the lasting impacts of COVID-19 were not reasonably anticipated at the time targets were set, the lasting impacts of COVID-19, including those on interest rates, labor availability, supply chains, and customer behavior, could not reasonably be prevented, and that RCW 19.285.040(1)(e) is applicable to decoupling conservation targets.³⁰
- 17 This matter came before the Commission at its August 22, 2024, Recessed Open Meeting. The Commission heard comments from Staff and PacifiCorp. Staff reiterated its recommendations set forth in its memo and mentioned that consumer-owned utilities met their EIA conservation targets and therefore investor-owned utilities should have been able to as well.³¹ Staff further noted that its recommendations were based on the record before issuing its memorandum and if the Company wished for penalty waivers pursuant to RCW 19.285.040(1)(e), the Company should have provided more evidence in support of that position in its filing. PacifiCorp recommended that the Commission find the Company to be in compliance.

DISCUSSION

- 18 We agree with PacifiCorp's recommendation. As a preliminary matter, we find that PacifiCorp has complied with the reporting requirements of WAC 480-109-120 and RCW 19.285.070 by timely filing a biennial conservation report to allow the Commission to determine how PacifiCorp is performing compared to its conservation targets.
- We acknowledge that, as stated in Staff's comments on electric biennial conservation reports, 2022-2023 were difficult years for conservation achievement. We further acknowledge, as noted by Staff, that PacifiCorp should have provided additional evidence to support its request for an exemption from penalties pursuant to RCW 19.285.040(1)(e). However, with the benefit of PacifiCorp's additional comments, filed the day before the Recessed Open Meeting, and those provided during the Open Meeting, we find that lingering issues related to the COVID-19 pandemic caused challenges outside of the Company's reasonable control, such as customer financial challenges;

³⁰ In the Matter of PacifiCorp d/b/a/ Pac. Power & Light Co.2022-2023 Biennial Conservation Report, Docket UE-210830, PacifiCorp's Comments on Staff Recommendation (August 21, 2024).

³¹ The Commissioners present at the August 22, 2024, Recessed Open Meeting included Chair Dave Danner, who has since retired as the issuance of this decision, but voted to approve this Order 02, at the August 22, 2024, Recessed Open Meeting.

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changes in customer demand; and labor and supply chain shortages. These elements added to the already significant challenges utilities face in achieving the remaining conservation in the region.

- Under RCW 19.285.040(1)(e), "a qualifying utility is considered to be in compliance 20 with its biennial acquisition target for cost-effective conservation if events beyond the reasonable control of the utility that could not have been reasonably anticipated or ameliorated prevented it from meeting the conservation target." The subsection goes on to explain how a utility "may demonstrate" such events, by providing an illustrative list of examples which "include" natural disasters, major cancelations, and exercises of governmental authority. While the illustrative list does include the word "and," our plain reading of the statute is that the word "include" indicates the example conditions are meant to be illustrative, and not exclusive.³² That is to say that an exercise of government authority that interfered with a qualifying utility's ability to meet its targets, does not require an accompanying natural disaster for the event to be considered out of the company's control. Instead, we interpret RCW 19.285.040(1)(e) as setting a broad reasonableness standard which (i) first asks if an event beyond the utility's reasonable control occurred, before exploring (ii) whether the event could have been reasonably anticipated, and whether (iii) the company took reasonable efforts to ameliorate or mitigate the consequences of the unexpected event, once it became aware of it.
- 21 Although PacifiCorp failed to meet its conservation targets, we find that there existed sufficient circumstances to allow PacifiCorp to be "considered in compliance" for the purposes of RCW 19.285.040(1)(e). Further, the Company has shown that it has exercised adaptive management techniques in an effort to adapt to the challenges the pandemic introduced. Thus, we find that PacifiCorp has sufficiently complied with its biennial acquisition target for cost-effective conservation to be considered in compliance, and therefore conclude that no penalty is warranted at this time.
- 22 The Commission has discretion to impose or not impose penalties. The legislative intent in the EIA and our intent in approving decoupling goals is to encourage conservation. We therefore find it appropriate to exercise such discretion for PacifiCorp's decoupling

³² State v. Keller, 143 Wn.2d 267, 276 (2001) ("Courts should assume the Legislature means exactly what it says. Plain words do not require construction. The courts do not engage in statutory interpretation of a statute that is not ambiguous. If a statute is plain and unambiguous, its meaning must be derived from the wording of the statute itself. A statute is ambiguous if it can reasonably be interpreted in two or more ways, but it is not ambiguous simply because different interpretations are conceivable.")

targets in a manner that is consistent with the standard provided for in RCW 19.285.040(1)(e).

- 23 As a result, notwithstanding the Company's failure to comply with Order 12 in Docket UE-152253, as discussed in paragraph 16 of this Order, the Commission finds it appropriate to forgo issuing a penalty here due to the totality of the circumstances.
- On this point, and for future clarity, we find it appropriate to amend Order 12 in Docket UE-152253 and Order 01 in this matter to clarify it is our intent that not only might the penalty provisions associated with the EIA apply to decoupling targets, but so too do the exemptions under RCW 19.285.040(1)(e). Notice shall be issued to interested parties so as to allow an opportunity to comment on these proposed amendments.

FINDINGS AND CONCLUSIONS

- (1) The Commission is an agency of the State of Washington vested by statute with the authority to regulate the rates, rules, regulations, practices, accounts, securities, transfers of property and affiliated interests of public service companies, including electric companies.
- 26 (2) PacifiCorp is an electric company and a public service company subject to Commission jurisdiction. PacifiCorp is a qualifying electrical company under RCW 80.04.010.
- 27 (3) On May 31, 2024, PacifiCorp filed its Biennial Conservation Report.
- (4) On June 21, 2024, PacifiCorp filed a revision of its Biennial Conservation Report, which showed that PacifiCorp had failed to meet its conservation targets under the EIA and its decoupling targets.
- (5) Pursuant to RCW 19.285.040(1)(e), the Commission may determine that a utility is considered in compliance with its biennial acquisition target for cost-effective conservation if events beyond the reasonable control of the utility that could not have been reasonably anticipated or ameliorated prevented it from meeting the conservation target.
- 30 (6) The COVID-19 pandemic created circumstances beyond the control of PacifiCorp that interfered with the Company's ability to meet its conservation and decoupling targets.
- *31* (7) PacifiCorp took adequate adaptive measures to attempt to ameliorate the effect of the pandemic on its conservation efforts.

- 32 (8) This matter came before the Commission at a recessed open meeting on August 22, 2024.
- 33 (9) After reviewing PacifiCorp's report, Staff's comments, PacifiCorp's comments, and giving due consideration to relevant matters, the Commission finds that PacifiCorp has complied with the reporting requirements of RCW 19.285.070 and WAC 480-109-120 and is considered in compliance with its biennial acquisition target for cost-effective conservation and decoupling.
- 34 (10) The Commission should accept PacifiCorp d/b/a Pacific Power & Light's recommendation not to impose a penalty as the Company's 2022-2023 Biennial Report of Conservation Accomplishments complies with the conditions of Order 01 in Docket UE-210830.
- (11) The Commission should reject Commission staff's recommendation to impose penalties upon PacifiCorp d/b/a Pacific Power & Light Company, pursuant to Order 01 in Docket UE-210830, for: (1) failure to comply with energy conservation goals as authorized in RCW 19.285.060(1) and (2) for failing to meet decoupling targets pursuant to Order 12 in Docket UE-152253.
- 36 (12) PacifiCorp d/b/a Pacific Power & Light Company's 2022-2023 Biennial Report of Conservation Accomplishments has applied 80,523 MWh to the biennial conservation target.
- 37 (13) PacifiCorp d/b/a Pacific Power & Light Company's 2022-2023 Biennial Report of Conservation Accomplishments has applied 0 MWh to decoupling.
- 38 (14) PacifiCorp d/b/a Pacific Power & Light Company's has achieved 0 MWh of excess conservation savings that may be used to mitigate shortfalls in the subsequent two biennia.

ORDER

THE COMMISSION ORDERS:

39 (1) The Commission accepts PacifiCorp d/b/a Pacific Power & Light Company's recommendation not to impose a penalty and determines that the 2022-2023 Biennial Report of Conservation Accomplishments complies with the conditions of Order 01 in Docket UE-210830, and the reporting requirements of RCW 19.285.070 WAC 480-109-120 and RCW 19.285.070 WAC 480-109-120.

- 40 (2) The Commission rejects Commission staff's recommendation to impose penalties upon PacifiCorp d/b/a Pacific Power & Light Company, pursuant to Order 01 in Docket UE-210830, for: (1) failure to comply with energy conservation goals as authorized in RCW 19.285.060(1) and (2) for failing to meet decoupling targets pursuant to Order 12 in Docket UE-152253.
- (3) Notice shall be issued to interested parties to amend Order 12 in Docket UE-152253 and Order 01 in this matter to clarify it is our intent that not only might the penalty provisions associated with the EIA apply to decoupling targets, but so too do the exemptions under RCW 19.285.040(1)(e).
- 42 (4) This Order shall not affect the Commission's authority over rates, services, accounts, valuations, estimates, or determination of costs, on any matters that may come before it.

DATED at Lacey, Washington, and effective February 7, 2025.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

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ANN E. RENDAHL, Commissioner

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MILTON H. DOUMIT, Commissioner