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**ATTORNEY GENERAL OF WASHINGTON**

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June 24, 2011

**SENT VIA E-MAIL & ABC LMI**

David Danner  
Executive Director and Secretary  
Washington Utilities and Transportation Commission  
1300 S. Evergreen Pk. Dr. S.W.  
PO Box 47250  
Olympia, WA 98504-7250

**Re: Schedule 191—System Benefits Charge Adjustment, Docket No. UE-100170**

Dear Mr. Danner:

Public Counsel submits this letter in response to PacifiCorp's System Benefits Charge (SBC) Adjustment compliance filing made on April 29, 2011. Under Condition 6(c) in Order 02, Docket No. UE-100170, PacifiCorp is required to make revisions to its cost recovery tariff by May 1, 2011 with a requested effective date of July, 1, 2011. As stated in its compliance filing, PacifiCorp did not file revisions to its SBC rate; notwithstanding, Public Counsel did perform a review of the compliance filing as well as a review of 2010 DSM program achievement and submits this letter now following the review period for this filing. These comments address two topic areas. First, I discuss Public Counsel's review of PacifiCorp's conservation programs in connection with the Schedule 191 System Benefits Charge Adjustment. Specifically, I provide an update on Public Counsel's ongoing review<sup>1</sup> of PacifiCorp's Energy Education in School's Program as a follow-up to issues Public Counsel raised in comments submitted regarding the Company's business plan filed in November of 2010.<sup>2</sup> I also identify issues regarding savings estimates for certain energy efficiency measures which we would like to raise for discussion with the Company and DSM advisory group in the near term. Lastly, I discuss concerns with costs not included in PacifiCorp's projected SBC deferred account balances which specifically relate to the Company's planned production efficiency study.

**Public Counsel Recommendation**

Public Counsel is not requesting the Commission take any action with regard to PacifiCorp's compliance filing at this time. The purpose of this letter is provide an update on Public Counsel's review of PacifiCorp's 2010 DSM programs and 2011 SBC adjustment filing and provide recommendations for the Company going forward. In this regard, Public Counsel recommends that the Company convene its DSM Advisory Group to discuss modifications or scaling back the Energy Education in School's Program and to initiate discussions regarding

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<sup>1</sup> Public Counsel has had ongoing discussions with the Company regarding our concerns with the Energy Education in School's Program. We have also raised these concerns with PacifiCorp's DSM advisory group.

<sup>2</sup> Public Counsel letter submitted on PacifiCorp's Update to the 2010 and 2011 Demand-Side Management Business Plan, Docket No. UE-100710, December 23, 2010.



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updates to savings estimates for energy efficiency measures in the near term. We also recommend that the Company include all forecasted costs in its SBC projected account balance analysis in future SBC adjustment filings.

### **A. Review of PacifiCorp's 2010 Conservation Programs and Results.**

As required under Order 02 in Docket No. UE-100170, PacifiCorp filed its annual report on conservation acquisition on March 31, 2011.<sup>3</sup> This report includes information on 2010 DSM performance and activity, compares the 2010 budget to actual expenditures, provides an overview of residential and non-residential program activity and changes, and discusses the status of the SBC balancing account as well as program cost-effectiveness for 2010. According to the report, in 2010 PacifiCorp acquired 4.76 aMW in savings, which exceeded its forecasted results of 4.3 aMW. Approximately 37 percent of the savings were acquired through residential programs, 25 percent through the commercial programs, 27 percent through industrial programs, and 11 percent through NEEA regional market transformation efforts. Total expenditures were \$7,723,506 for program year 2010 which is very close to the budgeted amount of \$7,576,000. PacifiCorp's overall portfolio was cost-effective in 2010.<sup>4</sup>

Upon reviewing the Company's Schedule 191 System Benefits Charge Adjustment filing and the Company's annual report on conservation acquisition, Public Counsel submitted inquiries to PacifiCorp on a range of issues including savings estimates for measures, individual program operations and results, evaluation reports and the Company's forecast analysis for the SBC deferred account balance for 2011. The section below describes outstanding issues that arose following this review.

#### **1. Energy Education in School's Program**

PacifiCorp's Energy Education in School's Program is administered by three community action agencies and provides energy education curriculum and energy savings kits to sixth grade students in Walla Walla, Toppenish, and Yakima.<sup>5</sup> The energy savings kits include a CFL and other low-cost energy efficiency measures. This program represents approximately 18 percent of the total projected residential portfolio budget for 2010 and approximately 16 percent of the total residential portfolio with respect to kWh savings.<sup>6</sup>

Public Counsel began its review of the Energy Education in School's Program following the Company's Update to the 2010 and 2011 DSM Business Plan which was filed on November 1, 2010. At that time, Public Counsel identified initial areas of concern associated with the program and indicated our intent to continue

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<sup>3</sup> PacifiCorp subsequently filed a revised version of the Annual Report on Conservation Acquisition on May 20, 2011 to correct certain errors in the report.

<sup>4</sup> The portfolio achieved a TRC of 2.889.

<sup>5</sup> PacifiCorp's Demand-Side Management Business Plan-Washington, November 2010 Update, Docket No. UE-100170, compliance filing dated Nov. 1, 2010 (hereafter, "Nov. 2010 Business Plan Update"), pp.10-11.

<sup>6</sup> Nov. 2010 Business Plan Update, p. 2.

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to examine these issues with the Company and the DSM advisory group and report back to the Commission at a later date. We believe this is an appropriate time to update the Commission on our concerns and recommendations regarding this program.

a. *Savings Estimates for Measures in Energy Efficiency Kit ("Kit")*

The Company uses its own methodology to calculate savings for measures included in the kit instead of using RTF-deemed savings, where available.<sup>7</sup> PacifiCorp's methodology relies on student responses to surveys. We do not believe that using a student survey for this program constitutes a rigorous or reliable method for determining measure savings estimates. We observe that the savings estimates for the CFL provided in the kit are significantly higher than RTF-deemed savings for retail purchase of CFL's as well as direct install. PacifiCorp claims 65 kWh<sup>8</sup> in average annual savings for the CFL included in the kit which is more than 2.5 times higher than the RTF's estimate for retail CFL bulbs (24 kWh) and is also higher than the RTF estimate for direct install of CFLs (37 kWh).<sup>9</sup> Public Counsel does not believe that developing savings estimates from student surveys complies with the requirements in Condition 6(c) in Order 01 of Docket No. UE-100170 because no verification of these potential savings has occurred.<sup>10</sup>

b. *Inability to Verify Installation of Measures*

No measurement of energy usage or verification of installations is completed for this program. The only analysis of savings claimed under this program are the results of responses to surveys distributed to sixth grade students. Public Counsel does not believe this constitutes appropriate rigorous measurement or verification of program savings.

c. *Savings Counted for "Additional CFL's" purchased outside of Kit*

PacifiCorp claims 228 kWh as average annual participant savings resulting from additional CFL's that students indicate have been installed at their home. Based upon responses to surveys distributed to students,

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<sup>7</sup> Memo from Cadmus responding to Public Counsel inquiry, Dec. 15, 2010.

<sup>8</sup> Assessment of Washington Energy Education in School's—2009-2010 Program Year, Cadmus, September 21, 2010, Table 3, p. 6 (Hereafter, "Cadmus 2010 Assessment.")

<sup>9</sup> RTF Forum Meeting Notes, May 5, 2009 available online at: <http://www.nwcouncil.org/energy/rtf/meetings/2009/05/minutes20090505.pdf>. (RTF estimates are for customer-solicited CFL's, either retail purchase or direct install.)

<sup>10</sup> Condition 6C in Order 02, Docket No. UE-100170 states, "If PacifiCorp utilizes savings amounts for prescriptive programs other than those established by the RTF, such estimates must be based on generally accepted impact evaluation data and/or other reliable and relevant source data that has verified savings levels, and be presented to the Advisory Group for comment."

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PacifiCorp assumes 4.4 additional CFL's are installed in 70 percent of student participants homes.<sup>11</sup> The savings from CFLs (kit and additional CFL's) constitute about 50 percent of the claimed savings, per participant, under this program. We do not believe that responses to student surveys are an appropriately rigorous means to measure CFL purchase and installation. Accordingly we believe it is inappropriate to claim savings under this program for these CFL's. Moreover, while the Company makes an adjustment in its annual report to address possible double-counting that may occur with the 'additional CFLs' counted under this program and the Company's retail buy-down program, the savings from these additional CFL's are included in the Company's cost-effectiveness analysis for this program, which impacts overall results and is inappropriate in our view.

*d. Savings Counted for Kits Distributed to Students Outside of PacifiCorp's Service Territory*

For program year 2009-2010 the Energy Education in School's Program had 4,127 student participants. Of these students, 84.5 percent indicated that PacifiCorp provided electric service to their home.<sup>12</sup> However, under this program kits are provided to all students regardless of whether they are outside of PacifiCorp's service territory. PacifiCorp did not make an adjustment to remove any savings associated with kits distributed to non-PacifiCorp customers. Our concern here is that PacifiCorp is overstating savings by claiming savings for non-PacifiCorp customers that receive the kit. In addition, we believe distributing measures under this program to customers outside of the Company's service territory may violate the Company's Schedule 113 program tariffs.<sup>13</sup>

*e. Cost-Effectiveness*

Public Counsel requested that the Company re-run the cost-effectiveness tests for this program using a scenario where savings were removed for additional CFL's and students outside the Company's service territory and RTF deemed retail savings were used instead of the Company's savings estimates for kit measures.<sup>14</sup> Cadmus provided these results which show

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<sup>11</sup> Memo from Cadmus responding to Public Counsel inquiry, 12/15/10. *See also* Cadmus 2010 Assessment, Table 3, p. 6.

<sup>12</sup> Cadmus 2010 Assessment, p. 3

<sup>13</sup> Schedule 113, Residential Energy Efficiency Program-Energy Education in School's tariff states the following: "All measures provided are intended to be installed in the Company's service territory." Tariffs available online at:

[http://www.pacificpower.net/content/dam/pacific\\_power/doc/About\\_Us/Rates\\_Regulation/Washington/Approved\\_Tariffs/Rate\\_Schedules/Residential\\_Energy\\_Efficiency\\_Program\\_Energy\\_Education\\_in\\_Schools.pdf](http://www.pacificpower.net/content/dam/pacific_power/doc/About_Us/Rates_Regulation/Washington/Approved_Tariffs/Rate_Schedules/Residential_Energy_Efficiency_Program_Energy_Education_in_Schools.pdf).

<sup>14</sup> The actual savings for CFL's distributed under this program may be lower than the 24 kWh retail CFL RTF deemed savings estimate because the CFL's in the kit are provided to all students (unsolicited) whereas the 24 kWh savings estimate is for retail CFL's (solicited).

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that the program would no longer be cost-effective under this scenario (TRC was .85).

Based on our review of this program to date, Public Counsel does not believe the savings associated with the Energy Education in School's program are verifiable and, therefore, whether these savings should be counted toward savings acquisition in 2010 is questionable.<sup>15</sup> Going forward we recommend that the Company convene its DSM advisory group to discuss scaling back or modifying the program.<sup>16</sup> Because the program runs on a school-year calendar we recommend the Company initiate these discussions in the near term to facilitate modifications prior to the next school year.

### 2. CFL Savings Estimates

#### a. *Refrigerator and Freezer Recycling Program*

PacifiCorp's Refrigerator and Freezer Recycling Program offers incentives to customers who turn in their old but working refrigerators and/or freezers for recycling and also provides each customer with an energy savings kit that includes two CFL's, a refrigerator thermometer and an energy savings pamphlet.<sup>17</sup>

In reviewing this program, Public Counsel learned that for the 2010 program year it appears that the savings estimates for CFL's distributed under this program may be based on an old RTF estimate that was in effect at the time the program was first evaluated in 2007 by KEMA. Public Counsel understands that a new evaluation of the this program was recently completed by Cadmus for program years 2006-2008, but consequently was not completed before the 2010 DSM business plan was filed. The Company did not apply any updated information regarding savings estimates contained in that report to 2010 savings acquisition results.

The RTF's current savings estimates for retail CFL bulbs is 24 kWh, which was established in 2009.<sup>18</sup> We would like to better understand the

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<sup>15</sup> The issue of whether savings for the Energy Education in School's Program should be counted toward achievement of the Company's 2010-2011 Biennial Conservation Target under I-937 will be addressed when the Company files its biennial conservation report on acquisition in June, 2012. Public Counsel anticipates making a recommendation on this issue at that time.

<sup>16</sup> One possible modification could be to limit the program to energy education and remove the kits for which the Company claims savings. Condition 6(d) in Order 02, Docket No. UE-100170 allows the Company to spend up to 10 percent of its conservation budget on programs whose savings impact has not yet been measured, as long as the overall portfolio passes the TRC test.

<sup>17</sup> KEMA "Evaluation of the Washington Refrigerator and Freezer Recycling Program, KEMA, August 31, 2007.

<sup>18</sup> RTF Forum Meeting Notes, May 5, 2009 available online at: <http://www.nwcouncil.org/energy/rtf/meetings/2009/05/minutes20090505.pdf>.

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Company's assumptions for CFL's under this program and discuss whether updates are needed. Going forward, we recommend that the Company convene its DSM advisory group to discuss appropriate modifications to savings estimates for CFL's in this program, as well as possible savings estimate updates for other energy efficiency measures.

**B. 2011 Forecasted Costs Not Included in Projected SBC Balance: Production Efficiency Study.**

PacifiCorp states in its System Benefits Charge Adjustment compliance filing that it does not include the forecasted costs associated with a production efficiency study that it expects to incur in 2011. The Company has informed Public Counsel they have not yet determined the expense associated with this study which they anticipate will commence later in 2011. Our concern with this approach is that by not forecasting costs for this study and building this into the Company's projected SBC deferred account balance, the Company negates the very purpose of the mandated annual revisions to the rider filing, which is to forecast revenues and expenditures to determine whether a change in the SBC rate is required. Going forward, we recommend that the Company be required to include all forecasted costs in its SBC adjustment.

**C. Conclusion.**

Public Counsel appreciates the Commission's consideration of the issues raised in this letter. We understand that the review of 2010-2011 savings for purposes of achievement under I-937 will occur at the conclusion of the biennium and we will make any recommendations regarding achievement of savings at that time.

Sincerely,

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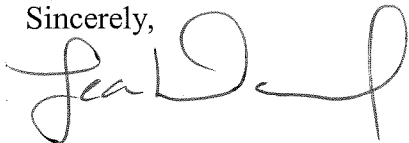
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