PACIFIC POWER
A DIVISION OF PACIFICORP

825 NE Multnomah, Suite 2000
Portland, Oregon 97232

Received
Records Management
06/01/18 09:43
State Of WASH.
UTIL. AND TRANSP.
COMMISSION

June 1, 2018

VIA ELECTRONIC FILING

Mark L. Johnson
Executive Director and Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive SW
P.O. Box 47250
Olympia, WA 98504-7250

RE: Advice 18-02—Schedule 191—System Benefits Charge Adjustment

Pacific Power & Light Company (Pacific Power), a division of PacifiCorp, submits the following revised tariff sheets under RCW 80.28.050, WAC 480-109-130, and WAC chapter 480-80. The company requests an effective date of August 1, 2018.

Seventh Revision of Sheet No. 191.1	Schedule 191	System Benefits Charge Adjustment

The company proposes to decrease the System Benefits Charge Adjustment (SBC) collection rate, which is administered through Schedule 191, to better align the company's recovery of costs associated with acquiring and administering cost-effective conservation in its Washington service territory, and complying with the requirements of Initiative Measure No. 937. On May 1, 2018, Pacific Power informed the DSM Advisory Group that the deferred account balance analysis indicated a downward adjustment would be necessary and filed by June 1, 2018. A courtesy copy of this filing was provided to the DSM Advisory Group.

The current SBC collection rate is approximately $13.9 million on an annual basis and was approved in Docket UE-170678 with an effective date of August 1, 2017. The SBC collection rate represents approximately 3.97 percent of Pacific Power's Washington electric revenues. Attachment B provides an overview of the balance in the SBC deferred account based on current costs and Schedule 191 revenue projections.

The company's 2017 overall conservation costs were approximately $1.48 million less than the forecast provided in the last System Benefits Charge Deferred Account Analysis. The residential portfolio was able to deliver slightly higher than forecasted savings for approximately $500,000 less than expected. Home Energy Savings program under-runs were offset by higher Home Energy Reports program contributions. The *wattsmart* Business program delivered close to the projected savings for approximately $1 million less than forecast. Another driver for the savings was lower program incentive payments due to customer projects being completed with lower costs than originally estimated. In addition to the savings, revenue for the same period was approximately $390,000 higher than forecast. This resulted in a net impact of $1.87 million relative to the 2017 forecast. Additionally, the Commission-approved conservation target for the 2018-2019 period is approximately 13 percent lower than the prior biennial period's target and the expenditures are also lower. Based on the current balance, expenditure forecast, and collection rate, Pacific Power estimates an over-collection of $4.09 million by June 2019.

While the forecast discussed above reflects the company's best estimate based on current information, there is uncertainty in costs and savings that should be considered when adjusting the collection rate. The current contracts for delivery of the Home Energy Savings and portions of the *wattsmart* Business program were executed in 2016 and have three-year terms. The company has begun the process to re-procure these services, but is not expecting to have new pricing and contract(s) in place before the end of 2018. While the company's procurement processes are rigorous and designed to ensure cost-effective and cost-efficient delivery of these services, it is possible and consistent with industry experience that costs could be higher on a per-unit basis than in previous contracts.

Additionally, as agreed to with the DSM Advisory Group, the 2018-2019 biennium is the first time the company will adjust unit energy savings (UES) values for conservation measures during a biennium, in cases where updated analysis from the Regional Technical Forum or another source suggests a change is warranted. If a measure's UES value decreases through this process, the company will need to make up the savings at additional cost by incentivizing more units.

Targets for the next biennial period are another unknown factor that the company will need to further evaluate. In light of the Commission's recent acknowledgment letter in the 2017 integrated resource plan (IRP) and the directive to include a social cost of carbon in the planning assumptions, there may be an impact on the conservation targets of the various scenario analyses required for the 2019 IRP.

Accordingly, to reflect the uncertainty around costs and savings and avoid potential volatility in the surcharge rate, Pacific Power proposes an annual collection rate decrease of approximately $1.75 million. The company's intent is to keep rates stable and avoid a significant downward adjustment immediately followed by a potentially significant upward adjustment in the near-term future. The proposed rate adjustment will result in an overall average decrease of approximately 0.5 percent to Pacific Power's Washington customers. If approved, a residential customer using approximately 1,200 kWh per month will see a bill decrease of approximately $0.58 per month. Attachment D is the company's proposed Schedule 191 tariff sheet, which lists the proposed rate changes by rate schedule.

It is respectfully requested that all formal correspondence and requests regarding this filing be addressed to:

By e-mail (preferred): datarequest@pacificorp.com

By regular mail: Data Request Response Center
PacifiCorp
825 NE Multnomah St., Suite 2000
Portland, Oregon, 97232

Informal questions can be directed to Ariel Son, Regulatory Affairs Manager, at (503) 813-5410.

Sincerely,

/s/

Etta Lockey
Vice President, Regulation
Pacific Power & Light Company
825 NE Multnomah Street, Suite 2000
Portland, OR 97232
(503) 813-5701
etta.lockey@pacificorp.com

Enclosures
Attachment A – List of Tariff Sheets
Attachment B – System Benefits Charge Deferred Account Analysis
Attachment C – Estimated Effect of Proposed Base Rate Increase
Attachment D – Schedule 191