

Agenda Date: July 27, 2017
Item Number: A3

Docket: UE-170678
Company: Pacific Power & Light Company

Staff: Kyle Frankiewich, Regulatory Analyst
Andrew Roberts, Regulatory Analyst

Recommendation

Take no action, thereby allowing the tariff pages filed by Pacific Power & Light Company in Docket UE-170678 to become effective on August 1, 2017, by operation of law.

Background

On March 13, 2015, the Washington Utilities and Transportation Commission (commission) codified the requirement that each utility make an annual tariff filing to recover the costs associated with its conservation programs in WAC 480-109-130. The 2016-2017 conservation budget and target for Pacific Power and Light Company (Pacific Power or company) were reviewed by the Washington Demand-Side Management Advisory Group and acknowledged by the commission at the December 17, 2015, open meeting.¹ The company's 2017 Annual Conservation Plan was reviewed by the commission at the January 26, 2017, open meeting.

On June 1, 2017, Pacific Power filed a tariff revision that would increase rates for Schedule 191, which is the System Benefit Charge tariff that funds the company's conservation programs. The company's proposed changes would increase revenue by about \$1.0 million over the next year, which represents a 0.3 percent increase. If approved, the tariff would increase the monthly bill of the average residential customer using 1,200 kilowatt-hours per month by 32 cents.

Discussion

Pacific Power spent approximately \$12 million on conservation programs in 2016, roughly matching its \$12 million budget.² The company's conservation programs achieved 51,365 MWh of savings,³ 109 percent of their annual target of 47,116 MWh.⁴ 2016 actuals and 2017 projections estimate that the company will achieve 110 percent of its decoupling-adjusted biennial acquisition target.⁵ For 2016, Pacific Power's Washington conservation portfolio achieved a total resource cost test ratio of 1.8.⁶

¹ Docket UE-152072, Order 01.

² 2016 Annual Conservation Report, page 17. Budget from WA Business Plan; the company's Biennial Conservation Plan did not provide budget figures broken out by calendar year.

³ 2016 Annual Conservation Report, page 15. Total savings at generator, not including NEEA.

⁴ 2016-2017 Ten-Year Conservation Potential and 2016-2017 Biennial Conservation Target, page 24.

⁵ 2016 actuals from 2016 annual report. Other inputs from 2017 Annual Conservation Plan, page 5. Projected NEEA savings removed from 2016 actuals, 2017 projections, and biennial target.

⁶ 2016 Annual Conservation Report, page 6. Not including costs or savings related to NEEA.

This filing proposes to change the electric rider rates as shown in the table below, reflecting actual costs and collections in 2016, and covering the amount budgeted for energy efficiency in 2017.

	Schedule	Current Rate per kWh	Proposed Rate per kWh	Percentage Increase
Outdoor Lighting	Schedule 15	\$0.0316	\$0.0340	7.6%
Residential Service	Schedule 16	\$0.0351	\$0.0378	7.7%
Low Income Bill Assistance Program – Residential Service	Schedule 17	\$0.0351	\$0.0378	7.7%
Small General Service	Schedule 24	\$0.0349	\$0.0376	7.7%
Partial Requirements, Large General Service	Schedules 33, 36	\$0.0299	\$0.0322	7.7%
Agricultural Pumping	Schedule 40	\$0.0330	\$0.0355	7.6%
Large Users	Schedules 47T, 48T	\$0.0245	\$0.0265	8.2%
Lighting	Schedules 51, 52, 53, 57	\$0.0316	\$0.0340	7.6%
Lighting	Schedule 54	\$0.0344	\$0.0371	7.8%

Review of variance

Pacific Power’s Schedule 191 account follows a general annual cycle that sees it run a deficit during winter months, when higher winter bills drive an increase in ratepayer conservation activities, and then return to a surplus in the summer months, when conservation activity declines in response to lower bills.

At the conclusion of 2016, the account showed an under collection (deficit) of about \$2.5 million. From January through April, this deficit was reduced to \$1 million. At current rates, the company projects that the account would continue to be roughly \$1 million under-collected by the end of July 2018, which is when the tariff filing would likely be replaced by the company’s 2018 revision. The \$1 million increase that Pacific Power is requesting in this filing is to correct the projected deficit that will exist at the end of the next rate period.

Staff review and program expenditure audit

Staff review of Pacific Power’s conservation program expenditures occurs not only through this filing, but through participation in the Washington Demand-Side Management Advisory Group meetings throughout the year. These meetings allow staff an opportunity to review program proposals and tariffs before they are filed, discuss issues with other stakeholders, and pose questions to company representatives. Through the advisory group, staff was able to review this tariff and ask questions before it was filed.

Staff performed an on-site audit of Pacific Power's 2016 electric conservation expenditures on June 21, 2017. The audit focused on operating expenses and incentive rebates for each program in the company's portfolio during specific months, confirming that expenditures were appropriate and paid as stated.

Overall, the information, documentation and internal controls in place for Pacific Power's conservation programs were excellent. Staff reviewed a variety of expenditures in the 2016 electric efficiency program to cover a broad range of programs. In all cases, the company was able to promptly retrieve the supporting invoices, internal reviews, and documentation for each expense. Staff identified no issues during the in-person review of expenditures. Pacific Power's internal controls and review procedures are robust and working as intended.

Customer Comments

On June 1, 2017, the company notified its customers of the proposed rate increase by mail. Staff received six consumer comments, all opposing the proposed rate increase. Customers were notified that they may access relevant documents about this rate increase on the commission's website, and were given contact information for Andrew Roberts if they had any other questions or concerns.

Conservation and Decoupling

On December 17, 2015, the commission approved a target of 87,814 MWh for the 2016-2017 biennium in Order 01 in Docket UE-152072. On September 1, 2016, the commission issued Order 12 in Docket UE-152253, which states, "Pacific Power must increase its annual conservation targets by 2.5 percent for the current 2016-2017 biennium, and by 5 percent per biennium thereafter through the period when decoupling is in effect. The Company's failure to meet its incremental conservation target will be subject to financial penalties." Pursuant to this order, Pacific Power revised their 2016-2017 target from 87,814 MWh to 90,009 MWh.

Conclusion

Take no action, allowing the tariff to go into effect by operation of law.