

August 2, 2012

VIA ELECTRONIC FILING

Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive SW
P.O. Box 47250
Olympia, WA 98504-7250

Attention: David W. Danner
Executive Director and Secretary

RE: Docket No. UE-100170 – PacifiCorp 2010-2011 Biennial Conservation Report

Dear Mr. Danner:

PacifiCorp d.b.a. Pacific Power & Light Company (PacifiCorp or Company) submits the following comments in response to discussions held at the Washington Utilities and Transportation Commission (Commission) at its July 27, 2012, open meeting regarding the Company's 2010-2011 Biennial Conservation Report (BCR). Where noted, the comments below are also responsive to comments filed on July 16, 2012, by Commission Staff (Staff), Public Counsel and the Northwest Energy Coalition (NWECC).

Following the July 27, 2012 open meeting, interested parties developed a list of issues associated with utilities' filings of their renewable and conservation achievement reports under the energy independence act (EIA), RCW 19.285 and WAC 480-109. Staff requested that parties address in their comments whether each issue needs to be addressed by the Commission now, prior to issuing an order, or could be resolved at later time. In addition, Staff requested comments on what process should be utilized in order to address issues to be resolved at a later time.

Responses to Issues List

1. Northwest Energy Efficiency Alliance (NEEA) savings

The Company is agreeable to discuss avenues for reporting NEEA savings contributions in a consistent manner (across utilities); however, the Company does not believe it is necessary to resolve this matter before issuing a ruling on the 2010-2011 BCR. The Company recommends that any discussions be targeted to inform the 2014-2015 biennial forecast and target process rather than filing revisions to the 2012-2013 biennial forecast and target.

2. Adjustments to reported savings

During the 2011 Washington Conservation Working Group, parties agreed “to the extent practicable, there should be consistency between the use of prescriptive unit energy savings estimates in the establishment of the biennial target and the reliance on those same savings estimates in the utility’s demonstration that it met the biennial target.” This agreement was not reached until well into the second year of the 2010-2011 biennial period. The 2010-2011 and 2012-2013 biennial targets and forecasts, therefore, were not informed by this until near the end of this first biennial period. As the Company completes the 2010-2011 biennial cycle and moves to the next cycle, parties should expect the need for such adjustments to diminish over time as the lessons learned are incorporated earlier in the conservation potential assessment and forecast planning efforts.

3. Prudence

The prudence of PacifiCorp’s conservation expenditures and investments occurs in Schedule 191 filings. PacifiCorp supports Staff’s characterization that the tools and rigor to adequately assess prudence, the transparency of operations available as a result of the implementation of Washington’s EIA, can provide valuable evidence and information to inform the approval of the Company’s Schedule 191 filings. However, as prudence generally relates to a utility’s expenditures, burdening this approval process with redundant requirements such as whether a utility has properly established its conservation potential, pursuant to RCW 19.285.040(1), is unnecessary.

4. Baseline/adaptive management

PacifiCorp supports a frozen baseline assumption between the establishment of conservation forecasts and reporting of conservation savings within a biennium period. This position was one of the major agreements between parties participating in the 2011 Conservation Working Group meetings and is well documented in the Staff report on those meetings. The Company is not clear what the outstanding issue is in regarding support of this planning and reporting practice.

5. Confidentiality

While the Company is willing to continue the existing process of entering into bilateral confidentiality agreements with intervenors in order to protect confidential information, this is cumbersome and not the optimal solution for protecting confidential data. Instead, the Company requests that the Commission allow parties to request a protective order in dockets opened to review renewable and conservation reports. This allows for greater transparency and is significantly less administratively burdensome than negotiating multiple bilateral agreements. The Company is not aware of an administrative rule that precludes the Commission from issuing a protective order in a non-adjudicative proceeding.

This issue should be addressed now by the Commission so that parties may have some certainty for subsequent reports.

6. Consistency of EM&V frameworks

All three utilities have developed and currently operate within advisory group-reviewed evaluation, measurement and verification (EM&V) frameworks. PacifiCorp's framework was the last framework to have been developed and as such, includes many of the components found in the frameworks of Avista and Puget Sound Energy, Inc. (PSE). The documents are considered to be works-in-progress and all parties expect they will evolve over time as conditions warrant. The Company is not aware of any issues with the EM&V frameworks that would require resolution prior to the Commission issuing a ruling on the 2010-2011 BCRs.

7. Reporting documentation requirements

The Company provided documentation as requested with its report to allow Staff and other parties to review all assumptions and determine that the Company was in compliance with the reporting requirements and on target to meet the BCRs. To the extent additional documentation is requested by Staff in order to review and provide recommendation on the Company's BCR, the Company will work with Staff in order to ensure that the desired information is included in future conservation reports.

8. "Pursue all" conservation resources

PacifiCorp does not believe there is a need for further clarification as to what constitutes the pursuit of "...all available conservation that is cost-effective, reliable and feasible." The Company believes the EIA language, inclusive of limited sources that can be used in the establishment of a utility's conservation forecast, coupled with the regulatory review, Commission orders, procedures, reports and EM&V requirements, more than adequately ensure that when the Commission approves a utility's ten-year conservation forecast and biennial target that the level of rigor envisioned under the "...pursue all..." has been reasonably addressed.

At the July 27, 2012 open meeting, a question was raised with respect to whether "all available" conservation could be conservation beyond that identified in the biennial target. Within the existing conservation planning process, it is simply unreasonable to require utilities to be held accountable for conservation savings assumed available beyond those that are identified in the biennial target. This would leave utilities in the position of having to continually re-evaluate their conservation potential and somehow ensure that any conservation potential somehow "missed" when setting the biennial target is acquired. The Commission and utilities need certainty in how success is to be measured, and once set, this measurement (a utility's biennial target) must serve as a proxy for the definition of "all cost-effective" for that biennium.

9. Conservation Working Group

PacifiCorp does not see any immediate value in reconvening the Conservation Working Group at this time. The same topics and issues now being discussed were addressed in 2011. The remaining issues are best left to each of the three utility advisory groups to address as they are not well founded or supported within EIA language and/or the respective regulatory conditions under which each utility administers their EIA requirements. Adding yet another administrative oversight committee would detract from the resources available to pursue and administratively manage the conservation resource acquisition process.

10. Advisory group role in prudence review

See the Company's response to #3 Prudence above.

11. Demand side resources RFP review

PacifiCorp is not opposed to providing its advisory group an overview of the procurement and RFP guidelines and processes, however, the Company does not believe including an advisory group member in the proposal review process, in any role, is necessary or justified. Such a practice could lead to compromising the competitive bid process by parties who do not share the associated risk of delivering the conservation targets.

Responses to Parties' Comments

Public Counsel commented that PacifiCorp did not fully address all conditions under Order 02 in Appendix 2 to the Company's BCR documents.

- 1) Public Counsel contends that the Company did not identify expenditures under Condition 7(d), budget dollars on programs whose savings impact has not yet been measured citing the Company's Energy Education in Schools program and the Company's reclassification of the program as an "education only" program in late 2011.

The statement in Appendix 2 of the Company's 2010-2011 Biennium Conservation Report regarding Condition 7(d) is true and accurate. The Company had no program activity to report during the 2010-2011 biennium on conservation programs whose savings impact was not yet measured and reported. The Energy Education in Schools program operates on a school year rather than calendar year basis. Program results for "school year" 2009-2010 were reported in calendar year 2010 results, and program results for school year 2010-2011 were reported in calendar year 2011 results.

Following the concerns raised by Public Counsel in April of 2011, the Company agreed to temporarily reclassify the program as an "education only" program for the 2011-2012 school year (2012 calendar year) until the concerns could be addressed to the satisfaction of interested parties. As the issue regarding the adequacy of the program's long standing (eight year) savings

assessment methodology did not come up until near the end of the 2010-2011 school year, the program was not reclassified as an “education only” program until the 2011-2012 school year - 2012 calendar year. Therefore, the Company did not report any program expenditures under Condition 7(d) for the 2010-2011 biennium.

- 2) Public Counsel states that the Company was not in compliance with Conditions 6(b) and 6(c) with respect to the Energy Education in Schools Program during the biennium (up until June 2011). 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. Furthermore, it believes the Company should have adaptively managed its program and moved to re-classify this program as education-only before June of 2011 claiming the Company’s savings estimates were flawed from the program’s inception (in 2003).

The Company respectfully disagrees with Public Counsel’s opinion and characterization that the program’s savings estimates were not appropriate from the program’s inception and that the Company should have taken action sooner to re-classify the program as an “education only” program prior to June of 2011.

The Energy Education in Schools program was first introduced as a conservation program in 2002 with Advice No. 02-08, effective April 1, 2003. Program savings are not based on estimates but rather savings assessments conducted by the Cadmus Group, an independent third party contractor commissioned to compile the survey results and prepare an annual report of program savings. The annual assessment methodology used, student surveys, has been relied upon to report program savings since the program’s inception (since the 2003-2004 school year). Targeted survey data, like that collected from students as part of the program’s annual assessment, is valuable in tailoring savings assessments specific to the program, rather than relying on regional average data of the same measures delivered, and often measured, in a dissimilar manner. The program specific information gathered, such as number of persons in each household, whether the household has electric or gas water heating, showerhead flow test results, and compact fluorescent light installation locations and approximate burn hours increase the accuracy of these assumptions in assessing program savings.

Public Counsel also took issue with the reliability of the student survey data and requested the Company expand the assessment to include site inspection verifications. The Company attempted to address these concerns, however, after further analysis and for reasons noted in Advice No. 12-03, UE-120701, the Company requested the program be discontinued following the 2011-2012 school year.

The Company believes the program was productive and cost-effective as designed and delivered, but the challenges to implement the additional verification requirements, in the face of evolving codes and standards would continue to erode the program’s savings. As such, the Company elected to discontinue offering it as a conservation program. The Company is seeking bids to

provide a lower cost “education only” replacement program, a program that will not include instant savings measures/kits or reported savings.

In regards to Public Counsel’s claim that the Company should have taken action earlier to reclassify the program as an “education only” offering, the Company believes it acted promptly and responsibly in addressing parties’ concerns. As stated earlier, the Energy Education in Schools program became effective April 1, 2003. Since 2003, the program utilized the current savings assessment methodology and the Company reported program savings based on these assessments. When the Company filed its revised ten year conservation forecast and 2010-2011 biennial target (July 2, 2010 in Docket UE-100170) the Energy Education in Schools program was among the conservation programs identified in Attachment A, 2010-2011 business plan, as a program intended to assist in the delivery of the Company’s 2010-2011 conservation target. Attachment C to that filing contained copies of prior program year evaluation results, which clearly outlined the savings assessment methodology. Prior to the concerns raised in April of 2011, the Company had no reason to assume there were any perceived issues or concerns regarding the validity of the program’s savings assessment methodology. Once concerns were raised, the Company acted promptly and responsibly to address the concerns. Accordingly, the program savings should stand as reported in the Company’s 2010-2011 BCR.

The Company also does not agree with Public Counsel’s assertion that ex-post impact evaluation results should be used to report biennial savings and the determination of whether utilities achieved conservation targets. The Company is not opposed, however, to the verification of measure installations--i.e. number of refrigerators purchased, freezers recycled, or variable speed fans installed.

The utilization of ex-post impact evaluation results would expose utilities to the risk of evolving measure unit energy savings and operating assumptions after they relied upon those assumptions in the development of conservation forecasts and targets. If this is the level of certainty desired by parties, PacifiCorp would ask for consideration to adjust its ten year conservation forecast and 2012-2013 biennial target to account for the additional uncertainty and risk such a change would introduce into achieving biennial targets.

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If you have any questions regarding these comments, please contact Jeff Bumgarner at (503) 813-5161 or at (503) 813-5269.

Sincerely,

A handwritten signature in cursive script that reads "Carol Hunter".

Carol Hunter
Vice President, Services

Cc: Deborah Reynolds, WUTC
Lea Daeschel, Attorney General's Office
Megan Decker, Renewable Northwest Project
Rachel Simshak, Renewable Northwest Project
Danielle Dixon, NW Energy Coalition
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