

Agenda Date: December 17, 2019

Item Numbers: D5

Dockets: UE-190908

Company: Pacific Power & Light Company

Staff: Nikita Bankoti, Regulatory Analyst
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Recommendation

Issue an order accepting Pacific Power & Light Company's

- (1) 10-year electric conservation potential of 509,495 megawatt-hours (MWh),
- (2) EIA Target of 93,189 MWh,
- (3) EIA Penalty Threshold of 86,979 MWh, and
- (4) Decoupling Penalty Threshold of 4,660 MWh pursuant to Order 12 of Docket UE-152253
- (5) subject to the conditions in Attachment A.

Background

On November 1, 2019, Pacific Power & Light Company (Pacific Power or company) filed its 10-Year Conservation Potential and 2020-2021 Biennial Conservation Plan (BCP or plan) with the Washington Utilities and Transportation Commission (commission), as required by the Energy Independence Act (EIA). Commission staff (staff) filed comments responding to the Plan on December 5 and revised on December 12, 2019.

Pacific Power serves approximately 130,000 electric customers in its Washington service territory with the majority located in Columbia, Walla Walla, and Yakima counties.

Discussion

Biennial Conservation Target and Portfolio Savings

A third-party contractor, Applied Energy Group (AEG), initially prepared Pacific Power's Conservation Potential Assessment (CPA) as a key input to Pacific Power's 2019 IRP process. As discussed in staff's comments, the CPA identified a 10-year conservation potential of 509,495 MWh (at generator). The pro-rata share of the 10-year potential is 93,189 MWh when adjusted to the customer meter.¹ In compliance with Order 12 in Docket UE-152253, Pacific

¹ WAC 480-109-100(3)(b) requires that a utility's biennial target be "no lower than a pro rata share of the utility's ten-year conservation potential," which for Pacific Power would correspond to EIA target of 93,189 MWh.

Power calculated a Decoupling Penalty Threshold of 4,660 MWh, 5 percent beyond the EIA Target.

Pacific Power designed its BCP to implement conservation programs to achieve 91,638 MWh, which is 5 percent more than its EIA penalty threshold of 86,979 MWh (excluding NEEA forecasted savings of 6,211 MWh).

In the BCP, the company provided savings data at the generator. In order to align with the other investor owned utilities, staff has requested that all targets accepted by the commission be provided at the customer meter. The company plans to file replacement pages prior to the open meeting containing updates on savings at the customer meter as given in Table 1.²

Table 1: Conservation Savings at Generator and at the Customer's Meter

Category	Savings (MWh at Gen)	Savings (MWh at site) ³
Pro Rata Share of 10-year conservation potential	101,899	93,189
EIA Target	101,899	93,189
Decoupling threshold	5,095	4,660
Total Utility Conservation Goal	106,994	97,849
Excluded Programs (NEEA)	(6,791)	(6,211)
Utility Specific Conservation Goal	100,203	91,638
EIA Penalty Threshold (EIA Target minus NEEA savings)	95,108	86,979

The 2020-2021 biennium is the first biennial planning period which includes a conservation scenario inclusive of the social cost of GHG emissions, rather than the company's preferred portfolio.

Biennial Budget and Cost-Effectiveness

Pacific Power's 2020-2021 Demand-side Management Business Plan, attached to the BCP filing as Appendix 2, explains the company's conservation budget and the suite of measures that the company will use to reach its target. A summary of this information is provided in Table 2. The biennial budget for all programs in 2020-2021 is \$28 million, an increase of 24 percent over the 2018-2019 biennium. The total projected savings (including NEEA) are 107,123 MWh (at generator) an increase of about 17 percent over the 2018-2019 biennium's projection.

²Per email exchange with Don Jones on behalf of the company, December 12, 2019. Pacific Power will file the replacement pages with the record center by 5:00 p.m., Decemebtr 16, 2019.

³ *Id.* Site savings are calculated from generator savings by applying an aggregate adjustment factor (0.91452) based on the DSM Business Plan.

The company expects its total portfolio to achieve a Total Resource Cost (TRC) ratio of 2.1 and a Utility Cost Test (UCT) ratio of 2.6, indicating that the portfolio is cost-effective.⁴

Table 2: Comparison of 2018-2019⁵ and 2020-2021⁶ BCPs

Program	2018-2019 Projected Savings (MWh at Gen)	2018-2019 Budget (\$)	2020-2021 Projected Savings (MWh at Gen)	2020-2021 Budget (\$)
Residential				
<i>Home Energy Savings</i>	17,839	4,253,246	23,073	8,491,394
<i>Low-income</i>	335	1,502,000	320	1,585,000
<i>Home Energy Reports</i>	9,541	453,335	9,059	554,000
Residential Total	27,715	6,208,581	32,452	10,630,394
Non-Residential	56,674	12,679,251	67,880	13,619,913
NEEA	7,207	1,741,240	6,791	1,673,777
Administration/Other	-	1,956,654	-	2,054,993
Total	91,596	\$22,585,726	107,123	\$27,979,077

Conditions List

Staff's proposed conditions are included as Attachment A to this memo. Section 1(b) requires Pacific Power to file a petition by April 15, 2020, updating the EIA Target, Penalty Threshold, Decoupling Penalty Threshold and Ten-Year Potential incorporating the effects of the Clean Energy Transformation Act (CETA) to the degree possible. The timeframe is intended to allow the utility and stakeholders to gain additional insight into appropriate modeling of the social cost of greenhouse gas (GHG) emissions for conservation targets at the January 16 CETA workshop; sufficient time to revise modeling, targets, and conservation plans as needed; and for 30 days advance notice to the advisory group.⁷

In addition, the proposed conditions contain new requirements necessary to implement CETA as well as other minor modifications to the existing conditions. These conditions were created with input from the company and the Advisory Group.

Stakeholder Comments

In its comments filed on December 5, 2019, NW Energy Coalition (NVEC) offered general support for the filing, the update that includes the social cost of GHGs, and for staff's proposed conditions. NVEC emphasizes that robust customer-side programs will be needed to fulfill the intent of CETA. In particular, its comments highlight that the region will not be able to meet

⁴ Tests include 10 percent NW Power Act credit, NEEA estimated costs and benefits, and non-energy impacts.

⁵ UG-171092, Open Meeting Memo Table 2 (December 20, 2017)

⁶ UG-190908-PPL-2020-2021-BCP-Apdx-2-Washington-2020-2021-DSM-Business-Plan-11-1-19, Table 1

⁷ See UE-160698 Notice Of Discussion And Joint Workshop - Methodologies for incorporating social cost of greenhouse gas emissions in utility planning, evaluation and acquisition.

efficiency acquisition needs if underserved markets remain. NWECC requests Pacific Power find more granular ways to report program accomplishments to assess underserved markets. In addition, NWECC encourages staff to facilitate collaboration on much of the work needed for energy efficiency programs to implement CETA.

Conclusion

Staff recommends that the commission issue an order accepting Pacific Power's 10-year electric conservation potential of 509,495 megawatt-hours (MWh), EIA Target of 93,189 MWh, EIA Penalty Threshold of 86,979 MWh, and Decoupling Penalty Threshold of 4,660 MWh, subject to the conditions in Attachment A.