

Agenda Date: December 17, 2015  
Item Number: A4

**Docket: UE-152072**

Company: Pacific Power & Light Company

Staff: Jeremy Twitchell, Regulatory Analyst

### **Recommendation**

Issue an order approving Pacific Power & Light Company's 10-year conservation potential of 457,530 megawatt-hours and 2016-2017 biennial conservation target of 87,814 megawatt-hours, subject to the conditions in Attachment A.

### **Background**

On October 30, 2015, Pacific Power & Light Company (Pacific Power or company) filed its 10-Year Conservation Potential and 2016-2017 Biennial Conservation Plan (plan) with the Washington Utilities and Transportation Commission (commission), as required by the Energy Independence Act (EIA) and WAC 480-109-120(1).

Staff filed comments responding to the Plan on December 3, 2015, describing staff participation in the establishment of both the 10-year potential and two-year target through Pacific Power's Demand-Side Management Advisory Group. Further, staff is satisfied that Pacific Power has used methods consistent with the Council in the establishment of its potential and target.

### **Biennial Conservation Target and Portfolio Savings**

As discussed in staff's comments, Pacific Power's Conservation Potential Assessment (CPA) and subsequent adjustments identified a 10-year conservation potential of 457,530 megawatt-hours (MWh). The CPA was initially prepared in early 2014 by third-party contractor Applied Energy Group (AEG).

In preparation for setting its biennial target, Pacific Power made a number of adjustments. Most of these adjustments related to unit energy savings (UES) values – the assumed savings attributable to a given measure – that were updated based on new information provided by the Regional Technical Forum or the company's own program evaluations. Another adjustment was made to add in potential associated with waste heat-to-power technologies that were not considered in the CPA. No adjustments were made for distribution or production efficiency, as the company's evaluations have not identified any additional cost-effective savings in those areas. The net effect of the adjustments increased the 10-year potential by about 8 percent.

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 a two-year target of 91,506 MWh. The CPA, however, projects the potential on a year-by-year

basis, and identified a specific potential of 93,059 MWh for 2016 and 2017. Since the rule requires that a biennial target be “no lower than a pro rata share” (emphasis added), the advisory group recommended that Pacific Power use the higher two-year potential identified in the CPA, and the company agreed.

The final adjustment that Pacific Power made to determine its EIA target for the 2016-2017 biennium was to subtract the projected savings associated with the company’s involvement in the Northwest Energy Efficiency Alliance (NEEA), as discussed in staff’s comments. Table 1 summarizes the derivation of Pacific Power’s biennial target:

**Table 1. Development of Pacific Power’s 2016-2017 Biennial Conservation Target**

<b>Savings Category</b>	<b>Target (MWh)</b>
End-Use Efficiency Measures (Adjusted CPA)	93,059
Less NEEA	(5,245)
End-Use Efficiency Measures Subtotal	87,814
Distribution Efficiency Adjustment	0
Generation Efficiency Adjustment	0
<b>2014-2015 Biennial Conservation Target</b>	<b>87,814</b>

### **Biennial Budget and Cost-effectiveness**

Pacific Power’s 2016-2017 Demand-side Management Business Plan, attached to the Biennial Conservation Plan filing as Appendix 7, 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 below in Table 2. The biennial budget for all programs in 2016-2017 is \$24.6 million, an increase of 19 percent over the current biennium. The total projected savings (including NEEA) are 96,876 MWh, an increase of about 4 percent over the current biennium’s projection.

The primary reason that expenses are projected to grow faster than savings in the upcoming biennium is because Pacific Power is essentially moving up the conservation supply curve – adding new measures that, while cost effective, are generally more expensive. For example, the company has added measures for a heat pump clothes dryer (\$300 incentive), evaporative coolers (\$250), and smart thermostats (\$50). Another reason is NEEA, which has reduced its projected savings for the upcoming biennium by 63 percent compared to the current biennium, but only reduced Pacific Power’s contribution by 24 percent.

Despite these changes, NEEA as a measure and the portfolio as a whole are projected to remain cost effective by a wide margin. Independent analysis of Pacific Power’s 2016-2017

conservation portfolio by Navigant projects that it will achieve a Total Resource Cost (TRC) ratio of 1.6<sup>1</sup> and a Utility Cost Test (UCT) ratio of 2.5.

**Table 2. Comparison of Pacific Power’s 2016-2017 and 2014-2015 BCPs.**

<b>Program</b>	<b>2016-2017 Projected Savings (MWh)</b>	<b>2016-2017 Budget</b>	<b>2014-2015 Projected Savings (MWh)</b>	<b>2014-2015 Budget</b>
Residential				
<i>Home Energy Savings</i>	28,512	\$6,843,322	17,536	\$3,868,593
<i>Low-income</i>	534	\$1,780,000	521	\$1,840,000
<i>Home Energy Reports</i>	9,773	\$741,433	10,885	\$288,000
Residential Total	38,819	\$9,364,755	30,918	\$6,473,000
Non-Residential	52,812	\$11,616,614	47,944	\$10,107,000
Pilots	-	-	-	-
NEEA	5,245	\$1,821,451	14,330	\$2,393,000
Administration/Other	-	\$1,757,709	-	\$1,751,000
<b>Total</b>	<b>96,876</b>	<b>\$24,560,529</b>	<b>93,193</b>	<b>\$20,725,000</b>

Note: 2014-2015 values are as filed in the 2014-2015 BCP in Docket UE-132047 (pg. 4). Columns may not add to totals, due to rounding.

### **Additional Discussion**

#### **Conditions List**

As a general practice, the commission has approved utilities’ biennial conservation plans subject to a series of conditions that are intended to guide the company and the advisory group in matters of program management and implementation not explicitly covered by statute or rule. WAC 480-109, as adopted in March 2015, incorporated many of the practices covered in previous conditions lists into rule. As such, the conditions list presented in Attachment A, which has been accepted by the company and the advisory group, is smaller than in previous biennia.

#### **Proposed Tariff Revisions**

To implement its Demand-Side Management Business Plan, Pacific Power has filed two tariff revisions that will appear on the December 30, 2015, Open Meeting. The first, in Docket UE-152173, would update the company’s low-income weatherization tariff with new UES values and program refinements designed to increase access. The second, in Docket UE-152237, would cancel the company’s refrigerator recycling program because it is no longer cost effective.

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<sup>1</sup> Includes the 10 percent conservation adder.

The company discussed these proposed changes in depth with the advisory group prior to making the filings. Staff has reviewed the filings and intends to place them on the no action agenda for the December 30, 2015, Open Meeting.

### **Stakeholder Comments**

Aside from staff, Public Counsel was the only party to file comments. Public Counsel noted in its comments that the plan review process has become streamlined in the four biennia since the EIA's conservation requirements took effect.

Public Counsel summarized its participation in Pacific Power's advisory group and the process by which the company and the advisory group arrived at the 10-year potential and biennial target. The comments also expressed Public Counsel's preference for utilities to update their UES values each year, rather than using locked values as Pacific Power does, and potential concerns with the cost-effectiveness of the company's recent Home Energy Reports expansion.

Public Counsel concluded its comments by expressing support for Pacific Power's 10-year potential and biennial target, subject to conditions agreed upon by the company and advisory group.

### **Conclusion**

Staff recommends that the commission issue an order approving Pacific Power's 2016-2025 conservation potential of 457,530 MWh and biennial conservation target of 87,814 MWh, subject to the conditions in Attachment A.

Attachment