

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

PACIFIC POWER & LIGHT COMPANY'S
PLAN CONCERNING ITS TEN-YEAR
CONSERVATION POTENTIAL AND ITS
BIENNIAL CONSERVATION TARGET

DOCKET NO. UE-132047

COMMENTS OF PUBLIC COUNSEL

December 3, 2013

I. INTRODUCTION

1. Pursuant to the Commission's November 6, 2013, Notice of Opportunity to File Written Comments (Notice), the Public Counsel Section of the Washington State Attorney General's Office (Public Counsel) respectfully submits these comments in advance of the Commission's December 18, 2013, Open Meeting. These comments address Pacific Power & Light Company's (hereafter "PacifiCorp") Biennial Conservation Plan (BCP) concerning its ten-year conservation potential and its 2014-2015 biennial conservation target, filed with the Commission on November 1, 2013.
2. PacifiCorp has identified a biennial conservation target range of 74,703 to 74,719 MWh and, a ten-year conservation potential range of 391,187 to 391,777 MWh.¹ As allowed under WAC-480-109-010(2), the Company is proposing a target range due to uncertainties regarding production efficiency potential. This is discussed in more detail in later sections of these comments.

¹ Biennial Conservation Plan, pp.5-6, Docket UE-132047 filed November 1, 2013. Hereafter, "Biennial Conservation Plan."

3. Public Counsel's review has been focused on key issues associated with the Company's filing which relate primarily to adjustments to the conservation potential forecast. We also address the Company's compliance with the requirements of the Energy Independence Act (EIA) in developing its ten-year potential and biennial target and the Conditions approved with the Company's previous biennial conservation plan in Docket UE-111880.
4. Public Counsel is still reviewing PacifiCorp's proposed biennial target for 2014-2015. As discussed in more detail below, we are still waiting for additional information with regard to unit energy savings values for certain measures incorporated as adjustments to PacifiCorp's biennial conservation target. Once we receive additional information from the Company on this topic, and have an opportunity for review, Public Counsel will be able to provide a recommendation regarding PacifiCorp's proposed biennial conservation target and ten-year conservation potential. We also look forward to reviewing the comments of Staff and other stakeholders prior to developing a formal recommendation to the Commission at the December 18, 2013, Open Meeting.
5. At the time of preparing these comments, Public Counsel has been reviewing draft proposed conditions with Commission Staff and the Company. We are hopeful that all stakeholders will have reached consensus on a set of conditions prior to the December 18, 2013, Open Meeting. In the event stakeholders are not able to reach full consensus on conditions, Public Counsel will provide recommended conditions in advance of the Open Meeting.

II. TEN-YEAR POTENTIAL AND BIENNIAL CONSERVATION TARGET

A. Basis for PacifiCorp's Ten-Year Potential and Biennial Target.

6. Consistent with the EIA and Commission rules² PacifiCorp's biennial conservation target and ten-year potential were developed based on the Company's 2013 Integrated Resource Plan (IRP) which was informed by the 2013-2032 Conservation Potential Assessment (CPA) conducted by Cadmus.³ The demand-side energy efficiency projection has been adjusted to account for recent developments affecting conservation potential including changes to RTF measure savings values, new programs, changes in codes and standards, and program evaluation results. The distribution efficiency and production efficiency potential were developed based on studies conducted by Commonwealth Associates and Cascade Energy, respectively.⁴

7. PacifiCorp's biennial target will be met primarily through conservation savings achieved through end-use efficiency programs. As shown in Table 11 of the BCP, the Company estimates that approximately 39 percent of the biennial target will be met through the residential sector programs and 61 percent of the target will be met through business sector programs (commercial and industrial). Northwest Energy Efficiency Alliance (NEEA) market transformation savings are not factored into the Company's target as discussed in more detail later in these comments. The Company has identified production efficiency potential of 0-16 MWh for the biennium and zero conservation potential has been identified for distribution efficiency.⁵

² In establishing electric energy efficiency acquisition targets, WAC 480-109-010(1) provides that a utility must derive these from either the utility's most recent Integrated Resource Plan (IRP) or the utility's proportionate share of the Northwest Power and Conservation Council's (hereafter "Council") current regional power plan targets for the state of Washington.

³ Biennial Conservation Plan, p. 5.

⁴ Biennial Conservation Plan, p. 5.

⁵ Biennial Conservation Plan, p. 31. The savings range identified for production efficiency represents the upper end of the Company's biennial target of 8.7 to 9.0 aMW.

8. PacifiCorp is proposing a range for the production efficiency component of its forecasted biennial target and ten-year potential due to uncertainties as to the whether the joint owners of plants with production efficiency potential will approve the production efficiency investment opportunities.⁶ With respect to distribution efficiency, the Company completed an analysis of its Washington distribution circuits and has determined, based on its analysis, that voltage reduction as a distribution efficiency measure is not cost-effective for PacifiCorp at this time. Thus, the Company is forecasting no distribution efficiency potential in its biennial target or ten-year potential.⁷ Distribution and production efficiency potential are discussed in more detail in later sections of these comments.

B. Adjustments to Ten-Year Conservation Potential Identified in the CPA and IRP.

9. The Company's BCP includes a number of adjustments to the conservation potential identified in the Company's CPA and IRP analyses. As the Company explains, these adjustments were made in order to further refine conservation potential and to refine savings estimates for certain measures. The Company grouped the adjustments into one of three different categories: (1) Updates to CPA measures savings and/or costs; (2) Energy efficiency opportunities not assessed in the CPA; and (3) Conservation opportunities assessed through other studies.

10. Public Counsel commends the Company for identifying these updates in a timely manner and reflecting them in the biennial conservation target and ten-year potential. The adjustments help align the development of the target, based upon the CPA, with the BCP. However, there are

⁶ Biennial Conservation Plan, p. 25.

⁷ Biennial Conservation Plan, p. 23.

some updates we are still reviewing for appropriateness at this time. These and other noteworthy adjustments are discussed below.

1. Alignment of biennial target with recent changes to the Home Energy Savings program.

11. The Company recently proposed a number of revisions to its Home Energy Savings (HES) program. The HES program is PacifiCorp's primary residential end-use efficiency program. These revisions to this program were brought to the advisory group for review and then posted on the Company website on November 17, 2013, with an effective date of January 1, 2014. Included in these program revisions were new measures as well as measures the Company is proposing to retire. Given the timing of these program revisions in relation to the conservation target setting process for 2014-2015, Public Counsel was interested in ensuring that the updates and any impacts to conservation potential resulting from them had been accounted for in the Company's biennial conservation target and ten-year potential. The Company confirmed that the measures being added to the Home Energy Savings program *were* included in the conservation potential assessment and the measures being removed were *not* included in the conservation forecast.⁸ While the Company did not make specific adjustments to its target for these measures, Public Counsel is comfortable with the Company's approach to this issue. Our understanding is that as long as a measure being added to program is reflected in the conservation potential assessment, the addition of that measure to the program should not change the conservation

⁸ PacifiCorp's Responses to Public Counsel Data Requests, Sets 1 and 2. One exception was the Advanced Power Strip measure. The Company originally had intended to include this measure as an addition to the Home Energy Savings Program revisions. However, Public Counsel pointed out that the Company had specifically stated in its BCP that this measure was not included in the biennial target or ten-year conservation potential due to uncertainty around the RTF's planning estimates and because the updated levelized cost fell outside the range selected by the

potential or influence the Company's target, but rather the means through which the Company will achieve its target.

2. Refrigerator and freezer recycling unit energy savings revisions.

12. One of the adjustments the Company made to its target was to update the unit energy savings associated with the refrigerator and freezer recycling measures. The Company proposes updating savings for refrigerator recycling from 724 kWh to 583 kWh and to update savings for freezer recycling from 542 kWh to 495 kWh. By comparison, the Regional Technical Forum (RTF) assumes per unit savings of 424 kWh for refrigerator recycling and 478 kWh for freezer recycling.
13. Public Counsel asked PacifiCorp to provide a detailed explanation of the different assumptions used by PacifiCorp and the RTF which result in the different unit energy savings. The Company referenced the 2011-2012 "Pacific Power Washington See Ya Later Refrigerator Program Evaluation Report" performed by the Cadmus Group. Public Counsel was able to glean from this report certain assumptions/inputs used in the development of the unit energy savings which varied between PacifiCorp and the RTF. For example, for certain inputs PacifiCorp relied on participant surveys conducted by Cadmus in conjunction with the evaluation, whereas the RTF relied on the weighted average impact of evaluation study results of a number of different Washington IOU impact evaluations.⁹ We are still gathering information on the nature of the different assumptions/inputs that went into the development of PacifiCorp's unit energy savings for refrigerator and freezer recycling and have not yet

2013 IRP. The Company acknowledged that the savings for this measure had not been included in the BCP and thus removed the measure from its program revisions posted on its website on November 17, 2013.

⁹ See ya Later Refrigerator 2011-2012 Evaluation, Appendix I. Available at:

<http://www.pacificorp.com/es/dsm/washington.html>.

determined whether the different inputs assumed by PacifiCorp are appropriate. We hope to have additional information and a recommendation in advance of the December 18, 2013, Open Meeting.

3. Home Energy Reports program.

14. The Home Energy Reports (HER) program is a residential behavior-based program administered by OPower. The program pilot launched in August 2012 to approximately 13,500 customers and is scheduled to run through December 2015. According to the Company, the HER program was not assessed in the Company's CPA because the potential for and cost-effectiveness of a broad-based program could not be reliably assessed without evaluation results.¹⁰ However, based on information available to initiate the pilot, PacifiCorp now expects the HER program to provide reliable and cost-effective savings and thus has included it in the ten year forecast and biennial target as an adjustment to the conservation forecast. The total potential identified for the biennial target is 10,885 MWh.¹¹

15. All three of the electric IOUs now have OPower programs as part of their residential portfolio. The three companies have taken different approaches to incorporating the OPower program in the development of their proposed biennial conservation target. As discussed above, PacifiCorp's CPA did not include residential behavior measures, however, since the Company expects to realize savings from this program in the 2014-2105 biennium it made an adjustment to its forecast to include HER program savings in its target. PSE followed a similar approach. In contrast, Avista's CPA *did* include behavioral savings but the Company did not include savings

¹⁰ Biennial Conservation Plan, p. 20.

¹¹ Biennial Conservation Plan, p. 34. The total potential has been reduced by the amount of savings expected to be attributable to measures claimed through other Company programs, such as CFL's in the Home Energy Savings

associated with OPower in its biennial conservation target. Avista explains that this was because at the time of the conservation potential was being developed the OPower program was not cost-effective and thus not included in the development of the target.¹²

16. In addition, the three IOUs are proposing to claim savings from the program using different methodologies. PacifiCorp's HER conservation potential assumes a one year measure life with first year savings accounted for each year. PacifiCorp believes this is the most appropriate approach to forecasting savings at this time. The pilot program evaluation will be completed in 2014 and will address energy savings attributable to the program as well as persistence of savings which may inform subsequent conservation forecasts for the program. Both Avista and PSE plan to use a different methodology to claim savings from OPower. The method they propose to use assumes a two year measure life for the Opower behavioral program, and claims evaluated savings for the first year of the program. For the second year, only incremental savings would be claimed, so that savings claimed in the first year would be subtracted from savings that were identified through impact evaluation for the second year.¹³ Public Counsel is still reviewing these different methodologies, and we do not endorse any particular approach at this time. PacifiCorp's 2014 HER program evaluation will address persistence of savings and we expect this evaluation to inform the appropriate approach to claiming savings going forward.

Program. The total reduction designed to address the overlap of measures with the HER program is 819,279 kWh or approximately 819 MWh.

¹² Avista Response to Staff Data Request No. 2, p. 1, dated December 1, 2013.

4. Production and distribution efficiency savings.

17. Neither distribution or production efficiency were included in the Company's CPA and are therefore treated as adjustments to the potential.

18. ***Production Efficiency.*** As discussed earlier in these comments, PacifiCorp identified a range for production efficiency potential. At this time, all cost-effective opportunities at the Company's wholly-owned Chehalis plant have been completed; the remaining potential identified is associated with cost-effective projects at the jointly owned Hermiston and Jim Bridger plants. The Company is required to obtain agreements from the joint owners prior to investment. Because there is some uncertainty as to whether the joint owners will approve these investments the Company has included a range to factor in the possibility that these will not be approved. The range is 0-16 MWh for the 2014-2015 biennial conservation target and 0-590 MWh for the ten-year potential. The Company also proposes to share the costs and savings implemented according to the existing agreements for jointly owned plants. The production efficiency forecast is then further adjusted based on the Company's West Control Area Allocation methodology to reflect the share of Company savings and costs allocated to Washington.

19. Public Counsel believes the Company's decision to implement a range for production efficiency and the proposed allocation of costs and savings is reasonable. The joint-ownership of plants introduces a risk of achieving these savings, thus, a range is appropriate. In addition, we also believe it is appropriate to allocate the costs and savings achieved through any projects on the basis of existing cost-allocating methodologies.

¹³ For example, if 100 kwh per household were claimed for the first year, and second year evaluated savings were 125 kwh per household, only 25 kwh per household would be claimed for the second year.

20. ***Distribution Efficiency.*** After extensive study of the potential for distribution efficiency savings, PacifiCorp finds that no cost-effective distribution efficiency potential exists at this time. Beginning in 2011, the Company initiated an investigation of its Washington distribution circuits in order to determine what energy savings might be achievable from conservation voltage reduction (CVR). This analysis resulted in four pilot projects to determine whether cost-effective savings could be measured. The four pilot projects produced savings less than predicted and were ultimately not cost-effective. Based on these analyses the Company is forecasting zero distribution efficiency savings in its biennial target and ten-year potential.¹⁴ We believe the Company has thoroughly analyzed this opportunity and appropriately concluded that no cost-effective savings exist at this time. We encourage the Company to continue monitoring new opportunities for distribution efficiency potential in future years.

D. NEEA Savings.

21. During the previous biennium stakeholders raised concerns regarding challenges associated with estimating NEEA savings and the inconsistency of the approaches taken by the three electric Investor Owned Utility's (IOU's) to incorporating projected savings from NEEA. To address this concern, the Commission ordered PacifiCorp, and the other electric IOU's to collaborate and develop a consistent approach to claiming NEEA savings in the 2014-2015 biennium.¹⁵

22. A joint agreement was reached between the utilities which proposed that NEEA savings no longer be included in the biennial conservation target or conservation reported at the end of the biennium. Under the proposal NEEA will continue to provide the utility with a forecast for

¹⁴ Biennial Conservation Plan, p.23.

¹⁵ Order 03, Docket UE-100170.

the biennium which is then backed out of the biennial target. The utility will still track NEEA savings for internal reporting purposes.¹⁶ As discussed by PacifiCorp in its BCP, challenges arose when the IOUs received NEEA's 2014-2015 forecast for purposes of developing the 2014-2015 biennial conservation targets. NEEA's use of the 6th Power Plan baseline and technical assumptions varied significantly from the baseline and technical assumptions used by the utilities due to updates made since the 6th power plan. As a result, NEEA's forecasted savings represented an inappropriately large share of each utility's biennial conservation target. In PacifiCorp's case, NEEA's forecasted savings for PacifiCorp for the 2014-2015 biennium were 3.0 aMW or 26,280 Mwh¹⁷ while the Company's overall target for 2014-2015 is 8.527-8.529 aMW or 74,703-74,719 MWh. To address this misalignment, a solution was reached by the three utilities and NEEA staff to use the 6th Power Plan baseline for 2014 and a 'proxy' 7th Power Plan baseline for 2015. The 'proxy' 7th plan reflects updated baselines and assumptions for 2015. In addition, each utility also has the option to further adjust the 2014 forecast to better align with baselines in the IRP.

23. The approaches taken by the utilities to better align the 2014 forecast with baselines in the IRP were all slightly different. PacifiCorp compared its allocated share of the 6th plan regional 2014-2023 potential to the amount of Class 2 DSM potential selected in the 2013 IRP from 2014-2023. The ratio of these two values, by sector, was used to adjust NEEA's 2014 savings forecast to better align with the Company's CPA baseline. The adjusted savings totaled

¹⁶ Joint Proposal for consistent approach to Northwest Energy Efficiency Alliance claimed conservation savings. Compliance with Order No. 03, UE-100170, October 31, 2012.

¹⁷ Biennial Conservation Plan, p. 30.

1.63 aMW or 14,313 MWh.¹⁸ These savings were removed from PacifiCorp’s biennial conservation target.

24. Public Counsel supports the agreement reached by the three utilities to remove NEEA savings from the biennial conservation plan target. However, we are still attempting to fully understand the methodologies used to remove NEEA savings, which were developed over a very short time period and with fairly limited stakeholder review. We believe there needs to be additional review of the methodologies used by the utilities to remove NEEA savings from the biennial conservation targets before we can fully endorse these for future application.

25. The challenges that arose in the development of the appropriate NEEA savings forecasts and how to account for these in the biennial conservation targets highlights the difficulty in aligning NEEA’s methodology for forecasting and counting savings with utility conservation potential forecasting. For this reason, we support tracking these savings outside the biennial conservation target setting and reporting process. Public Counsel continues to support market transformation efforts and the electric utilities involvement in and funding of NEEA.

E. “Locked” Unit Energy Savings.

26. The Company states in its BCP that it intends to exercise “frozen baselines and other planning assumptions.” The issue of frozen baselines refers to whether an IOU can and/or should maintain the same unit energy savings (UES) used to set its target with those used to report against its target, even if the UES was updated at some point during the biennium. PacifiCorp has stated its intention to maintain the same unit energy savings used in setting its target with those used to report against its target, regardless of updates that may occur during

¹⁸ Biennial Conservation Plan, p. 30, Table 9.

the biennium. However, based on input from the DSM advisory group, the Company has also agreed to track changes in unit energy savings during the biennium and provide information on the magnitude of changes that occur.¹⁹ The intent of this agreement is to provide information on the how much risk is associated with changes to unit energy savings that occur during the biennium and whether frozen baselines are necessary in future conservation biennial target setting periods.

27. Public Counsel addressed the issue of frozen baselines (or fixed UES values) in comments filed on the 2010-2011 biennial conservation achievement reports of the three utilities. Our preference, as stated in our comments, is that a utility should make annual adjustments to savings estimates and report against those updated savings estimates. We believe this approach encourages adaptive management and improvement of conservation program management.²⁰ We continue to support annual updates to unit energy savings. However, as a compromise in this docket, we do not object to frozen baselines for the 2014-2015 biennium. We anticipate the reporting PacifiCorp has agreed to which will track actual changes in UES during this biennium, will help inform any future changes to this approach. We reserve the right to advocate for a different approach in the future.

¹⁹ Biennial Conservation Plan, p. 10.

²⁰ Public Counsel Comments “Re: Pacific Power & Light Company, Report concerning its progress in meeting its conservation target during the preceding biennium, Docket No. UE-100170, Avista Corporation, Report concerning its progress in meeting its conservation target during the preceding biennium, Docket UE-100176, Puget Sound Energy, Report concerning its progress in meeting its conservation target during the preceding biennium, Docket UE-100177, August 2, 2012.

III. COMPLIANCE WITH CONDITIONS IN DOCKET UE-111880

28. Public Counsel believes PacifiCorp has complied with the conditions set forth in Order 01 in Docket UE-111880. Conditions that were particularly important from Public Counsel's perspective included the development of a technical reference manual by March 31, 2013, to inform the development of the 2013-2014 biennial target and ten year potential and the completion of an independent third-party review of portfolio-level energy savings for the 2012-2013 biennium by June 1, 2014. We are pleased that PacifiCorp completed the development of its technical reference manual in a timely manner and also appears to be on track to complete its portfolio level verification by June 1, 2014.²¹
29. Going forward, Public Counsel supports retaining these conditions with certain limited updates and modifications to improve consistency.

IV. CONCLUSION

30. Public Counsel appreciates the opportunity to comment on PacifiCorp's proposed 2014-2015 biennial conservation target and ten-year potential. Public Counsel will review the comments of Staff and other stakeholders prior to developing a formal recommendation to the Commission at the December 18, 2013, Open Meeting. We are hopeful that all interested stakeholders will reach consensus on a proposed set of conditions in advance of the Commission's December 18, 2013, Open Meeting.

²¹ Biennial Conservation Plan, p. 48.