



February 15, 2005

Washington Utilities & Transportation Commission
1300 S. Evergreen Park Drive SW
Mail Stop: FY-11/7250
Olympia, WA. 98504-7250

Attention: Carole Washburn
Executive Secretary

RE: Docket No. UE-001457 – System Benefits Charge Reporting

Enclosed is PacifiCorp's Annual report on the System Benefit Charge collection and energy efficiency expenditures for the period January through December 2004. This report is in accordance with accounting order in Docket UE-001457.

If you have any questions or comments regarding this report, please contact me at (503) 813-6092.

Sincerely,

A handwritten signature in black ink that reads "Christy Omohundro" followed by a stylized flourish or initials.

Christy Omohundro
Vice President, Regulation
PacifiCorp
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Enclosure

PacifiCorp's

Annual Review

of

2004 Energy Efficiency Programs

in

State of Washington

February 15, 2005

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SUMMARY

PacifiCorp's 2004 Annual Review of Energy Efficiency Programs

As requested, the Company is providing data on 2004 energy efficiency program performance in the State of Washington by sector and program.

Achievements

In 2004, PacifiCorp (Pacific Power) achieved a total of **28,745,037 kWh/year or 3.28 MWh** in the State of Washington (at generation).

Advisory Group:

In the stipulation in UE-991832 the Company agreed to file for approval of a System Benefits Charge (SBC). As part of the stipulation, the Company convened an advisory group of interested stakeholders in July 2000. The Company met with the advisory group in 2000 for input on the initial suite of programs and the initial SBC collection rate. An initial suite of programs and SBC tariff were filed and approved in late 2000. The Company began collecting revenue through Schedule 191, the System Benefits Charge tariff, in January 2001. Expenditures for the initial suite of programs were expected to ramp up to an annual level of approximately \$4.1 million. The SBC collection level for 2001 was set at \$2.8 million to allow for first year ramp-up and uncertainties about market response to the programs. Actual expenditures in 2001 were \$3.7 million due to the increased interest in energy efficiency by customers in response to the volatility in the energy market and increased effort on the Company's part to respond to the regional call to action.

Working with input from the advisory group, the Company filed to increase the SBC from an annual collection rate of \$2.8 million to \$6.5 million to recover the higher expenditures in late 2001 and provide for ongoing expenditures in 2002. The 2002 collection rate was approved in February of 2002. The intent was to collect \$6 million over the 11-month period from February to December 2002 and bring the SBC account into balance by the end of 2002.

As anticipated, the 2002 SBC collection rate was sufficient to bring the SBC account into balance by the end of 2002. The Company met and worked with the advisory group, then filed in November 2002 to decrease the collection rate to \$4.5 million annually and remove the sunset date on the tariff. These changes were approved and became effective in January 2003.

The Company met with its advisory group in December 2003 to provide an update and a preview of program enhancements planned for 2004. As of the end of 2003, expenditures and collections were in balance and the Company had no plans to make any changes to the System Benefits Charge (Schedule 191). In early 2004, the Company provided its advisory group with a draft filing for the planned C&I program enhancements, incorporated input, and filed the enhancements March 31, 2004. The enhancements were approved effective May 1, 2004. The Company provided its advisory group with a draft

filing for administrative changes to its C&I program tariffs later in 2004. These changes were approved effective December 11, 2004. As anticipated at the December 2003 meeting, there were no Schedule 191 changes filed in 2004.

The Company met with its advisory group October 27, 2004 to provide an update and a preview the proposed residential programs planned for 2005 as well as projected expenditures and collections. The proposed residential programs include the WashWise program, a residential new construction program in partnership with the Northwest Energy Efficiency Alliance, and a refrigerator recycling program. Based on input from this meeting, the Company filed an SBC true-up in early 2005 requesting an adjustment to the collection rate from \$4.5 million to \$6.1 million for ongoing operation of existing programs in 2005. The proposed higher collection rate anticipates an increase in expenditures in 2005 for commercial/industrial programs including one large industrial incentive payment for a project under construction. This is expected to be effective February 24, 2005. The Company anticipates filing for approval of the proposed residential programs and an increase in the SBC to fund these new programs by the end of February.

PROGRAM OVERVIEW

In 2004, PacifiCorp achieved a total of **28,745,037 kWh/year or 3.28 MWa** in the State of Washington (at generation). Table 1 below shows program-by-program achievements.

Table 1: 2004 PacifiCorp Program Achievements

| Program | Units | kWh/yr (at gen.) | MWa (at gen.) | Expenditures |
|---------------------------------|--------------|-----------------------------|--------------------------|-----------------------|
| Low Income Weatherization (114) | 243 | 748,720 | 0.09 | \$931,894.25 |
| On-Line Audit (111) | 727 | 302,155 | 0.03 | \$125,092.77 |
| School Energy Education (113) | 2,106 | 1,210,665 | 0.14 | \$253,252.80 |
| Total Residential* | 3,076 | 2,261,540 | 0.26 | \$1,310,239.82 |
| Energy FinAnswer (125) | 5 | 2,504,377 | 0.29 | \$563,479.06 |
| FinAnswer Express (115) | 16 | 575,187 | 0.07 | \$131,225.82 |
| Small Retrofit Incentive (115) | 22 | 1,246,177 | 0.14 | \$135,418.84 |
| Retrofit Incentive (116) | 13 | 1,302,643 | 0.15 | \$157,803.71 |
| Total Commercial | 56 | 5,628,385 | 0.64 | \$987,927.43 |
| Energy FinAnswer (125) | 30 | 20,339,100 | 2.32 | \$2,177,629.44 |
| FinAnswer Express (115) | 3 | 31,088 | 0.00 | \$30,396.06 |
| Small Retrofit Incentive (115) | 0 | 0 | 0.00 | \$880.23 |
| Retrofit Incentive (116) | 5 | 484,925 | 0.06 | \$30,385.21 |
| Total Industrial | 38 | 20,855,113 | 2.38 | \$2,239,290.94 |
| Total DSM | | 28,745,037 | 3.28 | \$4,537,458.19 |

*There were additional residential expenses related to
Administration costs related to prior programs \$34,544.28
Program development costs \$ 6,152.58
(WashWise, Refrigerator Recycling, and Residential New Construction)

**Northwest Energy Efficiency Alliance expenditures for 2004 total \$263,865.59

RESIDENTIAL PROGRAMS

The Company's residential programs in 2004 included the Low Income Weatherization program, the On-Line Audit program and the School Energy Education program. The On-Line Audit was introduced as a pilot in 2002, and continues as a residential offering. An evaluation was completed and presented to the Advisory group in December 2003. The School Energy Education program began as a three year pilot in 2000 with expenditures covered through shareholder funds. Based on pilot results, the WUTC approved the continuation of the program as a DSM offering effective April 1, 2003.

Low-Income Weatherization (Schedule 114)

PacifiCorp partners with three local non-profit agencies (Blue Mountain Action Council in Walla Walla, Northwest Community Action Center in Toppenish and Opportunities Industrialization Center of Washington in Yakima) to provide weatherization services to income qualifying households throughout our service area. The leveraging of PacifiCorp funding along with Washington Matchmaker Program funds allows the agencies to provide the weatherization services at no-cost to participating customers. They qualify whether they are homeowners or renters residing in single-family homes, manufactured homes or apartments. Over 5,800 homes have been completed since the program began in the mid-1980s with 243 homes completed in 2004.

Residential On-Line Audit (Schedule 111)

The residential On-Line Audit program was approved as a pilot May 28, 2002. The purpose of the program is to offer customers an on-line home energy analysis. An audit report provides customers with personalized recommendations on saving energy and costs. After the customer completes the audit, they receive a DSM kit of instant energy savings measures including an emergency night light, showerhead, kitchen sink aerator and a water heater temperature gauge. As of 2003, the program was no longer considered a pilot. An evaluation of the pilot was completed and the draft results were presented to the Advisory Group in December 2003. Quantec, the consultant that performed the evaluation, incorporated advisory group input into a final evaluation report. In fall 2004, the Company initiated its fifth and most aggressive customer awareness campaign. The Company reached out to Washington customers using multiple communication strategies such as direct mail, email, newspaper advertising, bill message, and Company newsletter. At the October 2004 advisory group meeting, the Company previewed this campaign and reviewed results of previous campaigns. The company and advisory group agreed to meet in early 2005 to determine next steps for the program.

727 households participated in the On-Line Audit program in 2004. This count includes participants who completed the on-line audit and received a DSM kit in the mail. Table 1 includes 368 kWh/yr savings per participant (at customer site). This value is based on the results in the evaluation of the pilot program for savings from kit measures installed and

savings from permanent energy efficiency measures recommended in the audit and installed.

School Energy Education program (Schedule 113)

The School Energy Education program began as a three year pilot funded by PacifiCorp through shareholder funds. The curriculum is targeted to 6th grade students and was developed and offered to local schools throughout our service territory through local non-profit agencies including Blue Mountain Action Council in Walla Walla, Northwest Community Action Center in Toppenish and Opportunities Industrialization Center of Washington in Yakima. The agencies employ certified teachers to work with school administrators and classroom teachers to provide a minimum of 3 one-hour energy education sessions on topics such as electricity generation, conservation, meter reading and efficiency tips. Students are given measures such as a showerhead and a compact fluorescent light bulb they can install with parent assistance in their homes. Students also track their past and present kWh usage through their monthly bills. 2,106 students completed the course in the 2003-2004 school year with annual savings for measure installation of 509 kWh/student and annual savings from behavioral changes of 260 kWh/student. Table 1 includes savings of 509 kWh/yr per student (at customer site).

It is estimated that 3,100 students will complete the course during the 2004-2005 school year with a projected per student average deemed savings of 774 kWh/yr (572 kWh/yr for measures and 202 kWh/yr for behavioral changes). A program evaluation will be completed covering activities over the current school year from September 2004 through June 2005.

COMMERCIAL AND INDUSTRIAL

Energy FinAnswer (Schedule 125)

FinAnswer Express (Schedule 115) - formerly Retrofit Incentive (Schedule 116) and Small Retrofit Incentive (Schedule 115)

The Company offers two programs for commercial, industrial and irrigation customers:

- Energy FinAnswer – for comprehensive retrofits and new construction. The program includes a vendor neutral investment grade energy analysis and cash incentives equal to \$0.12/kWh annual energy savings plus \$50/KW average monthly on-peak demand savings (up to 50% of energy efficiency measure costs). There is a cap to prevent incentives from bringing the payback for a project below one year. There is a 50% cap for lighting energy savings per project since lighting-only projects are included in FinAnswer Express. The program also includes commissioning support and post-installation verification services. It is marketed primarily via Pacific Power account managers, trade allies, Energy FinAnswer consultants and project staff. Other leads come via word-of-mouth, past participants returning for additional projects and a combination of other Company outreach efforts. This program is an existing program enhanced with incentives as of October 2000.

- FinAnswer Express – for typical lighting, HVAC and premium efficiency motor upgrades. The program includes an expedited energy analysis, incentives based on the equipment installed (\$/fixture, \$/horsepower, etc.), and post-installation follow-up. The program also includes refrigerated beverage vending machine occupancy sensors (Vending Miser) and LED traffic lights. The program is marketed primarily via trade allies, Pacific Power staff, and a combination of other Company outreach efforts. This program began as Small Retrofit Incentive and Retrofit Incentive (Schedules 115 and 116) in November 2000 and was enhanced and renamed FinAnswer Express (Schedule 115) effective May 1, 2004.

In 2003, the Company reviewed program performance and conducted market research to identify potential program enhancements. The program enhancements were filed and approved effective May 1, 2004. With the FinAnswer Express enhancements, some new lighting measures were added and, as in the previous tariff, lighting incentives are available via an incentive agreement signed prior to equipment purchase. Premium efficiency motor incentives are now available at the point of purchase from participating dealers and are reflected as a credit on the motor dealer invoice. HVAC incentives are now available via a post-purchase application. Lighting savings are determined on a site-specific basis. The program uses deemed savings values for premium efficiency motors and standard HVAC measures. Another enhancement was to make the program available for new equipment purchases as well equipment replacements. Further administrative changes were filed and approved effective December 11, 2004.

Both programs operate with a small internal staff and rely on a network of energy engineering consulting firms and trade allies for site-specific work. The Company focuses on bringing in new project leads and managing projects and contracts with specialized consultants on a project-by-project basis for energy analysis and other site work. There is a Quality Control review of energy analysis work before the report is presented to the customer. Customers interested in lighting retrofits are given the option to have the energy analysis work completed by an independent consultant or a lighting contractor who is a member of the Company's trade ally network, the Energy Efficiency Alliance. With the FinAnswer Express enhancements, the Company initiated formal trade ally networks for motors and HVAC. As a result, trade allies perform some of the site-specific work under the FinAnswer Express program (not including pre- and post-installation inspections). There is also focus on maintaining and developing the infrastructure of consultants and trade allies. The Company maintains and develops a network of contractors and suppliers specific to industrial refrigeration and compressed air.

Table 1 includes savings documented in post-installation inspections for each project installed in 2004. Savings for premium efficiency motors, HVAC upgrades, Vending Miser, and traffic light installations are based on deemed values. Total savings from the commercial/industrial programs increased by 5% in 2004 compared to 2003.

Industrial

Energy efficiency efforts in the industrial sector have focused on process refrigeration system improvements, variable frequency drives (VFDs), process and motor control upgrades, compressed air improvements, pumping improvements, premium efficiency motors and lighting upgrades.

The mix of energy efficiency measures installed varies from year to year. The industrial mix for 2004 installations included VFD control upgrades for pumps, fans, and refrigeration compressors; improved controls for pumping, refrigeration and compressed air systems; enhanced refrigeration equipment including evaporators and condensers; enhanced compressed air equipment including VFD compressors and dryers; and improved lighting. Vertical market segments for 2004 installations included the tree fruit industry, packaging manufacturers, pulp and paper, dairies and other food processing. In 2004, the Company provided energy analysis services to additional vertical market segments for these and other measures. Energy efficiency measure installations resulting from these activities are expected in 2005 and beyond in some cases.

Commercial

Energy efficiency efforts in the commercial sector have focused on lighting retrofits and controls, HVAC equipment retrofits and controls, grocery refrigeration, Vending Miser, and building shell improvements. The lighting retrofits in the commercial sector are primarily linear and compact fluorescent upgrades with some pulse start metal halide upgrades.

The commercial energy efficiency measure mix for 2004 installations included linear and compact fluorescent lighting retrofits and controls, pulse-start metal halide lighting, grocery refrigeration and lighting controls, high efficiency chillers and package HVAC equipment, premium efficiency motors, pump VFDs, and Vending Miser. Vertical market segments for 2004 installations included office buildings, financial institutions, grocery stores, churches, restaurants, schools and colleges, government facilities, hospitality, retail, medical, and athletic facilities. In 2004 the Company provided energy analysis services to additional vertical market segments for these and other energy efficiency measures. Energy efficiency measure installations resulting from these activities are expected in 2005 and beyond in some cases.

Other Company energy efficiency efforts

In addition to its energy efficiency incentive programs, the Company co-sponsors energy efficiency seminars for commercial/industrial customers and the industries that serve them. In 2004, the Company assisted with promotion of Northwest Energy Efficiency Alliance seminars: Compressed Air Challenge, Motor Management, and Better Bricks Design Team Communication.

SYSTEM BENEFITS CHARGE ACCOUNT

Table 2 below is the System Benefits charge monthly total of expenditures and revenue for Schedule 191. This report includes some adjustments to results reported previously. Details on the adjustments and updated reports will be provided separately.

Table 2: System Benefits Charge Report

| | Deferred Expenditures | Schedule 191 Revenue Collected | Carrying Charge | Accumulative Balance |
|------------------|-----------------------|--------------------------------|-----------------|----------------------|
| beg. bal. Dec-00 | 229,434.49 | | | 229,434.49 |
| Jan-01 | 94,512.61 | (131,901.00) | 0.00 | 192,046.10 |
| Feb-01 | 145,609.60 | (261,924.00) | 0.00 | 75,731.70 |
| Mar-01 | 185,773.07 | (232,666.00) | 0.00 | 28,838.77 |
| Apr-01 | 262,216.76 | (213,921.00) | 0.00 | 77,134.53 |
| May-01 | 196,167.37 | (201,911.00) | 0.00 | 71,390.90 |
| Jun-01 | 255,679.10 | (204,215.00) | 0.00 | 122,855.00 |
| Jul-01 | 173,977.38 | (228,934.00) | 0.00 | 67,898.38 |
| Aug-01 | 251,623.71 | (230,780.00) | 0.00 | 88,742.09 |
| Sep-01 | 184,045.32 | (314,688.00) | 0.00 | (41,900.59) |
| Oct-01 | 306,501.36 | (136,208.00) | 313.16 | 128,705.93 |
| Nov-01 | 692,377.05 | (221,720.00) | 0.00 | 599,362.98 |
| Dec-01 | 999,697.28 | (263,766.00) | 0.00 | 1,335,294.26 |
| 2001 | 3,748,180.61 | (2,642,634.00) | 313.16 | |
| Jan-02 | 592,469.69 | (358,527.00) | 0.00 | 1,569,236.95 |
| Feb-02 | 222,243.13 | (416,922.91) | 0.00 | 1,374,557.17 |
| Mar-02 | 237,587.65 | (540,079.00) | 0.00 | 1,072,065.82 |
| Apr-02 | 389,471.05 | (509,876.09) | 0.00 | 951,660.78 |
| May-02 | 897,347.89 | (465,370.00) | 0.00 | 1,383,638.67 |
| Jun-02 | 376,587.65 | (475,695.00) | 0.00 | 1,284,531.32 |
| Jul-02 | 538,875.47 | (542,502.00) | 0.00 | 1,280,904.79 |
| Aug-02 | 213,945.84 | (544,157.00) | 0.00 | 950,693.63 |
| Sep-02 | 226,248.14 | (559,828.00) | 0.00 | 617,113.77 |
| Oct-02 | 340,504.31 | (497,450.00) | 0.00 | 460,168.08 |
| Nov-02 | 416,007.52 | (592,025.00) | 0.00 | 284,150.60 |
| Dec-02 | 358,424.72 | (617,662.00) | 0.00 | 24,913.32 |
| 2002 | 4,809,713.06 | (6,120,094.00) | 0.00 | |
| Jan-03 | 498,242.81 | (533,044.00) | 0.00 | (9,887.87) |
| Feb-03 | 350,514.73 | (404,901.00) | 73.90 | (64,200.23) |
| Mar-03 | 638,175.60 | (373,519.00) | 479.83 | 200,936.20 |
| Apr-03 | 202,744.63 | (350,314.00) | 0.00 | 53,366.83 |
| May-03 | 110,955.15 | (298,036.00) | 0.00 | (133,714.02) |
| Jun-03 | 517,033.47 | (353,697.00) | 999.37 | 30,621.82 |
| Jul-03 | 130,424.20 | (382,888.00) | 0.00 | (221,841.98) |
| Aug-03 | 669,766.40 | (427,226.00) | 1,658.04 | 22,356.46 |
| Sep-03 | 253,710.51 | (416,436.00) | 0.00 | (140,369.03) |
| Oct-03 | 199,373.83 | (341,638.00) | 1,049.11 | (281,584.08) |
| Nov-03 | 343,284.23 | (389,210.00) | 2,104.55 | (325,405.30) |
| Dec-03 | 787,800.47 | (462,279.00) | 2,432.07 | 2,548.24 |
| 2003 | 4,702,026.03 | (4,733,188.00) | 8,796.88 | |
| Jan-04 | 557,047.25 | (497,726.00) | 0.00 | 61,869.49 |
| Feb-04 | 288,670.76 | (419,272.00) | 0.00 | (68,731.75) |
| Mar-04 | 846,745.26 | (374,168.67) | 513.70 | 404,358.54 |
| Apr-04 | 176,598.55 | (319,602.35) | 0.00 | 261,354.74 |
| May-04 | 140,545.56 | (345,194.40) | 0.00 | 56,705.90 |

| | | | | |
|--------|---------------|-----------------|-----------|--------------|
| Jun-04 | 483,378.33 | (336,874.90) | 0.00 | 203,209.33 |
| Jul-04 | 271,037.73 | (388,488.05) | 0.00 | 85,759.01 |
| Aug-04 | 202,939.68 | (415,959.69) | 0.00 | (127,261.00) |
| Sep-04 | 277,484.64 | (388,303.47) | 951.15 | (237,128.69) |
| Oct-04 | 293,690.53 | (365,681.67) | 1,772.29 | (307,347.53) |
| Nov-04 | 327,719.05 | (377,531.01) | 2,297.11 | (354,862.39) |
| Dec-04 | 976,163.30 | (448,774.37) | 2,652.23 | 175,178.78 |
| 2004 | 4,842,020.64 | (4,677,576.58) | 8,186.48 | |
| Total | 18,331,374.83 | (18,173,492.58) | 17,296.53 | |