

December 5, 2008

Washington Utilities & Transportation Commission
1300 S. Evergreen Park Drive, SW
Olympia, WA 98504-7250

Attention: David W. Danner
Executive Director and Secretary

Re: Advice No. 08-07 – Revisions to Schedule 114 – Low Income Weatherization Program

Pursuant RCW 80.28.050, RCW 80.28.060, WAC 480-100-028 and Order 05, Docket UE-080220 , PacifiCorp d.b.a. Pacific Power (“Company”) submits for filing proposed revisions to the following tariff sheets. The Company respectfully requests approval by January 1, 2009 for an effective date of February 1, 2009 to allow adequate time for Low Income Weatherization program contract amendments and form revisions.

Fifth Revision of Sheet No. 114.2 Schedule 114 Low Income Weatherization
Program – Residential Service
Optional for Qualifying Customers

Fourth Revision of Sheet No. 114.3 Schedule 114 Low Income Weatherization
Program – Residential Service
Optional for Qualifying Customers

Fifth Revision of Sheet No. 114.4 Schedule 114 Low Income Weatherization
Program – Residential Service
Optional for Qualifying Customers

Fourth Revision of Sheet No. 114.5 Schedule 114 Low Income Weatherization
Program – Residential Service
Optional for Qualifying Customers

Cancellation of Sheet No. 114.6 Schedule 114 Low Income Weatherization
Program – Residential Service
Optional for Qualifying Customers

Additionally, this filing is consistent with the Settlement Stipulation (“Settlement”) approved by the Washington Utilities and Transportation Commission (“Commission”) in Docket UE-080220, Order 05. Paragraph 20 of the Settlement states:

The Company agrees that on or before October 15, 2008, the Company will schedule a meeting with the appropriate members of the Low Income and Demand-Side Management Advisory Groups, subject to schedules and availability of the participating members, to explore and consider an increase to the Company's application of funding (currently 50% of the cost of cost-effective measures) of the low-income weatherization program. The Company and The Energy Project will work jointly to develop a presentation for the group that outlines key considerations on that issue, with the goal of reaching a consensus recommendation. Based on the feedback from the Advisory Group members, the Company will make a filing with the Commission by November 15, 2008, to initiate a proceeding before the Commission for resolving this issue.

On October 7, 2008, the Company and the Energy Project made a joint presentation to the members of the Low Income and Demand-Side Management Advisory Groups ("Advisory Group"). The Company agreed to provide analyses on a number of funding scenarios for the Advisory Group to consider. Compiling data for the scenarios took longer than anticipated and resulted in a delay in distributing the report to the members of the Advisory Group. On November 10, 2008, the Company and the Energy Project jointly requested an extension of time to file revisions to the Company's low income weatherization program. On November 14, 2008, the Commission granted an extension of time to file by December 5, 2008.

After further discussion and review of the funding scenarios, the members of the Advisory Group reached a consensus on the proposed program funding changes. As explained in Attachment C, Proposed Program Changes, the Advisory Group members agree that the goal of the program revisions is for agencies administering the Company's Low-Income Weatherization program to "walk away from fewer homes." In some cases, homes require costly repairs in order for energy efficiency measures to be effective. Agency staff members believe that incorporating the program changes proposed in this filing will help meet this goal. The proposed revisions will:

1. Increase the Company's rebates on eligible repairs to an agency with a limit of 15% of the annual reimbursement on energy efficient measures received.
2. Eliminate the current cap on administrative cost reimbursements. For each home, administrative cost reimbursements will be 15 percent of the energy efficiency measures reimbursement.
3. Eliminate the rebate for energy education.

Included as Attachment C to this filing is a complete description of the proposed program changes. Attachment D presents the Washington Low Income Weatherization Program Cost Effectiveness Analysis prepared by the Cadmus Group, Inc. Cadmus is an independent firm providing research and analysis services. Tables 9 and 13 in Attachment E provide the benefit/cost ratios for the funding proposal included in this request. These benefit/cost ratios include non-energy related benefits such as fewer illnesses and increased disposable income, and illustrate that the estimated Total Resource Cost is greater than 1.0. A TRC equal to or greater than 1.0 is cost effective. Attachment E presents the proposed tariff revisions.

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It is respectfully requested that all formal correspondence and staff requests regarding this filing be addressed to the following:

By E-mail (preferred): datarequest@pacificorp.com

By regular mail: Data Request Response Center
PacifiCorp
825 NE Multnomah, Suite 2000
Portland, OR 97232

Please direct any informal questions to Cathie Allen, Regulatory Manager, at (503) 813-5934.

Sincerely,

A handwritten signature in cursive script that reads "Andrea Kelly/cs".

Andrea Kelly
Vice President, Regulation

Enclosures

ATTACHMENT A AND B
Notice and Listing of Tariffs

**NOTICE
PACIFIC POWER**

Pursuant to Washington Law (including without limitation RCW 80.28.050 and -060) and the Washington Utilities and Transportation Commission's ("Commission") Rules & Regulations (including without limitation WAC 480-80-121), Pacific Power has filed with the Commission an original tariff schedule for electric service in the State of Washington.

Overview

The purpose of this filing is to propose changes to PacifiCorp's Low Income Weatherization Program. The goal of the program revisions is for agencies administering the Company's Low-Income Weatherization program to "walk away from fewer homes." The proposed revisions will:

1. Increase the Company's rebates on eligible repairs to an agency with a limit of 15% of the annual reimbursement on energy efficient measures received.
2. Eliminate the current cap on administrative cost reimbursements. For each home, administrative cost reimbursements will be 15 percent of the energy efficiency measures reimbursement.
3. Eliminate the rebate for energy education.

The Company respectfully requests approval by January 1, 2009 for an effective date of February 1, 2009 to allow adequate time for Low Income Weatherization program contract amendments and form revisions.

DATED: December 5, 2008

PACIFIC POWER

By 
Andrea L. Kelly
Vice President, Regulation

Attachment B

The proposed tariff sheets to be revised in the Company's currently effective Tariff Schedule No. 114 are designated as follows:

Fifth Revision of Sheet No. 114.2	Schedule 114	Low Income Weatherization Program – Residential Service Optional for Qualifying Customers
Fourth Revision of Sheet No. 114.3	Schedule 114	Low Income Weatherization Program – Residential Service Optional for Qualifying Customers
Fifth Revision of Sheet No. 114.4	Schedule 114	Low Income Weatherization Program – Residential Service Optional for Qualifying Customers
Fourth Revision of Sheet No. 114.5	Schedule 114	Low Income Weatherization Program – Residential Service Optional for Qualifying Customers
Cancellation of Sheet No. 114.6	Schedule 114	Low Income Weatherization Program – Residential Service Optional for Qualifying Customers

ATTACHMENT C

Proposed Program Changes

Washington Low Income Weatherization Proposal

Consistent with the Settlement Stipulation approved by the Commission in Docket No. UE-080220, Order 05, the Company and The Energy Project made a presentation before the Low Income and Demand-Side Management Advisory Groups (“Advisory Group”) on October 7, 2008. Based on the recommendations from the Advisory Group, the Company worked with the agencies administering the Company’s Low-Income Weatherization program to gather the information needed for a consultant to provide analyses on the cost-effectiveness of the funding scenarios identified at the October 7, 2008 meeting. After the compilation, distribution and review of additional data, the Advisory Group members reached a consensus recommendation on the funding of the Low Income Weatherization Program, Schedule 114.

1. Program Purpose:

This Low Income Weatherization Program is intended to provide benefits to income eligible households served by Pacific Power. By installing energy efficiency measures, participant’s kilowatt hour (“kWh”) usage should decrease, which lowers monthly billings. Other benefits to participants include, but are not limited to, increased comfort and decreased health and safety issues.

The Low Income Weatherization Program is one of a portfolio of demand-side management programs in place that provide benefits to all customers by decreasing the demand on the Company’s system.

2. Tariff Structure:

The Company proposes to revise funding available to agencies for the energy efficiency services available to income-eligible customers through Washington Tariff Schedule 114, Low Income Weatherization Program. The proposed revisions were developed through a consensus of Advisory Groups members. The goal of the revisions is to allow agencies to “walk away from fewer homes.” Currently, agencies are unable to provide services to some homes because the cost of necessary repairs is greater than the expected benefits from energy efficiency measures. Examples of costly, necessary repairs include, but are not limited, to roof repair and electrical box upgrades. The proposed tariff revisions will:

- a. Increase the reimbursement for eligible repairs. Currently, the Company covers 50 percent of repairs up to \$100 per eligible home when matching funds are available, and 100 percent up to \$200 per home when matching funds are depleted.

The Company proposes to reimburse 50 percent when matching funds are available and 100 percent when matching funds are depleted, of the installed cost of necessary repairs necessary, with a limit of 15% of the annual reimbursement on energy efficient measures. This provision will allow for a

greater number of costly repairs to be completed and will increase the effectiveness of other installed energy efficiency measures.

- b. Eliminate the current cap on administrative cost reimbursements. Currently, the tariff caps the administrative payment per home. For a single-family home, the maximum administrative rebate is currently capped at \$350.

The Company proposes to offer an administrative cost reimbursement of 15 percent of the energy efficiency measures reimbursement and to eliminate the cap. This will allow agencies to manage rising administrative costs. For example, energy efficiency measures installation for a home totals \$5,000. The Company rebate for energy efficiency measures when matching funds are available will total \$2,500 and the 15 percent administrative cost reimbursement will be \$375.

- c. Eliminate the rebate for energy education. Currently, the Company offers a reimbursement of \$75 per eligible home to cover energy education services. Agencies will be able to cover energy education costs through the increase in administrative rebates mentioned above. The Company proposes eliminating the rebate for energy education. Additionally, this revision will reduce administrative burden by eliminating the need to complete an energy education form for each household receiving energy education.

3. Program Budget

The annual budget will remain \$1,000,000.

4. Future Program Changes

The Company requests that the program changes be in place for at least three and one half years before any additional changes are considered. This will allow the program to be in effect for two years before collecting post-consumption data in the third year, and 6 months to complete a program analysis of the effectiveness of the program and the goal “to walk away from fewer homes”.

ATTACHMENT D

Washington Low Income Weatherization Program Cost Effectiveness Analysis

Date: December 2, 2008

To: Becky Eberle

From: Brian Hedman
 Sarah Griffis
 Jamie Drakos

Re: Washington Low Income Weatherization Program Cost Effectiveness Analysis

The tables below present the updated assumptions and cost effectiveness findings for the 2007 Washington Low Income Weatherization Program under the current 50% cost sharing scenario. Scenarios with 75% and 100% cost sharing were also analyzed. As one might expect, these scenarios were less cost effective than the 50% scenario. Neither scenario exceeded 1.0 benefit/cost ratio for the Total Resource Cost test.

Estimated kWh Savings are calculated based on the given audit figures from the agency audit estimates, and from deemed savings values further described below. The audit assumptions were sourced from the Pacific Power Low Income Weatherization Program Washington, Homeowner Agreement and Invoice forms submitted for each completion by the agencies (Blue Mountain Action Council in Walla Walla, Northwest Community Action Center in Toppenish and Opportunities Industrialization Center of Washington in Yakima) in 2007.

Cost Effectiveness Assumptions

The discount rates in Table 1 for the Total Resource Cost, Utility Cost, Rate Impact and Participant Cost tests are the system average used in the 2007 IRP. Pacific Power provided the values for line loss and the residential retail energy rate. A 10% conservation adder is added to the Total Resource Cost test.

Table 1: Common Inputs

Parameter	Value
Discount Rate	7.10%
Line loss	9.94%
Electric Conservation Adder	10.00%
Residential Energy Rate (\$/kWh)	\$0.0698

In some cases the homeowner Agreement and Invoice forms showed costs billed for measures without corresponding savings estimates. For the purpose of this analysis we assumed that measures were installed wherever there were costs billed for the measures. Ground cover and dehumidifiers were assumed to be primarily moisture control measures and were assumed to have no energy savings in the deemed savings analysis. In total, the audit estimates are comparable in value to the deemed savings estimates, as Table 2 shows. Individual measure savings vary significantly due to: 1) differences between the NEAT audit results and RTF approximations and 2) inconsistent savings reporting on the audit forms.

Table 2: Program Costs and Savings

Category	Participants	Total Program Costs (\$)	Audit Savings (kWh)	Deemed Savings (kWh)
Ceiling Insulation/Ventilation	172	\$ 361,538	230,007	137,474
Floor Insulation	84	\$ 227,115	190,072	69,554
Pipe Insulation	38	\$ 8,047	2,898	1,882
Ground Cover	25	\$ 6,491	-	-
Wall Insulation	57	\$ 58,202	128,099	167,790
Duct Insulation	4	\$ 2,784	-	262
Duct Sealing	33	\$ 9,249	1,143	2,164
Class 40 Replacement Windows	65	\$ 194,431	63,439	183,432
Caulk & Weather-strip Windows	13	\$ 2,133	3,130	149
Infiltration	156	\$ 84,377	68,428	91,199
Insulated Doors	44	\$ 60,408	4,211	1,172
Dehumidifier	1	\$ 14	-	-
Aerators	139	\$ 1,492	3	5,113
CFL	154	\$ 6,268	442	32,269
Water Heater Wrap	36	\$ 6,573	777	4,314
Showerhead	118	\$ 1,777	57	10,865
Refrigerator Replacement	30	\$ 31,353	27,305	22,028
Other (Water Heater)	2	\$ 1,433	523	236
Administrative Costs	175 ¹	\$ 50,929	-	-
Repair Costs	73	\$ 7,284	-	-
Energy Education Reimbursement	180	\$ 13,500	-	-
Utility Administration		\$ 36,000	-	-
Total		\$ 1,171,399	720,532	729,905

¹ Some administrative costs were bundled for multi-family housing units.

Deemed Savings values were sourced from the Northwest Council Regional Technical Forum (RTF) and the California Joint Utility Low Income Energy Efficiency Program, 2005 Costs and Bill Savings Report, dated April 26, 2006. RTF values assumed savings based on square footage of insulated area. Average home square footage values were obtained from The Northwest Council Regional Technical Forum and from the Energy Information Administration 2005 Residential Energy Consumption Survey. Table 3 details the estimated square footage numbers.

**Table 3: Square Footage for RTF Values
 (Assumptions)**

	Average Home Size (sq. ft.)	Measure			
		Ceiling Insulation/Ventilation	Floor Insulation	Wall Insulation	Replacement Windows
Single Family	1600	989	989	1185	208
Duplex	1328	821	821	984	172
Apartment	840	519	519	622	109
Mobile Home	1021	631	631	756	133

As part of this evaluation, we conducted an economic analysis of the Program in accordance with the benefit-cost tests from the California Standard Practices Manual. Program costs and benefits were analyzed from the following perspectives:

- Total Resource Cost Test (TRC) – This test examines Program benefits and costs from the perspectives of Pacific Power and Pacific Power’s customers. Benefits include generation cost reduction, and costs include only those incurred by Pacific Power. Matchmaker funds are excluded. A 10% conservation adder is applied to generation cost savings in Washington.
- Utility Cost Test (UCT) – From Pacific Power’s perspective, benefits are in the form of reduced generation and line loss costs. Costs include any incurred administrative or measure costs.
- Ratepayer Impact Test (RIM) – All ratepayers (participants and non-participants) may experience an increase in rates to recover lost revenue. This test includes all Pacific Power Program costs as well as lost revenues. On the benefits side, this test includes all avoided energy and capacity costs.
- Participant Cost Test (PCT) – This test examines benefits from a Program participant perspective, including participant utility bill reductions. Costs include any measure costs incurred by participants and the net of any utility-generated rebates. For this Program, participants did not incur measure-related costs and did not receive any direct rebates. They did, however, realize energy savings from the measures and their own energy-saving behaviors.

Non-energy benefits are included in this analysis. The values are extrapolated from the Quantec, LLC Washington Low Income Weatherization report prepared for Pacific Power, dated January, 19, 2007, based on the number of 2007 participants. Table 4 shows the non-energy benefits added to the scenarios below.

Table 4: Total Program Non-Energy Benefits

Non-Energy Benefit	Total Benefits	Perspective Adjusted
Mobility	\$20,449	TRC
Arrearage	\$11,520	UCT, RIM, TRC
Economic	\$236,328	TRC
Environmental	\$53,927	TRC
Total	\$322,223	

Scenario 1: 50% Rebate with Agency Audit Savings

Table 5: Program Performance
 (Agency Audit Savings)

Benefits, Costs, Net Benefits and B/C ratios				
	TRC + Adder	Utility	Participant	RIM
NPV Benefits	\$ 1,009,813	\$ 636,602	\$ 618,832	\$ 636,602
NPV Costs	\$ 639,556	\$ 639,556		\$ 1,258,388
NPV Net Benefits	\$ 370,258	\$ (2,953)	\$ 618,832	\$ (621,786)
B/C Ratio	1.58	1.00		0.51

Scenario 2: 75% Rebate with Agency Audit Savings

Table 6: Program Performance
 (Agency Audit Savings)

Benefits, Costs, Net Benefits and B/C ratios				
	TRC + Adder	Utility	Participant	RIM
NPV Benefits	\$ 1,009,813	\$ 636,602	\$ 618,832	\$ 636,602
NPV Costs	\$ 905,477	\$ 905,477		\$ 1,524,309
NPV Net Benefits	\$ 104,336	\$ (268,875)	\$ 618,832	\$ (887,707)
B/C Ratio	1.12	0.70		0.42

Scenario 3: 100% Rebate with Agency Audit Savings

**Table 7: Program Performance
 (Agency Audit Savings)**

Benefits, Costs, Net Benefits and B/C ratios				
	TRC + Adder	Utility	Participant	RIM
NPV Benefits	\$ 1,009,813	\$ 636,602	\$ 618,832	\$ 636,602
NPV Costs	\$ 1,171,398	\$ 1,171,398		\$ 1,790,231
NPV Net Benefits	\$ (161,585)	\$ (534,796)	\$ 618,832	\$ (1,153,629)
B/C Ratio	0.86	0.54		0.36

Scenario 4: 50% Rebate with Agency Audit Savings - Administrative and Repair/Health/Safety Costs capped @ 15% of Rebate, No Energy Education Reimbursement

Scenario 4 and Scenario 8 use the same program costs and deemed savings values as shown above in Table 2, but with administrative and repair/health/safety costs capped @ 15% of the utility rebate amount, and no energy education reimbursement.

**Table 8: Program Costs and Savings
 (Administrative and Repair/Health/Safety Costs @ 15% of Rebate, No Energy Education Reimbursement)**

Category	Participants	Program Costs (\$)
Administrative Costs	180	\$ 79,776
Repair/Health/Safety Costs	180	\$ 79,776
Energy Education Reimbursement	-	-

Table 9: Program Performance
 (Administrative and Repair/Health/Safety Costs @ 15% of Rebate, No Energy Education Reimbursement)

Benefits, Costs, Net Benefits and B/C ratios				
	TRC + Adder	Utility	Participant	RIM
NPV Benefits	\$ 1,009,813	\$ 636,602	\$ 618,832	\$ 636,602
NPV Costs	\$ 727,396	\$ 727,396		\$ 1,346,228
NPV Net Benefits	\$ 282,417	\$ (90,794)	\$ 618,832	\$ (709,626)
B/C Ratio	1.39	0.88		0.47

Scenario 5: 50% Rebate with Deemed RTF Savings

Table 10: Program Performance
 (Deemed RTF Savings)

Benefits, Costs, Net Benefits and B/C ratios				
	TRC + Adder	Utility	Participant	RIM
NPV Benefits	\$ 953,875	\$ 585,749	\$ 590,195	\$ 585,749
NPV Costs	\$ 639,556	\$ 639,556		\$ 1,229,751
NPV Net Benefits	\$ 314,319	\$ (53,807)	\$ 590,195	\$ (644,002)
B/C Ratio	1.49	0.92		0.48

Scenario 6: 75% Rebate with Deemed RTF Savings

Table 11: Program Performance
 (Deemed RTF Savings)

Benefits, Costs, Net Benefits and B/C ratios				
	TRC + Adder	Utility	Participant	RIM
NPV Benefits	\$ 953,875	\$ 585,749	\$ 590,195	\$ 585,749
NPV Costs	\$ 905,477	\$ 905,477		\$ 1,495,672
NPV Net Benefits	\$ 48,398	\$ (319,728)	\$ 590,195	\$ (909,923)
B/C Ratio	1.05	0.65		0.39

Scenario 7: 100% Rebate with Deemed RTF Savings

**Table 12: Program Performance
 (Deemed RTF Savings)**

Benefits, Costs, Net Benefits and B/C ratios				
	TRC + Adder	Utility	Participant	RIM
NPV Benefits	\$ 953,875	\$ 585,749	\$ 590,195	\$ 585,749
NPV Costs	\$ 1,171,398	\$ 1,171,398		\$ 1,761,594
NPV Net Benefits	\$ (217,524)	\$ (585,649)	\$ 590,195	\$ (1,175,845)
B/C Ratio	0.81	0.50		0.33

Scenario 8: 50% Rebate with Deemed RTF Savings - Administrative and Repair/Health/Safety Costs capped @ 15% of Rebate, No Energy Education Reimbursement

**Table 13: Program Performance
 (Administrative and Repair/Health/Safety Costs @ 15% of Rebate, No Energy Education Reimbursement)**

Benefits, Costs, Net Benefits and B/C ratios				
	TRC + Adder	Utility	Participant	RIM
NPV Benefits	\$ 953,875	\$ 585,749	\$ 590,195	\$ 585,749
NPV Costs	\$ 727,396	\$ 727,396		\$ 1,317,591
NPV Net Benefits	\$ 226,479	\$ (141,647)	\$ 590,195	\$ (731,842)
B/C Ratio	1.31	0.81		0.44

ATTACHMENT E

Proposed Tariff Changes

WN U-74

First Revision of Sheet No.114.6
Canceling Original Sheet No. 114.6

PACIFIC POWER & LIGHT COMPANY

FOR COMMISSION'S RECEIPT STAMP

SCHEDULE 114
RESIDENTIAL ENERGY EFFICIENCY RIDER
OPTIONAL FOR QUALIFYING LOW INCOME CUSTOMERS
(Continued)

CANCELLED

Issued December 5, 2008 Effective February 1, 2009

Issued by PACIFIC POWER & LIGHT COMPANY

BY Andrea L. Kelly Andrea L. Kelly

Title Vice President, Regulation

TF2 114.6REV

Advice No. 08-07