

November 1, 2012

VIA ELECTRONIC FILING

Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive SW
P.O. Box 47250
Olympia, WA 98504-7250

Attention: David W. Danner
Executive Director and Secretary

RE: **Schedule 125 – Commercial & Industrial Energy Services – Optional
Qualifying Customers
Advice 12-08**

Dear Mr. Danner:

In accordance with RCW 80.28.050, RCW 80.28.060, and WAC 480-100-194, PacifiCorp, d.b.a. Pacific Power & Light Company (PacifiCorp or Company), submits for filing in electronic format a proposed tariff sheet revision to Schedule 125 – Commercial & Industrial Energy Services-Optional Qualifying Customers (Energy FinAnswer Program). The Company submits this filing to incorporate a program design change reflecting input from stakeholders regarding the Company's industrial conservation programs. The Company respectfully requests a December 1, 2012 effective date.

**First Revision of Schedule 125 Commercial & Industrial Energy Services –
Sheet No. 125.5 Optional Qualifying Customers**

Background

In Docket UE-111880, Order 02, the Washington Utilities and Transportation Commission (Commission) directed the Company to investigate, with input from stakeholders, conservation program design for large industrial customers. The Commission order was a result of concerns raised by Boise White Paper, LLC (Boise White Paper) in Docket UE-120700 regarding the design of industrial conservation programs. The Order required that Company implement changes to the Company's program no later than November 1, 2012.

Following the issuance of Order 02 in Docket UE-111880, the Company worked with Boise White Paper to identify barriers and needs associated with conservation program participation and requirements. A significant barrier identified was the lack of human resources dedicated to the identification, cultivation and management of energy efficiency or conservation projects. As a result, the Company now proposes to provide co-funding for dedicated energy project manager services. It is expected that this will allow the more aggressive pursuit of energy efficiency

opportunities at industrial facilities by helping leverage the services and financial incentives available to them through PacifiCorp's programs.

Design Specifics

The Company proposes the addition of an Energy Project Manager (EPM) co-funding provision to the Schedule 125 – Energy FinAnswer Program. The purpose of EPM co-funding is to increase end user management and technical manpower devoted to electrical energy projects and increase the number of commercial and industrial projects completed. EPM funding is performance based and is contingent on a commitment to setting and achieving an energy savings goal over a prescribed timeframe; typically 12 months. Participating customers set a verifiable energy savings goal and receive co-funding proportionate to that goal (subject to a minimum saving goal). If the customer meets verified energy savings goals on schedule, co-funding continues. If however, milestones are missed, co-funding is suspended and/or terminated and repayment of unearned co-funding is required.

While language will be added to Schedule 125 – Energy FinAnswer Program, noting the availability of the EPM co-funding offer, more detailed information such as how customers can qualify, participation steps, and other requirements for participation will be contained on the Company's website. Included as Attachment C to this filing is one copy of the changes to Schedule 125 – Energy FinAnswer Program tariff. Attachment D is a copy of the content that will be available on the Company's website that explains in detail the EPM co-funding offer.

While the EPM co-funding provision will be incorporated into Schedule 125, Energy FinAnswer Program, qualifying projects can receive program services and incentives, depending on the nature of the project, through either Schedule 125 – Energy FinAnswer Program, or Schedule 115 – Commercial & Industrial Energy Efficiency Incentives – Optional For Qualifying Customers (FinAnswer Express Program). This is intended to simplify the customer experience and provide a verifiable savings track consistent with existing practices and procedures.

Cost-Effectiveness

The forecasted 2013 budget impact of EPM co-funding is \$75,000. This level of co-funding suggests an annual savings goal commitment of 3 million kilowatt hours (kWh). The Company expects that participation by industrial customers will grow over time. As such, agreements for EPM co-funding at eligible customer facilities will utilize the same underlying metrics; graduated co-funding not to exceed \$0.025 per kWh of committed savings goals. Attachment E presents the economics in support of this proposal. The economic analysis provides results representative of the Company's initial expected participation (\$75,000 in EPM co-funding and the accompanying 3 million in kWh savings) as well as measure level economics demonstrating the impact of stand-alone EPM co-funding costs and savings regardless of participation levels.

Evaluation

The EMP co-funding provision is not a new program but rather, it is an addition to an existing program. Therefore, its effectiveness and impact will be evaluated on the same schedule as the

Company's Washington business programs, on a two-year cycle. The next scheduled evaluation will be completed by year-end 2014 (program performance for calendar years 2012 & 2013).

Best Practice

PacifiCorp considered the *Guidelines for Setting Incentive Levels for Electric Energy Efficiency Measures (June 2, 2011 version)* developed by the Washington Conservation Working Group during the design of the EPM co-funding offer¹. The program revisions proposed in this filing instills "ownership" by the customer/participant by requiring them to select and compensate the energy project manager. In addition, the participant is responsible for insuring adequate support and funding to deliver the energy savings goal identified in their annual plan. Tying the EPM co-funding to delivery of savings is intended to significantly influence the energy project manager's daily activities and helps to insure the participant's organization provides other necessary components to achieve savings goals. Furthermore, the EMP co-funding offer is supported by relevant market information and practice. The offer provides a set of tools to overcome a key barrier identified by Boise White Paper and is similar to Bonneville Power Administration's Energy Smart Industrial co-funding offer for comparable activities.

Advisory Group Review

On September 10, 2012, the EPM concept was co-presented by the Company and Boise White Paper to the Company's demand side management (DSM) advisory group at the Company's quarterly advisory group meeting. On September 12, 2012, a status update on the investigative process and proposed solution was provided the Commission through a compliance filing. On October 18, 2012, additional program design details were shared with the DSM Advisory Group through an email communication, in order to keep them abreast of the evolving design elements. However, due to the compressed timeline in addressing the program change a *full* copy of the filing was not provided to the DSM Advisory Group in advance of submitting this filing to the Commission. The Company will be presenting the proposed change to Schedule 125 - Energy FinAnswer Program, in its entirety during the fourth quarter DSM Advisory Group meeting scheduled on November 6, 2012.

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

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

By regular mail: Data Request Response Center
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¹ Distributed by Washington Utilities and Transportation Commission staff representative David Nightingale via email on June 28, 2011.

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Informal questions regarding this filing should be directed to Carla Bird at (503) 813-5269.

Sincerely,

William R. Griffith
Vice President, Regulation

Enclosures

Cc: Advisory Group
Boise White Paper, LLC