

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

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

DOCKET NO. UE-111880

COMMENTS OF PUBLIC COUNSEL

March 13, 2012

I. INTRODUCTION

1. Pursuant to the Commission's February 13, 2012, 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 April 12, 2012, Open Meeting. These comments address Pacific Power & Light Company's (hereafter "PacifiCorp") Biennial Conservation Plan (BCP) report concerning its ten-year conservation potential and its 2012-2013 biennial conservation target, including forecast savings for distribution and production efficiency filed with the Commission on January 31, 2012, in compliance with RCW 19.285.040 and WAC 480-109-010 (hereafter "EIA").
2. PacifiCorp's proposed ten-year conservation potential, including distribution and production efficiency initiatives, is estimated to be 45.6 to 45.9 aMW and its biennial target for 2012-2013 is estimated to be 8.7 to 9.0 aMW.¹ PacifiCorp's initial ten-year conservation potential and biennial conservation target were filed on September 15, 2011, and did not include

¹ Biennial Conservation Plan, pp.5-6, Docket UE-111880 filed January 31, 2012. Hereafter, "Biennial Conservation Plan."

savings forecasts associated with distribution or production efficiency potential.² The January 31, 2012, filing incorporates potential associated with distribution and production efficiency, and is presented as a range which the Company states is due to the challenges it may face in achieving and measuring savings associated with distribution efficiency measures in the next biennium. The January 31, 2012, filing also incorporates updates to two of the adjustments for energy efficiency included in the Company's September 15, 2011, initial filing. These adjustments are discussed in more detail in Section II of these comments.

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² Biennial Conservation Plan of PacifiCorp, Docket UE-100170 and UE-111880, filed September 15, 2011.

3. **Public Counsel Recommendation**

Public Counsel finds that PacifiCorp's Biennial Conservation Plan filing is in compliance with the EIA and its conditions in Docket UE-100170. Public Counsel agrees with PacifiCorp's proposed conservation target of 8.7 to 9.0 aMW for the 2012-2013 biennium and the ten-year potential of 45.6 to 45.9 aMW, subject to conditions. However, Public Counsel does not recommend the Commission approve PacifiCorp's proposed targets as we have not yet reviewed the conditions proposed by Staff and other parties. Public Counsel recommends that the Commission retain the conditions adopted in UE-100170, with 4 modifications.³ Specifically, we recommend that the Commission adopt the following conditions:

- **New Condition 6(g).** PacifiCorp's final report for the 2012-2013 biennium shall include an independent third-party portfolio level verification of PacifiCorp's reported savings toward the Company's biennial conservation target. This report is due no later than June 1, 2014, and shall be submitted as part of the Company's two year report on conservation program achievement required by Condition 8(h) below.
- **Modified Condition 8(h).** A 2012-2012 Two Year Report on Conservation Acquisition Achievement will be filed by June 1, 2014. This filing is the one required in WAC 480-109-040(1) and RCW 19.285.070. This report shall include the results of an independent third-party verification of all conservation savings claims toward the biennial target.⁴
- **New Condition 6(h).** PacifiCorp will provide verified savings for distribution efficiency using the RTF's Automated CVR Protocol No.1, Voltage Optimization Protocol, or any other protocol recognized by the RTF following the date of this order for the 2012-2013 biennium. This requirement does not prevent PacifiCorp from advocating for a different methodology for verifying distribution and efficiency savings in the future.
- **New Condition 3(a)(i) (3).** Development of a document outlining the methods and assumptions and sources for those assumptions used for estimating energy savings. The final draft of this document must be developed by December 31, 2012, and be provided to the advisory group for review. The final draft of this document should also be reviewed by an independent third party evaluator. This document and the results of the third-party review must be reflected in the Biennial Conservation Plan for the next biennium 2013-2014.

Public Counsel's proposed recommended conditions are further discussed in Section V. **In addition, Public Counsel does not support the portion of the Company's filing which address cost recovery of production and distribution efficiency expenses. We therefore recommend that the Commission clarify that by approving the conservation targets that it is not approving any cost recovery methodology for production and distribution efficiency costs.**

³ There may be additional non-material changes to the conditions that are required to update filing dates or other process-type modifications.

⁴ Underline reflects where new language was added to an original condition approved in Order 02, Docket UE-100170.

Public Counsel’s recommendation is premised upon the understanding that the Commission’s approval is limited narrowly to the numerical MWh biennial target and ten-year potential proposed by PacifiCorp in this docket. As we observed two years ago during the initial implementation of the EIA, the Commission should not pre-judge the prudence of any of the underlying energy efficiency activities at this time.

4. Public Counsel’s comments provided herein focus on the Company’s compliance with the requirements of the 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-100170. Our comments will also address issues that we believe are key concerns associated with the Company’s filing, including PacifiCorp’s cost recovery proposal for distribution and production efficiency expenses. We also discuss consistency issues among the three electric investor owned utilities in developing conservation potential and targets under the EIA. Finally, in Section V we provide Public Counsel’s recommended conditions for approval of the ten-year conservation potential and target.

II. TEN-YEAR POTENTIAL AND BIENNIAL CONSERVATION TARGETS

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

5. Consistent with the EIA, the Commission rules state that in determining its ten-year conservation potential, a utility shall consider conservation resources that are “cost-effective, reliable and feasible.”⁵ With respect to the biennial conservation target, the utility “must identify all achievable conservation opportunities.”⁶ In establishing electric energy efficiency acquisition

⁵ WAC 480-109-010 (1)(a).

⁶ *Id.* at (2)(a).

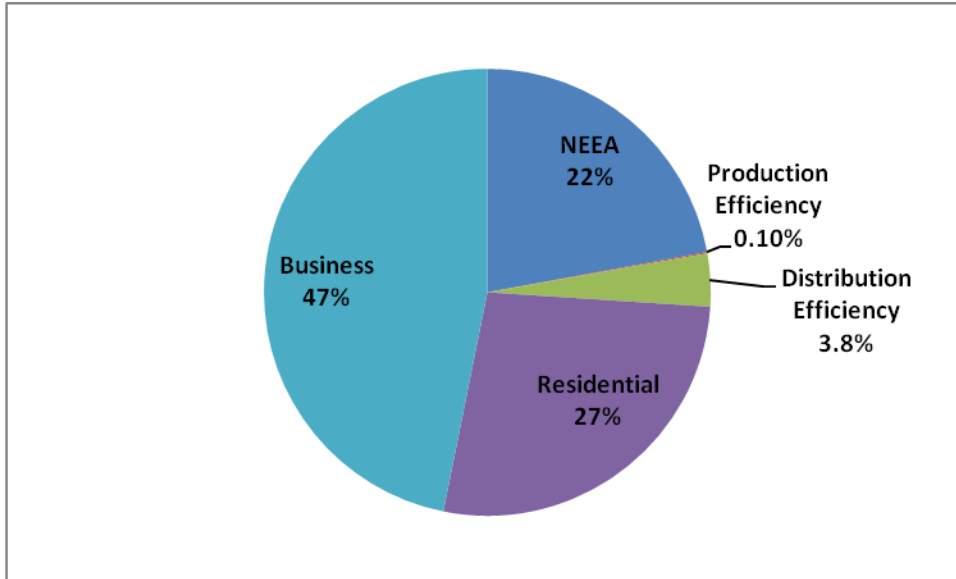
targets, WAC 480-109-010(1) provides that a utility must derive these from either the utility's most recent Integrated Resource Plan (IRP) or the utility's proportionate share of the Northwest Power and Conservation Council's (hereafter "Council") current regional power plan targets for the state of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

6. PacifiCorp's biennial conservation target and ten-year potential were developed based on the Company's Conservation Potential Assessment (CPA) and its IRP. The demand-side energy efficiency projection has been adjusted to address key measure savings differences between the Company's IRP, updated Regional Technical Forum (RTF) data and the Company's evaluation data. The distribution efficiency target was developed based on a study conducted by Commonwealth Associates and the production efficiency targets were established based upon a study by Cascade Energy Inc.⁷

7. PacifiCorp's biennial target will be met primarily through conservation savings achieved through end-use efficiency programs. As shown below, the Company estimates that approximately 27 percent of the target will be met through the residential sector programs and 47 percent from the business sector programs (commercial and industrial). In addition, the Company forecasts that approximately 22 percent of its target will be met through NEEA market transformation savings. The remainder will be met through production efficiency (.1%) and distribution efficiency (3.8%).⁸

⁷ Biennial Conservation Plan, p. 5.

⁸ Biennial Conservation Plan, p. 31. The figures for production and distribution efficiency represent the upper end of the Company's biennial target of 8.7 to 9.0 aMW.



8. PacifiCorp is proposing a range for the distribution efficiency component of its forecasted biennial target and ten-year potential. The Company states that this is because certain considerations, such as the ability to reliably measure distribution efficiency initiative (DEI) savings, system performance engineering practices, cost allocations for plant investments, and plant reliability and plant ownership had to be considered.⁹ These uncertainties prompted the Company to propose a range for this portion of its conservation potential. The total range for distribution efficiency is 0 to .346 aMW for the 2012-2013 biennium and .375 to .721 aMW for the ten-year potential.¹⁰ In addition, the Company's ten-year forecast and biennial target for production efficiency has been modified to reflect 22 percent of the overall production efficiency forecast. The Company's explanation for this modification is that it recognizes the cost share of the project work expected to be borne by Washington State under the West Control Area

⁹ Biennial Conservation Plan, p. 5.

¹⁰ Biennial Conservation Plan, p. 6.

Methodology (WCA).¹¹ Our understanding is that this proposal by the Company attempts to recognize the fact that the costs for production efficiency upgrades are shared by other states PacifiCorp serves, and the Company has allocated the expected savings for these upgrades in the same manner the costs are allocated.

B. Updates to Adjustments Identified in the September 15, 2011, Filing.

9. The Company's original September 15, 2011, filing included a number of adjustments to the conservation potential identified in the Company's CPA and IRP analyses. These adjustments were made in order to further refine conservation potential and to refine savings estimates for certain measures. Included in these adjustments were revisions to savings estimates for refrigerator and freezer recycling as well for CFL's replacing incandescent lamps.

10. In its January 31, 2012, filing the Company identified a number of additional adjustments or updates to adjustments based on new information, stakeholder review and comment, recently completed program evaluations, and discussions with representatives from the Regional Technical Forum (RTF). Specifically, the Company proposes revisions to its savings estimates for CFL's and the refrigerator and freezer recycling program. The specific updates to these measures are discussed below.

1. CFL Savings Revisions.

11. In its January 31, 2012, filing the Company has made additional adjustments for unit energy savings associated with CFL's. Specifically, PacifiCorp made an adjustment to reflect the interaction between efficient lighting and space conditioning equipment using based a more current calculator for residential lighting measures used by the Northwest Power Planning

¹¹ Biennial Conservation Plan, p. 6.

Council “Council” 6th Power Plan. This update resulted in a downward savings adjustment of 13.4 percent for twister bulbs and a 14.6 percent downward adjustment for specialty bulbs.¹² In addition, the Company also made an adjustment to the assumed non-install (storage) factor for twister CFL’s that increased the non-install or storage rate from 20 percent to 36 percent, consistent with RTF assumptions.¹³ Public Counsel commends the Company for this adjustment and believes that the 36 percent storage rate for twister CFL’s, consistent with the RTF’s assumptions, is the most appropriate figure to use at this time.

2. Refrigerator and Freezer Recycling Savings Revisions.

12. The Company proposed the following revisions to its refrigerator and freezer savings in its January 31, 2012, filing:

- **Refrigerator savings were adjusted from 844 kWh/unit currently in the September 15, 2011 filing to 723 kWh/unit, which is calculated using the RTF methodology but with a different replacement rate.**
- **Freezer savings were adjusted from 815 kWh/unit currently in the September 15, 2011 filing to 542 kWh/unit, which is the calculated territory specific unit energy savings using the RTF methodology.¹⁴**

13. The RTF assumes per unit net savings of 482 kWh for refrigerators and 555 kWh for freezers. The savings assumed by PacifiCorp for its refrigerator recycling program are substantially higher (150% of the RTF estimate) because PacifiCorp only assumes a 3 percent replacement rate for refrigerators in its calculation of per unit savings based on surveys done by its evaluator Cadmus, while the RTF assumes that 50 percent of refrigerators that are recycled

¹² This supersedes the 8 percent downward adjustment utilized in the September analysis.

¹³ Biennial Conservation Plan, Appendix 7, p. 5.

¹⁴ PacifiCorp document titled “Added I-937 10-year forecast and two year target adjustments December 28, 2011,” which was distributed to the advisory group via e-mail on December 29, 2011.

under the program are replaced.¹⁵ One of the key differences in developing this percentage is that Cadmus adjusts only for replacement units purchased as result of participating in the program, based in customer survey reports. In contrast, the RTF estimate updates the baseline to account for all replacement units.¹⁶ We are still reviewing this issue, but have concerns with the large difference in replacement rate assumed by Cadmus and utilized by PacifiCorp in its savings estimates for this measure. We look forward to further discussion of this issue with the Company and the DSM Advisory Group.

C. PacifiCorp's Electric Demand-Side Management (DSM) Programs and Savings Estimates.

14. The 2012 Business Plan outlines the programs that PacifiCorp plans to offer for the 2012-2013 biennium, including forecasted savings and expenditures, as well as measure focus areas needing to be addressed to achieve the biennial target for 2012-2013.¹⁷ In compliance with Order 02 in Docket UE-100170, PacifiCorp convened its DSM advisory group to discuss all potential program changes under consideration for its DSM programs.¹⁸ The Company had meetings in 2010 and 2011 to discuss changes to the Home Energy Savings residential program as well as the FinAnswer Express commercial program. The Company has been receptive to Public Counsel's recommendations regarding modifications to unit energy savings estimates

¹⁵ The replacement rate of 50 percent won RTF approval after an even more conservative 90 percent replacement rate was narrowly defeated by one vote. Regional Technical Forum June 29, 2010 Meeting Summary pp. 4-5.

Available at: <http://www.nwcouncil.org/energy/rtf/meetings/2010/0629/minutes20100629.pdf>

¹⁶ Biennial Conservation Plan, Appendix 4, p. A-4-9.

¹⁷ PacifiCorp very recently informed its Advisory Group that it is considering a Home Energy Report program and may file an update to its 2012 DSM Business Plan in the next few weeks.

¹⁸ Order 02, Docket UE-100170, Condition 3(a)(iv).

utilized for various measures as well as other issues, and we are appreciative of this consideration.

15. One program update of particular importance to Public Counsel that occurred leading up to the Company's biennial conservation plan filing made on September 15, 2011, involved the Company's Energy Education in School's program. Public Counsel raised a concern as to whether savings associated with this program could be adequately measured and verified.¹⁹ This issue was discussed over a number of months with the Company and advisory group. Ultimately there was consensus for the Company to continue offering this program but to remove savings for the program from the Company's ten-year potential and biennial target for the 2012-2013 biennial target and ten year potential.²⁰ Public Counsel is very pleased that the Company agreed to offer this program on an education-only basis, and to forgo forecasting savings associated with the program.²¹ The program is now funded under the 10 percent spending allowance for education, pilot programs, or programs for which savings have not been measured.²² Forecasted

¹⁹ The Energy Education in School's program distributes energy education curriculum and energy savings kits to sixth grade students in Walla, Toppenish, and Yakima. The kits include a CFL and other low-cost energy efficiency measures. Public Counsel had concerns with the savings estimates the Company assigned to measures included in the kit as these did not conform with RTF-deemed savings (savings estimates were much higher than those used by the RTF) and were developed using responses to student surveys. Public Counsel was also concerned that no actual measurement of energy usage or verification of installation of measures was done under the program and that the Company distributed kits to students outside of its service territory and counted these savings towards program achievement.

²⁰ The issue of whether savings for the Energy Education in School's Program should be counted toward achievement of the Company's 2010-2011 Biennial Conservation Target under I-937 will be addressed when the Company files its biennial conservation report on acquisition in June, 2012. Public Counsel anticipates making a recommendation on this issue at that time.

²¹ See Public Counsel Letter, Re: Schedule 191—Systems Benefit Charge Adjustment Filing, Docket No. UE-100170, pp. 2-5.

²² Order 02, Condition 7D, PacifiCorp's Biennial Conservation Plan, Docket UE-100170. It was recently brought to the attention of PacifiCorp's advisory group at a meeting on March 8, 2012, that the Company intends to cancel the Energy Education in School's program after the conclusion of the current school year in June, 2012. We understand that the Company will move forward in exploring options for an education-only program school program (no measures offered) in the near term.

expenditures for this program during the biennial period are \$872,000 which represents approximately 4.2 percent of the preliminary budget of \$20,892,766.²³

D. Distribution and Production Efficiency Savings.

16. PacifiCorp provided a revised ten-year conservation potential forecast, inclusive of the impacts of DEI and production efficiency (exclusive of non-hydro generation facilities) on December 29, 2011.²⁴ At that time, PacifiCorp identified a ten-year conservation potential of 45.809 to 46.155 aMW and a biennial target for 2012-2013 of 8.74 to 9.086 aMW. In the Company's January 31, 2012, filing this forecast was updated slightly to 45.6 to 45.9 aMW for the ten-year period and 8.7 to 9.0 aMW for the biennial target. These slight refinements to the conservation targets resulted from certain updated adjustments to savings estimates, described above, as well as a revision to the production efficiency forecast. The production and distribution efficiency forecasts are discussed in more detail below.

1. Distribution Efficiency.

17. PacifiCorp forecasts it will achieve .375 to .721 aMW in savings associated with distribution efficiency over the ten-year period and 0 to .346 a MW for the 2012-2013 biennial period. The Company's forecasts are based on a study performed by Commonwealth Associates that performed an analysis on nineteen distribution circuits in the Company's Washington service territory. The study found that 13 of the 19 Tier 1 circuits had potentially viable and low investment solutions. To arrive at the final energy savings forecast values the Company considered the results of the consultant's study, review of other industry findings, consideration

²³ Biennial Conservation Plan, p. 31.

²⁴ Ten-year Conservation Potential Identified For the 2012-2021 Period, Docket UE-100170, filed December 29, 2011.

of the relevant parameters of its Washington distribution circuits, and evaluation of the challenges and risks associated with executing this project.²⁵ The Company ultimately chose to advance the 13 low investment Tier 1 circuit upgrades for the current biennium. Because of the pilot nature of this study, and concerns associated with the ability to measure savings from the program, PacifiCorp proposes a range of savings for distribution efficiency. PacifiCorp has also proposed that the evaluation, measurement and verification (EM&V) of the savings associated with DEI will follow the RTF's Simplified Voltage Optimization M&V Protocol, though it notes concerns with the methodologies ability to accurately measure relatively small changes in voltage. To address this concern, PacifiCorp states that it will attempt to determine whether software modeling might be a more appropriate method for determining energy savings in the future. Public Counsel is pleased that PacifiCorp has a planned approach for evaluating distribution efficiency savings and believes it is appropriate for the Company to use the RTF protocol to measure savings for the 2012-2103 biennium.

2. Production Efficiency.

18. PacifiCorp conducted studies in three locations to determine production efficiency upgrade potential. These included Jim Bridger Unit 1, Chehalis and Goodnoe Hills. The results of these studies were then extrapolated across other plants to arrive at the potential. Then, as described below, PacifiCorp applied the WCA allocation methodology to arrive at the final estimates included in the January 31, 2012, filing. At this time PacifiCorp is only forecasting production efficiency savings for plants that are wholly owned by the Company. Jim Bridger

²⁵ Biennial Conservation Plan, p. 23.

and Hermiston are jointly owned, which would require the Company to obtain agreements from the joint owners prior to plant investments.²⁶

19. In its December 29, 2011, filing in Docket UE-100170, PacifiCorp identified .04 aMW of production efficiency potential for the 2012-2013 biennium and .334 aMW for the ten-year potential. In its January, 31, 2012, Biennial Conservation Plan filing PacifiCorp modified these savings forecasts to follow the cost allocation of production efficiency upgrades pursuant to the Company's WCA methodology. This results in a forecast which allocates 22 percent of the total savings for production efficiency to Washington. This reduces the total production efficiency potential to .009 aMW for the biennium and .073 aMW for the ten-year potential.²⁷

20. It is Public Counsel's understanding that this adjustment to the forecast attempts to avoid a situation in which PacifiCorp's Washington customers are subject to cost recovery for all production efficiency investments, regardless of whether other states benefit from these investments. The requirements under the EIA to pursue production efficiency only implicate the Company's operations in Washington, so reducing the production efficiency savings estimates to 22 percent²⁸ of total forecasted savings recognizes the cost share of the project work expected to be recovered from Washington ratepayers. Public Counsel is generally supportive of this conservative approach to estimating production efficiency savings, but believes there needs to be additional discussion to fully understand this proposal and its implications.

²⁶ The Company has indicated that it would like to clarify the requirements for production efficiency upgrades and savings forecasts for jointly owned plants and hopes to do so before the next biennium.

²⁷ Biennial Conservation Plan, p. 6.

²⁸ 22 percent is Washington's cost allocation for production efficiency upgrades under the WCA.

21. Public Counsel would welcome any guidance from the Commission in addressing the issues of cost allocation and joint ownership associated with Company's production efficiency efforts and savings forecasts.

D. NEEA Savings.

22. Public Counsel supports region-wide market transformation efforts. However, there are numerous challenges associated with estimating the savings achievements of those activities. The three electric IOUs have taken different approaches to incorporating projected savings from NEEA's market transformation efforts in their proposed biennial targets for 2012-2013. The three different approaches are summarized below:

- Avista's BCP states that the biennial target is directly from its CPA, which includes a range of energy efficiency measures, regardless of delivery, and therefore includes savings acquired through NEEA.²⁹ Avista's BCP does not identify a specific amount of projected savings from NEEA within its biennial target, but the 2012 Business Plan projects 7,359 MWh from NEEA in 2012, about 15% of projected Washington electric DSM savings.³⁰ Avista also states in their BCP that with respect to claiming NEEA savings, "[t]he methodology will be based upon the inclusion of the net market effects and the natural adoption of these regionally supported services and technologies"³¹
- PSE's proposed biennial target for 2012-2013 includes 38,800 MWh for projected NEEA savings, which represents about 6% of PSE's proposed target.³² This amount reflects 75% of NEEA's projected net market effects savings allocated to PSE from currently funded and previously funded NEEA initiatives.³³ PSE is seeking to "deem" this conservative value of savings, and would report this amount in June, 2014, even if actual NEEA savings are higher or lower. PSE discussed this approach with the CRAG and the CRAG supported this

²⁹ Avista Biennial Conservation Plan, Docket UE-111882, p. 9.

³⁰ Avista Biennial Conservation Plan, Appendix A, 2012 DSM Business Plan, Tables 4 and 5, pp. 54-55. The projection of 7,359 MWh of NEEA savings is derived by subtracting Washington local portfolio savings (42,303 MWh, shown in Table 4) from Washington total projected savings (49,662 MWh, shown in Table 5).

³¹ Avista Biennial Conservation Plan p. 17.

³² PSE Biennial Conservation Plan for 2012-2013, Docket UE-111881, October 28, 2011, p. 27.

³³ PSE began using this approach regarding NEEA savings in 2007, based upon CRAG input, in conjunction with PSE's Electric Conservation Incentive Mechanism, in effect from 2007 - 2009. NEEA's "net market effects" (NME) savings are calculated as follows: NME = Total Regional Savings - Naturally Occurring Baseline - Local Programs.

approach, with the understanding that there is a need for consistency in the way the utilities claim NEEA savings.

- PacifiCorp's proposed biennial target for 2012-2013 includes 2.0 aMW for projected NEEA savings (17,520 MWh), which represents about 22% of PacifiCorp's proposed target.³⁴ This amount reflects NEEA's Total Regional Savings for the Company's Washington service territory, less savings from PacifiCorp's local programs on relevant measures and is adjusted upward by 8.867% to incorporate the Company's residential line loss factor in Washington, and adjusted downward by 15 percent to account for forecast variability.³⁵ This approach differs from PSE's approach as it includes savings from what NEEA terms "naturally occurring baseline," or savings that would occur naturally. PacifiCorp has included a memo from NEEA regarding the savings projections for the biennium as Appendix 9 to the Company's Biennial Conservation Plan.

23. NEEA savings represent a fairly large portion of PacifiCorp's forecasted savings for the biennium, in part because of the methodology used by PacifiCorp to forecast NEEA savings. While the 22 percent figure gives us some pause, we do not at this time endorse one particular approach over another in terms of the inclusion of NEEA savings in the biennial target. However, we do believe in the future it would be more appropriate for the IOUs to use a consistent approach to incorporating NEEA savings in their biennial target, and in reporting and claiming savings associated with NEEA. We would welcome any guidance from the Commission on this issue.

III. COST RECOVERY

24. PacifiCorp recovers costs associated with its DSM programs through the System Benefits Charge (SBC) which is administered through Schedule 191. In 2011, \$8.8 million was collected through the SBC and the Company forecasts expenditures of approximately \$20.9 million for the

³⁴ Biennial Conservation Plan, Table 11, p. 31.

³⁵ Biennial Conservation Plan, Appendix 9, Attached Spreadsheets.

2012-2013 biennium. According to the Company, included in this amount are costs for approved conservation programs, planning and program administrative costs.³⁶

25. The Company's January 31, 2012, filing also includes a specific proposal for the cost recovery of DEI and production efficiency expenses. The Company has prepared a matrix in its BCP that outlines the Company's proposed cost recovery process for various costs associated with production and distribution efficiency. PacifiCorp identifies the following costs: Study Costs, Capital Costs, One-Time O&M Costs and Ongoing Field or Power Plant O&M Costs.³⁷ The Company proposes to recover all study costs which include DSM-specific analysis, reporting, tracking or evaluation costs associated with production and distribution efficiency through its Washington DSM tariff rider. These costs are directly related to DSM and compliance with Washington's EIA, and therefore are appropriately recovered through the Washington SBC. With regard to the other cost types, however, the Company proposes a range of different ratemaking treatments to recover these costs, including capitalizing costs to plant accounts and charging costs to a new deferred account to be recovered in a subsequent general rate case in Washington. The Company also makes various proposals regarding cost allocation. For example, the Company proposes to assign to Washington all distribution efficiency costs and proposes to allocate production efficiency costs consistent with the currently approved WCA allocation methodology. PacifiCorp also states that it "reserves the right to request recovery

³⁶ Biennial Conservation Plan, Table 11, p. 31.

³⁷ Biennial Conservation Plan, Table 12, p. 42. The Company lists two categories of "Capital Costs" in its matrix. It is unclear to Public Counsel what the difference is between these two categories.

from Washington in a general rate case, costs that are not recovered from other jurisdictions.”³⁸

26. Public Counsel understands the Company’s desire to receive assurance regarding the cost recovery of its investments in production and distribution efficiency efforts. However, proposals for ratemaking treatment of costs appropriately booked outside of the SBC, such as capital costs and one-time O&M costs, are more appropriately requested in a separate proceeding, such as a general rate case or petition for deferred accounting. Public Counsel therefore recommends that the Commission clarify that its approval of PacifiCorp’s conservation targets does not include approval of any cost recovery methodology for production and distribution efficiency costs.

IV. COMPLIANCE WITH CONDITIONS IN DOCKET UE-100170

27. Public Counsel believes the conditions adopted by the Commission in its approval of PacifiCorp’s 2010-2011 biennial target have provided an effective and comprehensive framework regarding operation of the utility’s conservation programs and assessment of EIA compliance. Public Counsel supports retaining these conditions with two additions which are discussed in part B of this section. Public Counsel also believes PacifiCorp has complied with the conditions set forth in Order 02 in Docket UE-100170, however, Public Counsel believes there is further work to be done to improve the Company’s EM&V framework document.

A. EM&V Framework.

28. From Public Counsel’s perspective, the development of an EM&V framework was a key component of the Company’s conditions list approved in Docket UE-100170. Condition 3(a)(i) required the Company to “develop a written framework for evaluation, measurement and verification (EM&V) as implemented by PacifiCorp which guides its approach to evaluation,

³⁸ Biennial Conservation Plan, p. 43.

measurement, and verification of energy savings.” Public Counsel’s comments in Docket UE-100170 strongly urged the Commission to approve this condition and stressed the importance of an EM&V framework to guide PacifiCorp’s evaluation work. Public Counsel commends the work PacifiCorp has done in developing this framework. We are particularly pleased that as part of the Company’s evaluation approach it has agreed to develop a document outlining the methods, assumptions and sources for estimating its energy efficiency savings.³⁹ To date, the Company has taken first steps to develop a summary document of savings for energy efficiency measures, but this work is far from complete. Given the importance of this document, Public Counsel recommends that the Commission set a specific timeframe for completion of this document. This is discussed further section V of these comments.

29. We also note that the EM&V framework was drafted over the course of approximately one month, beginning in August, 2011, which significantly curtailed parties’ ability to provide meaningful feedback on this important document. Public Counsel believes there is additional work that needs to be done to improve the EM&V framework and also potentially update it to conform to any new conditions related to EM&V approved by the Commission in this docket. The framework remains a living document that can be updated as needed, and we look forward to working with the Company and advisory group to improve upon the original framework.

V. PUBLIC COUNSEL PROPOSED CONDITIONS

30. As indicated above, Public Counsel believes that on a whole, the conditions adopted by the Commission in approval of PacifiCorp’s 2010-2011 biennial target have provided an

³⁹ Biennial Conservation Plan, Appendix 8, PacifiCorp’s Evaluation, Measurement, and Verification Framework, p. 8.

effective and comprehensive framework regarding the operation of the utility's conservation programs and assessment of EIA compliance. Accordingly, Public Counsel recommends that those conditions be retained for the 2012-2013 biennium, with a few additions and/or modifications.

31. We look forward to reviewing the set of proposed conditions included with Staff's comments filed on March 13, as well any conditions or comments that may be raised by other stakeholders. At this time, Public Counsel does not yet recommend the Commission approve PacifiCorp's proposed targets, as we have not yet reviewed all conditions that may be proposed by other parties. We are hopeful that PacifiCorp and stakeholders can engage in further discussions surrounding the proposed conditions following the filing of comments on March 13, and reach consensus on a set of conditions. At this time Public Counsel is recommending three new conditions that are described below.

A. Independent Verification of all Savings Claims Toward the Biennial Target.

32. Our first recommended condition is to clarify that PacifiCorp's reported conservation savings achievement toward its biennial target shall include independent verification of all claimed savings. We believe that an independent verification of portfolio level savings is essential and will offer important insight into program design and modifications. In addition, adding such a requirement is consistent with conditions approved for Avista and PSE in the 2010-2011 biennium.⁴⁰ At this time, our recommendation is that independent third-party

⁴⁰ Order 01, Conditions 6(f), 8(c), 8(f). Docket UE-100176 and Order 05, Condition 6(g) Docket UE-100177.

verification of PacifiCorp's conservation savings for 2012-2013 be required. Public Counsel therefore recommends the following conditions be approved:

New Condition 6(g)

PacifiCorp's final report for the 2012-2013 biennium shall include an independent third-party portfolio level verification of PacifiCorp's reported savings toward the Company's biennial conservation target. This report is due no later than June 1, 2014, and shall be submitted as part of the Company's two year report on conservation program achievement required by Condition 8(h) below.

Modified Condition 8(h)

A 2012-2013 Two Year Report on Conservation Acquisition Achievement will be filed by June 1, 2014. This filing is the one required in WAC 480-109-040(1) and RCW 19.285.070. This Report shall include the results of an independent third-party verification of all conservation savings claims toward the biennial target.

B. Verification of Savings for Distribution Efficiency Initiatives.

33. Public Counsel recommends that PacifiCorp be required to use the RTF's protocol for determining verified savings for distribution efficiency. The Company has agreed to use the RTF's protocol for the 2012-2013 biennium, but notes some concern with the capability of accurately measuring relatively small changes in voltage using this methodology. The Company plans to evaluate other methodologies for EM&V of distribution efficiency savings during this pilot period (2012-2013).⁴¹ Public Counsel's recommended condition to address these issue are as follows:

⁴¹ Biennial Conservation Plan, p. 40.

New Condition 6(h)

For savings claimed from distribution efficiency, PacifiCorp must provide third-party verified savings calculated using the RTF's Automated CVR Protocol No. 1., Voltage Optimization Protocol or any other protocol recognized by the RTF following the date of this order. This requirement does not prevent PacifiCorp from advocating for using a different methodology for EM&V of distribution efficiency savings in a future Commission proceeding.

C. Development and Review of Energy Savings and Sources Document

34. As discussed earlier, PacifiCorp has agreed to develop a document outlining the methods, assumptions and sources for estimating its energy efficiency savings and to have an external evaluator review the initial draft of this document. This document will include, at a minimum, a description of projected savings estimates, references to sources of assumptions for information used in calculating cost effectiveness analysis, measure life, and the source of projected savings. These details are described in the Company's EM&V framework.⁴² To date, the Company has taken the first steps to develop a summary document of savings for measures but the work contemplated is far from complete.⁴³ In addition, currently there is no set deadline that requires this work product to be completed by a certain date, nor is there any formal commitment which requires the Company to share this with the advisory group or have it reviewed by an independent third party.⁴⁴ This reference document will serve an important resource for program

⁴² Biennial Conservation Plan, Appendix 8, PacifiCorp's Evaluation, Measurement and Verification Framework.

⁴³ Exhibit 3, Source Data for All Measures, distributed to the Advisory Group by email on August 8th, 2011.

⁴⁴ The Company's EM&V framework states that the information in the document will be "maintained and updated as needed, with opportunities for review by the advisory group, to the extent feasible." It also states that the "initial draft of this document may be reviewed by external evaluators and reviewed periodically thereafter." PacifiCorp's EM&V Framework, pp. 8 and 24, Appendix 8 to the Biennial Conservation Plan, Docket UE-111880.

delivery, evaluation, planning, and reporting purposes. It also serves as a valuable tool for stakeholders in reviewing the Company's unit energy savings and assumptions.⁴⁵ Therefore Public Counsel recommends that the Company be required to complete the measure reference document by a date certain, commit to share it with the Advisory Group, and have an independent third party evaluate the final document once complete.⁴⁶ Public Counsel's recommended condition to address this issue is as follows:

New Condition 3(a)(i)(3)

Development of a document outlining the methods and assumptions and sources for those assumptions used for estimating energy savings. The final draft of this document must be developed by December 31, 2012, and be provided to the advisory group for review. The final draft of this document should also be reviewed by an independent third party evaluator. This document and the results of the third-party review must be reflected in the Biennial Conservation Plan for the next biennium 2013-2014.

VI. CONSISTENCY ISSUES

35. In the course of reviewing conservation-related compliance filings across multiple utilities, Public Counsel has recognized some inconsistencies. For example, we note that there is some uncertainty regarding the timing and approach to prudence determination of conservation expenditures for different utilities. This is an area that we believe requires further attention from all stakeholders and the Commission in the next biennium in order to resolve this inconsistent treatment.

⁴⁵ Both Avista and PSE have similar documents, referred to as the "Technical Reference Manual" and "Measure Metrics Database," accordingly.

⁴⁶ Avista has a similar commitment with respect to its Technical Reference Manual ("TRM"). Specifically, Avista's EM&V framework includes language which states that the TRM will be reviewed and updated with Triple E board review and "external evaluators will review the TRM during the initial evaluation cycle covered by the EM&V framework, and periodically thereafter..." Avista Utilities EM&V Framework, pp.31-32, Docket UE-090134.

36. Additionally, as noted previously, the three electric IOU's have taken different approaches to incorporating projected savings from NEEA's market transformation efforts in their proposed biennial targets for 2012-2013.

37. And lastly, we also have observed that the three electric IOU's assume different unit energy savings for certain energy efficiency measures. For example, for residential refrigerator recycling programs, PSE claims 482 kWh⁴⁷ (RTF's saving estimate), Avista claims 636 kWh⁴⁸ and PacifiCorp claims 723 kWh. Certainly for heating and cooling measures it is appropriate for the three utilities to have different unit energy savings for measures given the different service territories and climates in which the utilities operate. For other measures, such as refrigerator recycling, it is harder to understand why the estimates should vary so significantly. Further, the administrative burden on parties to review savings estimates, particularly when they vary substantially from the RTF savings estimates, is considerable.

VII. CONCLUSION

38. Public Counsel appreciates the opportunity to comment on PacifiCorp's proposed 2012-2013 biennial conservation target and ten-year potential. Public Counsel recommends continuation of all existing conditions approved by the Commission in Docket UE-100170, except as specified herein. In that regard, Public Counsel respectfully requests the Commission adopt our recommended conditions, as outlined above. We look forward to reviewing the comments submitted by other parties, and addressing those at the April 12, 2012, Open Meeting.

⁴⁷ Avista's Revised 2011 Business Plan, Cover Letter, Docket UE-111882, Dec. 7, 2011.

⁴⁸ Avista's Biennial Conservation Plan, Appendix D, Spreadsheet at p. 2.