

Agenda Date: July 12, 2012
Item Numbers: A1 and F1

Dockets: UE-120700 and UE-111880

Company: Pacific Power and Light Company

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Recommendation

Take no action, thereby allowing the tariff filing made by Pacific Power and Light Company in Docket UE-120700, to become effective on July 13, 2012, by operation of law.

Background

On May 15, 2012, Pacific Power and Light Company (PacifiCorp or company) filed revisions to its System Benefits Charge Adjustment, Schedule 191. Revised tariff pages were filed June 19, 2012. This mechanism is in compliance with conditions related to the requirements of Washington's Energy Independence Act¹ (EIA).

The purpose of this tariff filing is to establish conservation rates to support the increased company costs associated with ongoing and expanded conservation programs previously approved by the commission.² PacifiCorp serves 131,934 customers in the central and lower Yakima River Valley as well as Walla Walla and rural southeast Washington.

The conservation program changes were based on documentation provided by PacifiCorp in its 2012-2013 Demand-side Management (DSM) Business Plan filing³ which included:

- Detailed descriptions of electric conservation programs;
- Program changes planned for 2012;
- Budget projections for 2012 conservation programs;
- Energy savings estimates for 2012 and 2013;
- Program and portfolio cost-effectiveness; and
- A conservation evaluation plan.

The program changes were reviewed by commission staff (staff), the DSM advisory group, and stakeholders last year.

¹ Order 02, Docket UE-100170, Amending Order 01 Approving Pacific Power and Light Company's Ten-Year Achievable Conservation Potential and Biennial Conservation Target Subject to Conditions, July 29, 2010.

² Order 01, Docket UE-111880, Approving Pacific Power & Light Company's 2012 - 2021 Achievable Conservation Potential and 2012 - 2013 Conservation Target Subject to Conditions , April 26, 2012.

³ See UE-111880, January 31, 2012, filing.

Revised 2012-2013 DSM Business Plan (Docket UE-111880)

The company made changes to the proposed 2012 conservation programs in response to input from all interested parties and filed a revised DSM Business Plan June 4, 2012. The commission has ordered that revisions to the business plan be placed on the No Action agenda to allow the changes to be acknowledged.⁴ The company must revise and submit their business plan when a new conservation program is proposed.

The company has been proceeding down the path of implementation of a new program called Home Energy Reports (HER) with the first presentation of this to their advisory group in March 2012. This program is similar to a program that has been under development by PSE and other utilities in the US over the past few years. During that time the methods of implementation and evaluation have been evolving and refined. The DSM Advisory Group has discussed ways in which the implementation of the HER program can be implemented using the best methods available.

PacifiCorp is providing the HER program to selected Washington customers along with PacifiCorp customers in other states to reduce the overhead and fixed costs of implementing the program. This provide an economy of scale to Washington customers. PacifiCorp chose to start implementation of the multi-state HER program before submitting the revisions to their DSM Business Plan, which included the new program, and before getting full resolution from the DSM Advisory Group or acknowledgement from the Commission.

The one unresolved issue is that Public Counsel had recommended that the treatment group be selected by an independent third-party and not by PacifiCorp nor the vendor who operates the program.⁵ This is a problem primarily because PacifiCorp's HER vendor has already selected the treatment group for WA. Requiring the treatment group to be selected by a third party would not only incur duplicative costs but may put the Washington part of the group out of synch with the implementation schedule of the other states in which PacifiCorp is simultaneously running HER programs.

Staff Analysis of Public Counsel Comments on Docket UE-111880:

1. The company could have likely resolved this issue, had they worked more closely to address concerns of the DSM Advisory Group, before allowing the contractor to begin implementation of the project.
2. Staff knows of no studies where the selection of the treatment or control groups has biased results.
3. The company has addressed all other concerns for the planning and implementation of the program and its evaluation raised by the DSM Advisory Group.

⁴ Docket UE-100170, Order 02.

⁵ Public Counsel's letter to this docket on July 6, 2012.

Staff suggests the commission advise the company to consider issues raised by the advisory group more fully and thoughtfully in the future prior to unilaterally implementing any conservation program changes.

Staff Review (Docket UE-120700)

To set the stage for the rate revisions proposed in the current docket, it is useful to provide a summary of what staff and interested parties have done in preparation for this filing.

First, over the preceding year, staff members attended numerous advisory group meetings to discuss proposed changes in the conservation rates in accordance with past and current dockets. Next, during the review of this filing, staff asked a variety of questions that were answered through email, phone conversations or in person. Staff received answers in a timely manner and was satisfied with the explanations. Many of these details were highlighted in PacifiCorp's Updated 2010-2011 DSM Business Plan approved December 30, 2010. As discussed above, the 2012 budget had been reviewed by staff, advisory group members and other stakeholders. Some programmatic changes were reviewed and accepted during that time, and some are on this open meeting agenda as the Revised 2012-2013 DSM Business Plan.

Incentive rebate audit. On June 5, 2012, staff performed an on-site financial audit of PacifiCorp's electric conservation programs. The audit focused on operating expenses and incentive rebates for a select group of programs and months and attempted to confirm that expenditures were paid as stated. The main priority was ensuring the integrity of the financial data with a secondary focus on the efficiency of the programs from a business perspective.

All of the materials requested were available for review upon arrival and efficiently and neatly organized for Staff. The commission now must determine the correct rates to recover the costs of these programs.

Discussion

Schedule 191, System Benefit Charge Increase

During calendar year 2011, PacifiCorp spent \$9,096,661 on electric conservation programs, which was a 6 percent increase over projected 2011 expenditures.⁶ The 2012 projected expenditures for electric conservation programs increased 22 percent to \$10,506,000. The projected expenditures were reviewed by PacifiCorp's DSM Advisory Group.

⁶ 2011 Annual Report on Conservation Acquisition, page 12, 2011 budget \$8,581,000.

This filing changes the electric conservation rates as shown in the following table, to reflect actual costs and collections over the past year, correct the true-up from actual expenditures and revenues in previous years, and cover the increased amounts budgeted for conservation programs in the upcoming year.

	Schedule	Current Rate per kWh	Proposed Rate per kWh
Residential	Schedules 16, 18	\$0.00245	\$0.00317
Small Commercial >100 kW	Schedule 24	\$0.00245	\$0.00317
General >1000 kW	Schedules 33, 36	\$0.00204	\$0.00268
Pumping	Schedule 40	\$0.00230	\$0.00299
Large General <1000 kW	Schedules 47, 48	\$0.00166	\$0.00217
Non-profit Field Lighting	Schedule 54	\$0.00278	\$0.00335
Outdoor Lighting	Schedules 15, 51, 52, 53, 57	\$0.00219	\$0.00287

The filed rates include \$10,506,000 in projected energy efficiency program expenditures and an increase for PacifiCorp's net under-collection as of April 2012 of \$1,345,072.⁷ Staff believes the proposed rates are reasonable.

The proposed electric tariff rider reflects a 0.8 percent increase in the company's base electric revenues, increasing the average bill for an electric residential customer using 1300 kWh per month by \$0.94.

Conservation Rate Spread and Rate Design

Commission staff has been advised that the Industrial Customers of Northwest Utilities (ICNU), representing Boise White Paper, LLC, may comment on how the conservation revenues are allocated between customer classes. Staff believes revenue allocation, or rate spread, is most appropriately addressed in a general rate case. Specifically, conservation is considered to be a resource, which has associated costs and as such should be allocated to customer classes in the same manner as generation resources: namely, through the use of a cost of service study. While the commission considers more than just the cost of service study in determining the ultimate rate spread in a general rate case, the cost of service studies coupled with other considerations still determine the rates. Given the complexities of assigning costs and rates across various customer classes, both rate spread and rate design must be considered in a broad context. A general rate case is the best place for that level of consideration. Until there is a new general rate case with an updated cost of service study, the assignment of costs from increasing conservation charges legitimately relies on the cost of service results in the most recent rate case. Staff believes this is appropriate, absent a new cost of service study and new rate case.

⁷ Work papers, Attachment 1, Tab "Attachment B" – Accrual Basis Accumulative Balance for April 2012.

Customer Comments

The company notified its customers of the proposed rate increase by paid advertisements in nine daily area newspapers in its service territory. The company sent copies of the notice to area news editors of local newspapers, television and radio stations. The company also posted the notice on its website. The commission received two customer comments; both oppose the increase. Consumer Protection staff advised consumers that they may access company documents about this rate case at www.utc.wa.gov and that they may contact Roger Kouchi for information at 1-888-333-9882.

General Comments

- Two customers expressed frustration with frequent rate increases. They also stated that due to the economic conditions the continuing increases make it hard for them to pay their bills.

Staff Response:

Customers were advised that state law requires rates to be fair, just, reasonable and sufficient to allow the company to recover reasonable operating expenses, and, the opportunity to earn a reasonable return on investment. They were also advised that the commission's regulatory staff will review this filing to ensure that all rates and fees are appropriate.

Conclusion

This tariff revision is in the public interest and is consistent with the conservation targets set in Dockets UE-100170 and UE-111880, therefore, staff recommends allowing the tariff filing in Docket UE-120700 to become effective July 13, 2012, by operation of law.