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RE: Docket UE-240393—PacifiCorp's Reply Comments

PacifiCorp d/b/a Pacific Power & Light Company (PacifiCorp or Company) submits the following comments in response to the Alliance of Western Energy Consumers (AWEC) and Staff of Washington Utilities and Transportation Commission (Staff) in Docket UE-240393.

1. Background

In its 2021 Clean Energy Implementation Plan (CEIP), PacifiCorp committed to launching a portfolio of demand response programs and to achieving 37.4 MW of demand response resources by the end of 2025, as part of its strategy to meet the requirements of the Clean Energy Transformation Act (CETA). Demand response programs provide several benefits, including the ability to reduce power costs during times of peak demand or high prices, added flexibility to respond to events on the grid (such as contingency reserve and frequency events), and the ability to defer expansion of system capacity or equipment replacement. These benefits are increasingly important as utilities add more renewable generation, and as loads and demand patterns grow and change due to electrification and technological change. In other words, as Washington transitions away from dispatchable thermal generation, demand response programs provide a necessary tool for a reliable and low-cost energy grid in the state to meet the mandates of CETA. Demand response resources reduce utility costs, which flow to customers in the form of lower rates from avoided costs. In addition, direct participants in demand response programs (*i.e.*, certain PacifiCorp customers) receive incentives to compensate for the cost and inconvenience of occasional curtailment.

PacifiCorp currently offers three demand response programs for its Washington customers to participate in:

- **Irrigation Load Control** began enrolling customers in February 2023. PacifiCorp installs a load control device on irrigation pumps, and shuts off load during peak demand. Customers receive an incentive based on the average load on the pumps during eligible curtailment hours, and proportionally reduced if participants opt out of events. Incentive amounts vary by

the amount of notification customers require, with shorter minimum notification times receiving higher incentives.¹

- **Commercial and Industrial Demand Response** began enrolling customers in May 2023. Through this program, customers nominate a portion of their load that they are willing to curtail. They receive incentives based on the amount load they nominate, adjusted for their performance during curtailment events. The program has four pathways for participation, which offer different notification times, duration of events, potential curtailment windows, and incentive levels.²
- **Optimal Time Rewards** began enrolling customers in February 2024. This program is offered to residential customers with electric heating and cooling equipment and a smart thermostat, or an electric water heater. Customers receive an incentive for enrolling, and an annual incentive for continuing their participation.³

In accordance with the 2021 CEIP, in developing each demand response program, PacifiCorp sought substantial input from the Demand-side Management (DSM) advisory group and provided detailed filings to the Commission, including all program design parameters, results from request for proposals, a five-year budget, and an analysis of the program cost-effectiveness. Program delivery costs were based on contracts with third-party vendors that resulted from a competitive solicitation. The process to establish a new demand response program was detailed in PacifiCorp's Advice 22-03 (Docket UE-220550), establishing Schedule 106 as an umbrella tariff for all PacifiCorp's demand response programs, which was accepted by the Commission. To date, none of the programs has exceeded the budget provided in the respective program filings.

On May 24, 2024, PacifiCorp filed Advice 24-02, which included updated tariff sheets to modify the rate in Schedule 191—System Benefits Charge (Schedule 191). The establishment of Schedule 191 allows for recovery of costs for demand-side management services and programs. Approval of this proposal will better align the Company's recovery of costs associated with acquiring and administering cost-effective demand-side management resources in its Washington service area. These resources include PacifiCorp's long-running energy efficiency programs as well as three demand response programs launched to customers over the past two years. The proposal in the current filing to recover expenses for approved demand response programs in the System Benefits Charge is also consistent with the approved Petition for Accounting Order, Docket UE-220848, which states: "[t]he Company will seek amortization of the deferred amount [for approved demand response programs] through Schedule 191 in a future Commission proceeding."⁴ In addition, PacifiCorp highlighted the need for a full time equivalent (FTE) to support tracking Washington equity metrics, many of which relate to demand side management programs.

¹ Hereinafter "Irrigation demand response program."

² Hereinafter "Commercial and Industrial demand response program."

³ Hereinafter "Residential demand response program."

⁴ *In the Matter of the Petition of PacifiCorp d/b/a Pacific Power and Light Company For an Accounting Order authorizing the Company to utilize deferred accounting for costs associated with demand response programs*, Amended Petition at 3 (May 19, 2023) (approved in Order 02 in the same Docket).

Advice Letter 24-02 proposed to increase the System Benefits Charge from approximately \$19 million to a total of approximately \$24 million annually effective September 1, 2024. The basis for this increase is explained in the advice letter, which included the deferred amounts in the balancing account and the best available forecast of 2024 expenditures for approved conservation and demand response programs and assumes this level of expenditures will continue into 2025.

Washington Utilities Transportation Commission Staff (Staff) and the Alliance of Western Energy Consumers (AWEC) have submitted comments in this process, to which the Company provides the following response:

2. Response to Staff

PacifiCorp appreciates Staff's analysis provided in the Open Meeting Memo issued on August 26, 2024. Staff recommends that the Commission issue an order approving the Company's proposed tariff revisions subject to the following two conditions: (1) the demand response programs will not accrue interest or be able to recover interest at any time per WAC 480-109-130(3); and (2) the FTE position shall not be allowed to be recovered at this time.⁵ PacifiCorp provides the following comment to these two conditions:

First, PacifiCorp agrees that WAC 480-109-130(3) prohibits the accrual of interest on deferred conservation balances. This makes conceptual sense because WAC 480-109-130 supports the near contemporaneous recovery of conservation program costs so that interest should not be necessary. To clarify, PacifiCorp *did not* include any costs associated with interest in the conservation or demand response program costs in its proposed tariff revision. PacifiCorp clarified this in its response to WUTC Informal Data Requests Nos. 2-3.⁶

While WAC 480-109-130(3) prohibits utilities from accruing interest or carrying charges on deferred *conservation* cost balances,⁷ PacifiCorp notes that the Commission's order approving its Petition for Accounting Order in Docket UE-220848 allows the Company to apply interest for costs associated with demand response.⁸ In accordance with the approved petition for accounting order, PacifiCorp respectfully requests to retain the ability to apply interest to demand response deferral amounts in future circumstances where near-simultaneous recovery through Schedule 191 does not occur.

⁵ Staff Open Meeting Memo at 3 (Aug. 27, 2024).

⁶ These responses are currently not within the record, but the Company assumes these responses informed Staff's recommendation to approve the tariff revision.

⁷ WAC 480-109-130(3).

⁸ *In the Matter of Petition of PacifiCorp d/b/a Pacific Power and Light Company for an Accounting Order authorizing the Company to utilize deferred accounting for cost associated with demand response programs*, Docket No. UE-220848, Order No. 02 (June 29, 2023) ("On January 26, 2023, at its regularly scheduled Open Meeting, the Commission issued Order 01 in this Docket, approving PacifiCorp's Petition and authorizing the Company to track the costs of its commercial, industrial, and irrigation programs, totaling approximately \$14 million over five years, in deferred Federal Energy Regulatory Commission (FERC) account 186 - Miscellaneous Deferred Debits, and to accrue interest on the unamortized balance at the quarterly FERC rate, until the Company files for recovery of these amounts at a later date.").

Second, to clarify, PacifiCorp did not include the forecasted costs of the FTE position in its proposed tariff revision. In particular, in the advice letter the Company provides: “The Company has not added a specific forecast for the new analyst into the attached analysis since the costs are insignificant (less than 1%) compared to the estimated energy efficiency and demand response expenses.”⁹ The Company anticipates that it will need to hire a full-time employee to comply with its regulatory obligations in Washington, including the following responsibilities: (1) Data tracking and analytics, including analysis related to Highly Impacted Communities and Vulnerable Populations as these requirements are becoming increasingly important but also increasingly labor intensive; and (2) Tracking for conservation and demand response as well as other areas (e.g., disconnections).

Staff’s recommendation is not that the Company could not recover these costs in a future Schedule 191 filing, but rather that these costs should not be allowed to be recovered in the System Benefits Charge at this time. The Company accepts this recommendation and may seek to include recovery for an equity analyst FTE or similar expense in the System Benefits Charge in the future. Commission acknowledgement of the need for and importance of this work would provide support towards the Company filling this position for the benefit of our customers.

3. Response to AWEC

AWEC recommends that the Commission decline to approve portions the advice filing relating to demand response (not energy efficiency). AWEC provides the following reasons underlying its recommendation: (1) the demand response program costs have not had the opportunity to be reviewed for prudence; and (2) demand response programs should be recovered in a subsequent multi-year rate plan instead of recovered under Schedule 191. In the alternative, AWEC provides that if the Commission approves the advice filing that PacifiCorp should be required to offset the costs with the forecasted benefits of the demand response programs. PacifiCorp will respond to each one of these arguments below:

A. *The demand response programs have been thoroughly vetted and reviewed by the Commission, stakeholders, and the Demand Side Management (DSM) Advisory Group.*

AWEC premises its argument on an assumption that it has never had the opportunity to review the demand response programs or issue data requests to make a prudence recommendation.¹⁰ The Commission should give no weight to this argument for the following reasons:

First, the demand response programs, along with their respective requests for proposals (RFPs), cost-effectiveness analyses, and budgets, have been the subject of robust stakeholder engagement and have been presented to the Commission multiple times. These programs were integral to the Company’s approved 2021 CEIP, which was designed to meet the mandates of CETA and underwent substantial processes in alignment with Washington’s procedural equity requirements. While AWEC has historically participated in the DSM Advisory Group and was invited to

⁹ Advice Filing at 3 (May 24, 2024).

¹⁰ AWEC comments at 2 (July 9, 2024) (“In the very least, evidence of reasonableness of these costs should be subject to a process that allows for through review by interested participates . . .”).

participate in the development of these demand response programs, it chose not to. Additionally, presentation materials from the DSM Advisory Group are available online and accessible to AWEC.

Furthermore, these demand response programs, along with their associated budgets and cost-effectiveness analyses, have been presented to the Commission multiple times—each instance offering AWEC the opportunity to review, provide input, and issue data requests to inform a prudence recommendation. This includes the Company’s currently approved 2021 CEIP (which incorporated these programs), three separate program filings, two deferral filings, as well as the current docket, where PacifiCorp responded to seven data requests from AWEC. Below is a summary of the public input and Commission processes related to PacifiCorp’s demand response programs. The rows highlighted in blue represent Commission proceedings in which AWEC had the opportunity to review and issue data requests concerning the demand response programs, including their cost-effectiveness analyses, the results of the competitive solicitation, and budgets:

Table 1: Summary of Public Input and Commission Processes on the CEIP Demand Response Programs¹¹

January 20, 2020	PacifiCorp held a Conservation Potential Assessment (CPA) workshop meeting in the 2021 Integrated Resource Plan (IRP) public input process. Highlights included review prior IRP/CPA comments, proposed CPA methodologies for demand response, interactions between demand response and pricing/rates options.
February 18, 2020	PacifiCorp held a technical workshop in the 2021 IRP public input process. Highlights included further defining the grid services a demand response resource can provide and IRP credits for demand response.
April 14, 2020	PacifiCorp held a stakeholder meeting interested in demand response. Highlights included background information on existing demand response programs, review of demand response in 2019 IRP, review of demand response potential in the conservation potential assessment, discuss pilot concepts and gather input on how to structure or focus a demand response RFP.
April 16, 2020	At its regular IRP public input meeting, PacifiCorp shared information on the demand response stakeholder meeting with the broader IRP audience.
June 18 & 19, 2020	PacifiCorp held an IRP public input meeting, which included 2019 IRP Action Item 4 acknowledgement with demand response conditions and draft RFP schedule shared with broader IRP audience.
August 28, 2020	PacifiCorp held an IRP CPA Technical Workshop. Highlights included an assessment of demand response resources, assessment methodology, transition to grid services view of demand response, development of demand response costs, draft potential results (short and long duration, winter and summer) and a demand response RFP update.
October 22, 2020	PacifiCorp held an IRP public input meeting. Highlights included demand response ramp rates, battery storage assumptions, types of demand response costs used in the levelized calculation, demand response cost bundles

¹¹ For the purposes of brevity, this table does not include formal case citations in footnotes.

October 14, 2020	Johnson Consulting Group was hired to: Research demand response technical vendor requirements, summarize demand response RFPs that have been issued by other energy organizations, assist in developing a simple Request for Qualifications (RFQ) template to identify potential vendors, assist in the distribution of the RFQ to ensure it is widely circulated to encourage a robust response rate, Conduct in-depth interviews with up to 15 potential demand response vendors to identify market barriers, opportunities, and critical elements that should be addressed in a forthcoming demand response RFP, summarize key elements and essential components that should be considered in developing a demand response RFP and a demand response RFQ.
October 22, 2020	PacifiCorp held an IRP Public input meeting. Highlights included demand response ramp rates, battery storage assumptions, types of demand response costs used in the leveled calculation, demand response cost bundles.
November 2, 2020	PacifiCorp posted the RFQ for bidders to the following website: https://www.pacificorp.com/suppliers/rfps/demand-response-rfp-2021.html . RFQ responses were due on or before November 23, 2020, and were intended to build the bidders list for the RFP and help to expand our outreach to a range of suppliers. The RFQ also asked respondents to provide some brief descriptions of potential programs and also asked for Oregon pilot ideas, response to stakeholder interests. The RFQ was also posted to Peak Load Management Alliance, Association of Energy Service Professionals, International Energy Program Evaluation Conference, Energy Central, and ESource in order to reach a broad audience.
February 8, 2021	PacifiCorp released the RFP to 26 bidders registered in the Company's on-line procurement system.
February 9, 2021	PacifiCorp filed the RFP with the Washington Utilities and Transportation Commission under Docket No. UE-210088.
March 15, 2021	PacifiCorp received RFP responses from 18 different organizations.
April 23, 2021	PacifiCorp held an IRP public input meeting. Highlights included updates on All Source 2020 and the demand response RFPs.
June 25, 2021	PacifiCorp held an IRP public input meeting. Highlights included updates on demand response selected by the System Optimizer model selections from the 2021 demand response RFP.
August 27, 2021	PacifiCorp held an IRP public input meeting highlighting the 2021 preferred portfolio action plan with demand side management actions.
October 19, 2021	PacifiCorp held a technical workshop on proposed CEIP utility actions to meet CETA requirements, specifically highlighting demand response actions, including irrigation load control, that the Company intended to undertake as part of the CEIP.
October 20, 2021	PacifiCorp met the Equity Advisory Group (EAG) on proposed CEIP utility actions, specifically highlighting demand response actions, including irrigation load control, that the Company intended to undertake as part of the CEIP.
November 1, 2021 PacifiCorp Filed its Draft 2021 CEIP	PacifiCorp files its Draft CEIP with the Commission in Docket No. UE-210829. Pages 59-60 of the plan include the Irrigation, Commercial and Industrial, and Residential demand response programs. AWEC was an intervenor in this proceeding.
November 10, 2021	PacifiCorp held a technical workshop on the draft CEIP and discussed prospective capacity volumes and costs associated with demand response actions identified in the CEIP.

November 15, 2021	PacifiCorp met with the demand response advisory council staff lead from the Northwest Power and Conservation Council and discussed the California Demand Response Protocol utilized by PacifiCorp for evaluating their programs. Discussion focused on similarities between the council's approach and the protocol and how costs and benefits were included in the total resource cost test calculations.
November 17, 2021	PacifiCorp met with the EAG providing further detail on draft demand response actions included in the CEIP.
December 30, 2021 PacifiCorp Filed its 2021 CEIP	PacifiCorp files its final CEIP with the Commission in Docket No. UE-210829. Pages 81-83 include of the plan include the Irrigation, Commercial and Industrial, and Residential demand response programs. In the version of the CEIP, the Company provided that "PacifiCorp will share proposed program characteristics, budgets, implementation and evaluation strategies, and cost-effectiveness methodologies to facilitate feedback and guidance of stakeholders, in particular relying on the DSM Advisory Group. These meetings, in conjunction with email communications in which supporting information is shared, will be pivotal in helping the company develop programs and refine assumptions. Feedback will then be incorporated into a draft filing which will be shared with the DSM Advisory group to gather additional feedback. <i>Once general agreement and understanding on programs has been achieved, the company will file programs.</i> " AWEC was an intervenor in this proceeding.
February 4, 2022	PacifiCorp representatives and Connected Energy met with a representative from Farmer Conservation to discuss organizational roles and plans, demand response program design and opportunities for coordinated outreach were discussed for both Oregon and Washington.
March 13, 2023 PacifiCorp Filed its Revised 2021 CEIP	PacifiCorp files its revised CEIP with the Commission. The revised CEIP still contains the Irrigation, Commercial and Industrial, Residential demand response programs on pages 83-87—which includes a proposed budget. AWEC was an intervenor in this proceeding.
April 13, 2022	PacifiCorp presented the draft program requirements, participation parameters for discussion and requested specific feedback from the EAG regarding program marketing and partnership strategies.
April 28, 2022	PacifiCorp presented draft program requirements, participation parameters, marketing and outreach, cost-effectiveness, implementation strategies, and potential mechanisms for cost recovery with the Washington DSM advisory group.
June 27, 2022	In accordance with the 2021 CEIP, PacifiCorp provide a draft of Advice Letter 23-03 in Docket No. 220550, including attachments, to the Washington DSM advisory group for review and comment. PacifiCorp did not receive any comments from the group.
June 28, 2022	PacifiCorp provided an overview of the irrigation demand response program to the Washington DSM advisory group.
June 28, 2022	During a Washington DSM Advisory group meeting, PacifiCorp provided a look ahead on their plan to communicate program details and draft filing materials for commercial and industrial program near the end of Q3.
August 25, 2022 Irrigation Demand Response Filing	In accordance with the 2021 CEIP, PacifiCorp filed for approval of the Irrigation demand response program in Docket No UE- 220550 and establishment of Schedule 106. Of relevance, this advice letter, the Company included: (1) a background of the Irrigation demand response program; (2)

	delivery of the program from Connected Energy who won the 2021 RFP, (2) estimated costs of the program; and (3) a cost effectiveness analysis; (4) cost recovery through Schedule 191. AWEC did not submit comments in this proceeding.
September 8, 2022	PacifiCorp presented Commercial and Industrial draft program design elements including product types, incentive levels and participation parameters along with a tentative schedule for delivery of the draft filing to the DSM advisory group.
September 30, 2022	In accordance with the 2021 CEIP, PacifiCorp provide a draft of the November 16, 2022 Commercial and Demand Response Filing, including attachments, to the Washington DSM advisory group for review and comment by October 14, 2022.
November 8, 2022	PacifiCorp added language to the Commercial and Demand Response Filing to further illustrate connections between the program, the CEIP and equitable distribution of benefits delivered. In addition, minor changes were made to all documents to improve clarity in the filing provided to the Commission.
November 16, 2022 Commercial Demand Response Filing	In accordance with the 2021 CEIP, PacifiCorp made a filing for approval of the Commercial and Industrial demand response program in Docket No. UE-220848. Of relevance, the filing included: (1) a background of the commercial and industrial demand response program, including that delivery of the program from Enel X, which was the 2021 RFP, (2) estimated costs of the program; (3) a cost effectiveness analysis; (4) cost recovery through Schedule 191. AWEC did not submit comments in this proceeding.
December 7, 2022	During an Equity Advisory Group meeting, PacifiCorp provided information on the contracting, outreach and estimated filing schedules for the residential demand response program.
December 16, 2022 Irrigation and Commercial and Industrial Demand Response Deferral	In accordance with its Irrigation and Commercial and Industrial demand response filings, PacifiCorp filed for a petition for deferred accounting of the Commercial and Industrial demand response program in Docket No. UE-220848. In this filing deferral the Company provided that it “will seek amortization of the deferred amounts through Schedule 191 in a future Commission proceeding.” The Company also provided estimated amounts for both the (1) Irrigation; and (2) Commercial and Industrial, demand response programs over five years. The Commission found that “the Petition is consistent with the public interest and should be granted.” The Commission further granted Staff’s recommendation to “accept” both these demand response programs. AWEC did not submit comments in this proceeding.
January 10, 2023	The Company hosted a technical workshop to educate and inform on the proposed residential demand response program and seek feedback on the proposed design. The workshop was attended by 23 participants representing 13 organizations. Presentation materials and meeting notes were posted on January 24, 2023.
February 9, 2023	During an Equity Advisory Group meeting the Company presented information to help illustrate the core concepts of demand response and provided an overview of the draft program design for residential customers.
March 9, 2023	During an Equity Advisory Group meeting the Company presented additional information on the draft program design for residential customers.
March 30, 2023	During a DSM Advisory Group meeting, the Company provided a brief update on when the draft filing would be available to the group for comments.

April 19, 2023	In accordance with the 2021 CEIP, PacifiCorp provided a copy of the draft filing for the Residential demand response program to the DSM Advisory Group and requested comments no later than May 5, 2023.
April 28, 2023	Public Counsel requested that more information about resources available to income qualified to overcome barriers, especially WiFi access, be easily accessible. Public Counsel also suggested a follow-up conversation with the Energy Project on how best to engage income qualified customers and help them participate.
May 15, 2023	The Company added language to this advice filing about plans to provide information on WiFi access programs and targeted outreach to community action agencies. Arranging the follow-up conversation with the Energy Project is underway.
May 19, 2023 Residential Demand Response Filing	In accordance with the 2021 CEIP, PacifiCorp filed for approval of the Residential demand response program in Docket No. UE-220848. Of relevance, the filing included: (1) a background of the commercial and industrial demand response program, including that delivery of the program from Open Access Technologies International, Inc. (OATI), which was the 2021 RFP, (2) estimated costs of the program; (3) a cost effectiveness analysis; (4) explanation of how the program was part of an overall equity approach by the Company to make demand response available to all customer classes; and (5) cost recovery through Schedule 191. AWEC did not submit comments in this proceeding.
May 19, 2023 Residential Demand Response Deferral	PacifiCorp filed to amend its accounting order in Docket No.UE-220848 to include its residential demand response program. In this filing, the Company provided that it “will seek recovery of these deferred costs through Schedule 191 in a future proceeding.” The Company also provided estimated costs for the program over a five-year period. The Commission found that “the Petition is consistent with the public interest and should be granted.” AWEC did not submit comments in this proceeding.
September 22, 2023 CEIP Settlement filed with the Commission	PacifiCorp files a multiparty settlement stipulation to approve its 2021 CEIP. Importantly, the settlement stipulation added conditions to the Revised CEIP filed on March 13, 2023—and did not remove any of the demand response programs within the plan. AWEC did not join the stipulation but did not oppose it.
October 25, 2023 2021 CEIP Approved by the Commission.	As part of a stipulation, the Commission approved PacifiCorp’s 2021 CEIP in Order 06 in Docket No. UE-210829. The approved stipulation adopted the Revised CEIP subject to certain conditions, that did not remove the proposed demand response programs within the plan. AWEC did not join the approved stipulation but did not oppose it.
May 24, 2024 PacifiCorp Files to Revise Schedule 191 Tariff Sheets	PacifiCorp files Advice Letter 24-02 to revise the tariff sheets for Schedule 191, in accordance with the approved petition accounting order in Docket UE-220848, which stated “[t]he Company will seek amortization of the deferred amount [for approved demand response programs] through Schedule 191 in a future Commission proceeding.” Despite issuing data requests in the proceeding, AWEC submits comments that it has not had the opportunity to assess prudence.

Even though AWEC chose to not participate in the collaborative process that developed these programs, they certainly had the opportunity to do so. Furthermore, the programs, their

respective RFPs, cost effectiveness analysis, and budgets have been before the Commission on multiple occasions as illustrated above. These programs are also included within the Company's approved 2021 CEIP that provide the actions the Company should take to comply CETA, which AWEC did not oppose. AWEC only submitted comment on the approved CEIP demand response programs and budgets at the latest point possible in the processes when the Company sought recovery of the costs. AWEC has issued discovery in this proceeding and had the opportunity to provide a prudence recommendation. Consequently, the Commission should give no weight to the argument that AWEC never had the opportunity to review these programs and make a prudence recommendation.

B. Schedule 191 is the applicable schedule for recovery of demand-side management program costs.

AWEC premises its next argument on its interpretation of the term “demand side management services and programs” contained in Schedule 191. In particular, AWEC attempts to convince the Commission to adopt a narrow interpretation of demand side management to only include programs associated with conservation, and no other customer-side-of-the-meter programs.¹² The Commission should give no weight to this narrow interpretation for the following reasons:

First, PacifiCorp is surprised by AWEC's narrow interpretation of the phrase “demand-side management.” The Company has consistently interpreted this colloquial term broadly across all its six jurisdictions to include customer-side-of-the-meter programs, encompassing energy efficiency/conservation and demand response initiatives. For example, the approved 2021 CEIP defines demand-side management:

Demand-Side Management (DSM): PacifiCorp classifies DSM resources into four categories, differentiated by two primary characteristics: reliability and customer choice. These resource classifications can be defined as: *demand response* (e.g., a firm, capacity focused resource such as direct load control), energy efficiency (e.g., a firm energy intensity resource such as conservation), demand side rates (DSR) (e.g., a non-firm, capacity focused resource such as time of use rates), and behavioral-based response (e.g., customer energy management actions through education and information).

The Commission approved the 2021 CEIP via a settlement stipulation that contained this definition of Demand-side Management. The labeled section “Demand Response Resources” within the 2021 CEIP, includes its Commercial and Industrial, Irrigation, and Residential demand responses programs as integral directives to comply with CETA. Further, as illustrated in Table 1 above, the DSM advisory group was monumental in the development of the demand response programs—as demand response has always been considered a DSM program.

When PacifiCorp filed to establish Schedule 106, it did so concurrently when it sought approval of its Irrigation demand response program. In other words, in the same advice filing the

¹² AWEC Comments at 2 (July 9, 2024) (“While the scope of the tariff covers demand-side management services, demand response serves a different purpose than conservation costs traditionally recovered by this schedule.”).

Company sought to establish Schedule 106, it also sought approval of the Irrigation demand response program, and explicitly stated: “PacifiCorp proposes to recover the approved irrigation demand response program costs through Schedule 191 but is not proposing a change to Schedule 191 as part of this filing. Once the irrigation demand response program is approved, the Company will file a petition to defer the cost incurred through this program for later recovery through Schedule 191.” As further illustrated in Table 1 in the last section, PacifiCorp also explained in its Commercial/Industrial and Residential demand response filings that it would seek recovery through Schedule 191.

Moreover, the Commission approved the Company’s initial and amended petitions for accounting orders for the demand response programs in which it stated “[t]he Company will seek amortization of the deferred amount [for approved demand response programs] through Schedule 191 in a future Commission proceeding.”¹³ Since the filing of these petitions for accounting orders, the Company’s plan to offer demand response programs has been approved as part of the 2021 CEIP. On June 29, 2023, the Commission approved the amended accounting petition (that encompassed all three program) and provided “after reviewing PacifiCorp’s Petition filed in Docket UE-220848 and giving due consideration to all relevant matters and for good cause shown, the Commission finds that the Petition is consistent with the public interest and *should be granted*.”¹⁴ If PacifiCorp or the Commission wanted Schedule 191 to be inclusive of conservation program costs only, it would have used the word “conservation” instead of the more broad term “demand side management” in Schedule 191. AWEC provides no citation to support such a narrow interpretation of the term “demand-side management” by this Commission or any other state commission, nor is the Company aware of any such citation.

Second, as illustrated in Staff’s Open Meeting Memo, other investor-owned utilities in Washington recover costs associated with demand response in a separate DSM tariff schedule. For example, Staff highlights that Puget Sound Energy (PSE) recovers certain demand response program costs through a separate DSM tariff schedule.¹⁵ In the referenced docket, the Commission quoted Staff stating it “believes that recovery of DR administrative costs in Schedule 120 will facilitate co-deployment of DR and energy efficiency programs and remove barrier to transition pilot programs to permanent programs, as appropriate.”¹⁶ The Commission further concluded that “the requested accounting treatment furthers the public interest by enabling the Company to pursue all cost-effective DR more effectively.”¹⁷ Indeed, allowing for near contemporaneous recovery of DSM program costs avoids unnecessary interest expense if these costs were instead left within a deferral account for an extended period of time to be

¹³ See *In the Matter of PacifiCorp, dba Pacific Power & Light Company, Petition for an Order Approving Deferral of the Costs Associated with Demand Response*, Docket No. UE-220848, PacifiCorp Petition for Accounting Order at ¶ 4 (Dec. 16, 2022).

¹⁴ *In the Matter of Petition of PacifiCorp d/b/a Pacific Power and Light Company For An Accounting Order authorizing the Company to utilize deferred accounting for costs associated with demand response programs*, Docket No. UE-220848, Order No. 02 at ¶5 (June 29, 2023).

¹⁵ Staff’s Open Meeting Memo at 2 (Aug. 26, 2024).

¹⁶ *In the Matter of Petition of Puget Sound Energy For An Accounting Order Authorizing Deferred Accounting Treatment of the Administrative Costs of Puget Sound Energy’s Demand Response Programs*, Docket No. UE-230028, Order No. 01 at ¶ 5 (Feb. 23, 2023).

¹⁷ *Id.* at ¶ 6.

amortized in a subsequent a rate proceeding. In other words, including the costs of demand response programs in Schedule 191 eliminates the need for interest or carrying charges, reduces regulatory lag, and provides liquidity to cover ongoing program expenses. AWEC’s proposal to delay the recovery of these costs until the next multi-year rate plan would expose customers to unnecessary interest costs and is not aligned with the directives to procure cost-effective demand response programs identified in the 2021 CEIP to comply with CETA mandates.

Third, PacifiCorp routinely recovers costs associated with demand response programs in separate DSM tariff schedules within its other service jurisdictions. For instance, Oregon has a similar schedule for its system benefits charge tariff that facilitates the recovery of demand response program costs.¹⁸ Another example in Utah that has a similar schedule for “Demand Side Management” that also facilitates the recovery of demand response program costs.¹⁹

C. The benefits of demand response will appear in future multi-year rate plans and power cost adjustment mechanism (PCAM) filings.

AWEC presents an alternative argument that if the Commission approves the tariff revision, it should also require the Company to “reflect anticipated customer benefits in rates in this case.”²⁰ AWEC offers no explanation of the regulatory mechanics for implementing this proposal. AWEC’s argument is flawed and should not be adopted for the following reasons:

First, demand response programs, similar to conservation and energy efficiency programs, generate cost reductions by avoiding expenses that would otherwise be incurred, such as constructing peaking generation units, entering into power purchase agreements, or procuring energy through market transactions during peak demand periods. These programs offer multiple benefits to customers, including the ability to lower power costs during peak demand or high-price periods, increased flexibility to respond to grid events (such as contingency reserve and frequency events), and the deferral of system capacity expansion or equipment replacement. These advantages are becoming increasingly important as utilities incorporate more renewable generation and as loads and demand patterns evolve due to electrification and technological change. As Washington transitions away from dispatchable thermal generation, demand response programs are essential for maintaining a reliable and cost-effective energy grid that complies with the mandates of CETA. Demand response resources reduce utility costs, which ultimately benefit ratepayers through lower rates resulting from avoided costs. Additionally, participants in demand response programs (PacifiCorp customers) receive incentives to compensate for the costs and inconvenience of occasional curtailment, ensuring that they are rewarded for their participation—benefits that would otherwise be allocated to other sources if these programs did not exist.

¹⁸ PacifiCorp Oregon Schedule 291—System Benefit Charge *available at:* https://www.pacificpower.net/content/dam/pcorp/documents/en/pacificpower/rates-regulation/oregon/tariffs/rates/291_System_Benefits_Charge.pdf

¹⁹ PacifiCorp Utah Schedule 193—Demand Side Management (DSM) Cost Adjustment, *available at:* https://www.rockymountainpower.net/content/dam/pcorp/documents/en/rockymountainpower/rates-regulation/utah/rates/193_Demand_Side_Management_DSM_Cost_Adjustment.pdf

²⁰ AWEC comments at 2 (July 9, 2024).

Second, AWEC premises its argument on PSE's regulatory treatment of a power purchase agreement in a rate case. However, this argument is flawed because the cited case involved a rate proceeding where PSE had a "Demand Response Purchase Power Agreement" that it proposed to include in its forecast of Net Power Costs (NPC).²¹ In contrast, PacifiCorp does not have a "purchase power agreement" linked to demand response, nor does it propose to include any demand response costs in an NPC forecast. Indeed, the deferred demand response program costs are *not* considered a power cost and are instead booked to FERC Account 186 – Miscellaneous Deferred Debits, as provided with Order 01 and 02 in Docket UE-220848. PacifiCorp's intent has always been to treat demand response programs similarly to other DSM programs under Schedule 191, such as conservation and energy efficiency initiatives. To the extent that these demand response programs reduce net power costs or avoid other expenses, these savings will be reflected in a future multi-year rate plan or PCAM annual filing. AWEC fails to provide a mechanical explanation of how the Company could reflect these anticipated benefits "in this case" to prevent double counting of reduced costs in future proceedings. Therefore, the Commission should treat demand response program costs in the same manner as other demand side management programs under Schedule 191, and consistent with how other state commissions handle similar programs in the Company's other jurisdictions.

4. Conclusion

Based on the foregoing, the Company respectfully requests the Commission adopt the recommendation in Staff's Open Meeting Memo and issue an order approving PacifiCorp's Advice 24-02 that provides revisions to Tariff WN U-76, Schedule 191, System Benefits Charge Adjustment.

Sincerely,

/s/

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²¹ *In the Matter of Petition of Puget Sound Energy for Revisions to Tariff WN U-60 Electric Schedule 95, Power Cost Adjustment Clause, approved by Final Order 24/10, Docket No. UE-210805, Order No. 01 (December 22, 2023).*