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February 15, 2007

***VIA ELECTRONIC FILING  
AND OVERNIGHT DELIVERY***

Washington Utilities and Transportation Commission  
1300 S. Evergreen Park Drive SW  
Mail Stop: FY-11/7250  
Olympia, WA 98504-7250

Attention: Carole Washburn  
Executive Secretary

Re: Docket No. UE-001457-Systems Benefit Charge Reporting

Enclosed is PacifiCorp's annual report on the Systems Benefit Charge collection and energy efficiency expenditures for the period January through December 2006. This report is in accordance with the accounting order in Docket No. UE-001457.

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

By Fax: (503) 813-6060

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

If you have any questions or comments regarding this report please contact me at (503) 813-5161.

Sincerely,

Jeff Bumgarner  
Director, DSM  
PacifiCorp  
825 NE Multnomah Street, Suite 600  
Portland, OR 97232

Enclosure

**PacifiCorp's**

**Annual Review**

**of**

**2006 Energy Efficiency Programs**

**in**

**State of Washington**

**February 15, 2007**

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## **SUMMARY**

### **PacifiCorp's 2006 Annual Review of Energy Efficiency Programs**

#### **Achievements**

In 2006, PacifiCorp acquired resources through Company energy efficiency program activity totaling **48,600,784 kWh/year or 5.55 MWa** in Washington (at generation).

#### **2006 Advisory Group and Advice Filings Summary:**

The Company met with its Advisory Group July 19, 2006 to review a draft filing for a new residential incentive program (Home Energy Savings incentive program), to preview planned improvements for the commercial/ industrial programs, and to provide updates on existing programs. The Advisory Group provided valuable input, which was incorporated in the Home Energy Savings filing.

On August 11, 2006 the Company filed Advice 06-004 proposing the Home Energy Savings program and administrative changes to the Energy Star New Homes program. On August 23, 2006, the Company provided written responses to the Advisory Group input on the draft filing. The filing was approved effective September 14, 2006.

On September 28, 2006, the Company filed Advice 06-006 requesting a reduction in the System Benefits Charge from \$6.7 to \$4.5 million annually for ongoing operation of existing programs and to balance the System Benefits Charge account. The reduction does not reflect a reduction in activity. In setting the \$6.7 million collection rate in 2005, the Company anticipated making a large incentive payment for an industrial project under construction. Sufficient funds had been collected for that payment, and the collection rate needed to be reduced to align ongoing expenditures and revenue and to balance the System Benefits Charge account. The large incentive payment was made in 2006. The Company anticipates the collection rate to balance cumulative expenditures and revenue in late 2008. The Company proposed a collection rate expected to balance in 2008 and not earlier for rate stability reasons. The System Benefits Charge adjustment filing was approved effective November 1, 2006.

The Company provided a draft filing proposing changes to three existing programs on October 13, 2006. The draft filing included tariff format changes for Energy Star New Homes, a tariff format change and program enhancements for FinAnswer Express, and program enhancements for Energy FinAnswer including enhanced design assistance services and incentives for commercial/industrial new construction and major renovation projects. On November 8, 2006, the Company filed the program changes in Advice 06-008. On November 21, 2006, the Company provided written responses to the Advisory Group input in the draft filing. The filing was approved effective January 1, 2007.

Advisory Group and filing activity for 2000 – 2005 reported previously is included at the end of this report.

**PROGRAM OVERVIEW**

In 2006, PacifiCorp achieved a total of **48,600,784 kWh/year or 5.55 MWa** in the State of Washington (at generation). Table 1 below shows achievements by program.

Table 1: 2006 PacifiCorp Program Achievements

<b>Program</b>	<b>Units</b>	<b>kWh/yr (at gen)</b>	<b>aMW (at gen)</b>	<b>System Benefits Charge Expenditures</b>
<b>Low Income Weatherization (114)</b>	150	357,247	0.04	\$ 643,276.75
<b>Energy Education in Schools (113)</b>	3,160	1,611,717	0.18	\$ 333,787.80
<b>Refrigerator Recycling (107)</b>	3,544	4,123,584	0.47	\$ 592,128.86
<b>Home Energy Savings Program (118)</b>	1,075	533,626	0.06	\$ 76,289.57
<b>Energy Star New Homes (108)</b>	26	85,123	0.01	\$ 170,827.48
<b>Total Residential</b>	7,955	6,711,297	0.77	\$ 1,816,310.46
<b>Energy FinAnswer (125)</b>	6	1,242,196	0.14	\$ 371,913.43
<b>FinAnswer Express (115)</b>	49	2,452,684	0.28	\$ 426,308.07
<b>Total Commercial</b>	55	3,694,880	0.42	\$ 798,221.50
<b>Energy FinAnswer (125)</b>	34	35,438,598	4.05	\$ 3,586,435.47
<b>FinAnswer Express (115)</b>	20	2,756,009	0.31	\$ 220,646.72
<b>Total Industrial</b>	54	38,194,607	4.36	\$ 3,807,082.19
<b>Total Company DSM</b>		48,600,784	5.55	\$ 6,421,614.15
Additional residential expenditures for administration related to prior programs				\$ 8,528.25
Northwest Energy Efficiency Alliance expenditures in 2006				\$ 458,373.58
<b>Total 2006 System Benefits Charge Expenditures</b>				<b>\$ 6,888,515.98</b>

**Pilot program activity**

In addition to the savings for programs reported above, there is an estimated 896,857 kilowatt-hours in savings (at generator) from year two of the Low Income Bill Assistance (LIBA) Energy Education Pilot (Schedule 17). The pilot did not use funds from the System Benefits Charge account.

<b>Pilot program activity not included above:</b>	<b>Units</b>	<b>kWh/yr (at gen)</b>	<b>aMW (at gen)</b>
<b>Low Income Bill Assistance (LIBA) Energy Education Pilot (17)</b>	1,436	896,857	0.10

## **RESIDENTIAL PROGRAMS**

### **Low-Income Weatherization (Schedule 114)**

PacifiCorp partners with three local non-profit agencies (Blue Mountain Action Council in Walla Walla, Northwest Community Action Center in Toppenish and Opportunities Industrialization Center of Washington in Yakima) to provide weatherization services to income qualifying households throughout our service area. The leveraging of PacifiCorp funding along with Washington MatchMaker Program funds allows the agencies to provide these energy efficiency services at no-cost to participating customers. The Company provides rebates to our partnering agencies for 50% of the cost of services while MatchMaker funds are available, and covers 100% of costs when these state funds are depleted. Participants qualify whether they are homeowners or renters residing in single-family homes, manufactured homes or apartments. Over 6,000 homes have been completed since the program began in the mid-1980s.

### **Energy Education in Schools (Schedule 113)**

The Energy Education in Schools Program began as a three year pilot in 2000 funded by PacifiCorp through shareholder funds. Based on pilot results, the WUTC approved the continuation of the program as a DSM offering funded by the System Benefits Charge effective April 1, 2003. The curriculum is targeted to 6<sup>th</sup> grade students and was developed and offered to local schools throughout our service territory by local non-profit agencies including Blue Mountain Action Council in Walla Walla, Northwest Community Action Center in Toppenish, and Opportunities Industrialization Center of Washington in Yakima. The agencies employ certified teachers to work with school administrators and classroom teachers. They provide a minimum of 3 one-hour energy education sessions on topics such as electricity generation, conservation, meter reading and efficiency tips. Students received a kit of measures including a CFL, a refrigerator/freezer temperature card, a nightlight, a shower timer, a hot water temperature card, a faucet aerator and a thermometer. A low flow showerhead was provided to those students where the results of a water flow test indicated this need. 3,160 students completed the course in the 2005-2006 school year with annual savings for measure installation of 451.6 kWh/student and annual savings from behavioral changes of 330.4 kWh/student. Table 1 includes savings of 451.6 kWh/yr per student (at customer site), representing savings from measure installations only.

### **Low Income Bill Assistance Program (LIBA), Energy Education Pilot (Schedule 17)**

PacifiCorp funded a two year energy education pilot in conjunction with the LIBA program. LIBA enrollments were limited during the first year of the program, leaving approximately \$400k in the LIBA balancing account. These funds are covering the cost of this pilot, not the System Benefits Charge. This report covers year two of the pilot, which began in August 2005 with services available to LIBA recipients served by Blue Mountain Action Council in Walla Walla, Northwest Community Action Center in Toppenish, and Opportunities Industrialization Center of Washington in Yakima. 1,436

customers received energy education through this program in 2005/2006. Participants received a kit of measures including two CFLs, a refrigerator/freezer temperature card, switchplate insulation gaskets, a night light and a shower timer. A low flow showerhead was provided where results of a water flow test indicated this need. Annual savings related to the measures installed averaged 553 kWh/household and annual savings from behavioral changes were 224 kWh/household. The savings results below Table 1 include savings of 553 kWh/yr per participant (at customer site), representing savings from measure installations only. Savings from reported behavioral changes of 337 kWh/participant were analyzed, but not included in savings results below Table 1.

A program evaluation was completed by an outside firm, and the results were presented to the Low Income Advisory Group in November 2006. These results indicate that this program design is not a cost effective program to include in our mix of energy efficiency programs, so the Company will not be proposing to fund this program by the System Benefits Charge.

### **Refrigerator Recycling (Schedule 107)**

Schedule 107 was approved by the Commission effective April 1, 2005. This program aims to decrease residential refrigeration loads by reducing the number of inefficient secondary and primary refrigerator and freezer models in operation. With this program, Pacific Power offers all residential customers in Washington the opportunity to receive a \$40 incentive (by check and mailed within 30 days after collection) in exchange for turning in their old but working refrigerators and/or freezers for recycling. Each customer can recycle up to two units, refrigerators and/or freezers, per household. In addition, a packet with instant energy-saving measures is provided to each participating customer. The average participant saves about 1,000 kWh/year or about \$5 each month on their electric bill.

In 2006, over 3,500 units were recycled (80% refrigerators and 20% freezers) compared to the target for the year of 3,000 units. Participation rates in Pacific Power's Washington service area are higher than Pacific Power's program delivery contractor sees in most other utility areas.

The preliminary draft evaluation report was completed in 2006, and the results will help inform next steps for the program. Schedule 107 currently includes a June 2007 sunset date.

### **Home Energy Savings incentives (Schedule 118)**

The Home Energy Savings program was approved by the Commission effective September 14, 2006. The program provides incentives for appliances and lighting, home improvement, and heating and cooling upgrades. Between September 14 and December 31, 2006, over forty-five participating retailers signed up and over one thousand customers participated in the program.

2006 Home Energy Savings participation counts:

Clothes Washers Tier 1	54
Clothes Washers Tier 2	61
Fixtures	5
Water Heaters	2
Refrigerators	23
Insulation	35
CFLs*	895
Total	1,075 participants

\*8,950 compact fluorescent lamps received a Savings with a Twist buy-down. Assuming 10 CFLs per participant, this translates to 895 participants.

Insulation incentive levels are under review and may be reduced in 2007.

**Energy Star New Homes (Schedule 108)**

Schedule 108 was approved by the Commission effective April 1, 2005. The program offers builders financial incentives, co-operative advertising funds as well as sales and technical support and training to participate in the Pacific Power Energy Star New Homes program. Homes built to Energy Star specifications are up to 30% more efficient, saving customers on their monthly energy bills and ensuring a comfortable and quality built home. This program is offered to builders constructing new homes and/or multi-family residences in Pacific Power's Washington service area.

The program certified two homes in October of the 2005 start-up year and 26 homes in 2006. Since the program began, program staff has worked with 65 builders, 12 HVAC contractors and seven program allies. Of the 65 builders,

- 24 signed up as participating builders (filled out an application and submitted an estimated number of homes for the program)
- 14 certified a home so far
- 10 have not certified a home yet

In 2006 the program added a Verifier/Performance Testing Contractor. This enables the program to have a local presence and much quicker response with the certification of the homes. The program certified nine of 18 homes in the Central Washington Homebuilders Association Tour of Homes. The program partnered with the University of Washington School of Architecture and the Yakima Diocese Housing Agency, a local non-profit housing entity, to assist in the construction of a pilot home. This home was built in Mabton, Washington for migrant farm workers and much of the design and construction was completed by graduate students from the University of Washington's Architecture program. The home was certified in 2006.



While the number of certifications is increasing, significant challenges remain. A preliminary draft process evaluation report was completed in 2006, and the results will help inform next steps for the program.

## **COMMERCIAL AND INDUSTRIAL**

### **Energy FinAnswer (Schedule 125)**

### **FinAnswer Express (Schedule 115)**

The Company offers two programs for commercial, industrial and irrigation customers:

- Energy FinAnswer – for comprehensive retrofits and new construction. The program includes a vendor neutral investment grade energy analysis and cash incentives equal to \$0.12/kWh annual energy savings plus \$50/KW average monthly demand savings (up to 50% of energy efficiency project costs). There is a cap to prevent incentives from bringing the payback for a project below one year. There is a 50% cap for lighting energy savings per project since lighting-only projects are included in FinAnswer Express. The program includes commissioning support and post-installation verification services. It is marketed primarily via Pacific Power account managers, trade allies, Energy FinAnswer consultants and project staff. Other leads come via word-of-mouth, past participants returning for additional projects and a combination of other Company outreach efforts. This program is an existing program enhanced with incentives as of October 2000.
- FinAnswer Express – for typical lighting, HVAC, premium efficiency motor, and other retrofits or new installations. The program includes an expedited energy analysis and incentives based on the equipment installed (\$/fixture, \$/horsepower, etc.). The program is marketed primarily via trade allies, Pacific Power staff, and a combination of other Company outreach efforts. This program began as Small Retrofit Incentive and Retrofit Incentive (Schedules 115 and 116) in November 2000 and was enhanced and renamed FinAnswer Express (Schedule 115) effective May 1, 2004.

In 2006, the Company researched improvements and filed changes to Energy FinAnswer and FinAnswer Express. The changes included

- New lighting and non-lighting measures, separate incentive tables for new construction and retrofit lighting, a tariff format change, and other enhancements for FinAnswer Express, and
- Enhanced design assistance services and incentives for new construction/major renovation projects along with other changes for Energy FinAnswer.

The changes were approved effective January 1, 2007.

The preliminary draft impact evaluation reports for Energy FinAnswer and FinAnswer Express were completed in 2006, and process evaluation work was substantially complete by year end. These reports cover projects installed in 2003 and 2004.

Table 1 includes savings documented based on post-installation results for each project installed in 2006. Savings for FinAnswer Express premium efficiency motors are based on deemed values. The unit counts for FinAnswer Express reflect individual applications bundled and reported in one package per week. The unit counts reflect one count per package of applications.

2006 industrial program savings and expenditures are higher than normal due to one very large industrial Energy FinAnswer project installed in 2006.

### **Industrial sector**

Energy efficiency efforts in the industrial sector have focused on process refrigeration system improvements, variable frequency drives (VFDs), process and motor control upgrades, compressed air improvements, pumping improvements, pulp and paper processing upgrades, premium efficiency motors and lighting upgrades.

The mix of energy efficiency measures installed varies from year to year. The industrial mix for 2006 installations included VFD control upgrades for pumps, fans, and refrigeration compressors; improved controls for pumping, refrigeration and compressed air systems; enhanced refrigeration equipment including evaporators and condensers; enhanced compressed air equipment including VFD compressors and dryers; dairy well water plate cooler upgrades; and improved lighting.

Vertical market segments for 2006 installations included the tree fruit industry, forest products, pulp and paper, dairies and other food processing, and irrigation. In 2006, the Company provided energy analysis services to additional vertical market segments for these and other measures. Energy efficiency measure installations resulting from these activities are expected in 2007 and beyond in some cases.

### **Commercial sector**

Energy efficiency efforts in the commercial sector have focused on lighting upgrades and controls, premium efficiency motors, and HVAC equipment retrofits and controls.

The commercial energy efficiency measure mix for 2006 installations included fluorescent lighting retrofits, lighting controls, high efficiency chillers and package HVAC equipment, premium efficiency motors, and programmable thermostats.

Vertical market segments for 2006 installations included office buildings, financial institutions, grocery stores, churches, restaurants, schools and colleges, government facilities, hospitality, retail, medical, museum, and athletic facilities.

### **Other Company energy efficiency efforts**

In addition to its energy efficiency incentive programs, the Company co-sponsors and promotes energy efficiency seminars for commercial/industrial customers and the industries that serve them.

**SYSTEM BENEFITS CHARGE ACCOUNT**

Table 2 below is the System Benefits Charge 2006 monthly expenditures and revenue for Schedule 191.

**Table 2: System Benefits Charge Report**

	Deferred Expenditures	Schedule 191 Revenue Collected	Carrying Charge	Accumulative Balance
beg.bal. Dec-00	229,434.49			229,434.49
2001	2,748,483.33	(2,642,634.00)	(313.16)	1,334,667.94
2002	4,809,713.06	(6,120,094.00)	0.00	24,287.00
2003	4,702,026.03	(4,733,188.00)	(8,959.60)	(15,834.57)
2004	4,842,020.64	(4,677,576.58)	(9,051.13)	139,558.36
2005	3,678,557.60	(6,390,793.42)	(67,046.51)	(2,329,072.20)
Jan-06	197,950.49	(684,799.00)	(17,407.42)	(2,833,328.13)
Feb-06	441,257.42	(581,691.00)	(19,126.91)	(2,992,888.62)
Mar-06	1,119,959.92	(585,535.00)	(22,368.77)	(2,480,832.47)
Apr-06	295,801.45	(514,402.00)	(17,943.56)	(2,717,376.57)
May-06	391,117.80	(489,162.00)	(20,309.60)	(2,835,730.37)
Jun-06	261,548.49	(490,172.00)	(20,510.49)	(3,084,864.37)
Jul-06	352,283.20	(576,265.00)	(23,056.19)	(3,331,902.36)
Aug-06	318,743.85	(620,221.00)	(24,902.55)	(3,658,282.06)
Sep-06	398,605.10	(546,461.00)	(26,459.90)	(3,832,597.86)
Oct-06	370,033.54	(528,649.00)	(28,644.73)	(4,019,858.05)
Nov-06	379,741.48	(484,026.00)	(29,075.14)	(4,153,217.71)
Dec-06	2,361,473.24	(453,301.00)	(31,041.04)	(2,276,086.50)
2006	6,888,515.98	(6,554,684.00)	(280,846.28)	
Total	27,898,751.13	(31,118,970.00)	(366,216.68)	

**Advisory Group and Advice Filings—as reported previously:**

2000

In the stipulation in UE-991832 the Company agreed to file for approval of a System Benefits Charge (SBC). As part of the stipulation, the Company convened an advisory group of interested stakeholders in July 2000. The Company met with the Advisory Group in 2000 for input on the initial suite of programs and the initial SBC collection rate. An initial suite of programs and SBC tariff were filed and approved in late 2000.

2001

The Company began collecting revenue through Schedule 191, the System Benefits Charge tariff, in January 2001. Expenditures for the initial suite of programs were expected to ramp up to an annual level of approximately \$4.1 million. The SBC collection level for 2001 was set at \$2.8 million to allow for first year ramp-up and uncertainties about market response to the programs. Actual expenditures in 2001 were \$3.7 million due to the increased interest in energy efficiency by customers in response to the volatility in the energy market and increased effort on the Company's part to respond to the regional call to action.

Working with input from the Advisory Group, the Company filed to increase the SBC from an annual collection rate of \$2.8 million to \$6.5 million to recover the higher expenditures in late 2001 and provide for ongoing expenditures in 2002.

2002

The 2002 collection rate was approved in February of 2002. The intent was to collect \$6 million over the 11-month period from February to December 2002 and bring the SBC account into balance by the end of 2002.

As anticipated, the 2002 SBC collection rate was sufficient to bring the SBC account into balance by the end of 2002. The Company met and worked with the Advisory Group, then filed in November 2002 to decrease the collection rate to \$4.5 million annually and remove the sunset date on the tariff. These changes were approved and became effective in January 2003.

2003

The Company met with its Advisory Group in December 2003 to provide an update and a preview of program enhancements planned for 2004. As of the end of 2003, expenditures and collections were in balance and the Company had no plans in the immediate future to make any changes to the System Benefits Charge (Schedule 191).

2004

In early 2004, the Company provided its Advisory Group with a draft filing for planned C&I program enhancements, incorporated input, and filed the enhancements March 31, 2004. The enhancements were approved effective May 1, 2004. The Company provided its Advisory Group with a draft filing for administrative changes to its C&I program

tariffs later in 2004. These changes were approved effective December 11, 2004. As anticipated, there were no Schedule 191 changes filed in 2004.

The Company met with its Advisory Group October 27, 2004 to provide an update and a preview of potential residential program changes planned for 2005 as well as projected expenditures and collections for 2005. The potential residential program changes included adding "WashWise" and a residential new construction program in partnership with the Northwest Energy Efficiency Alliance, adding a refrigerator recycling program, and revisiting the On-Line Audit program at the conclusion of the marketing campaign for that program that began in 2004. Based on input from this meeting, the Company decided to file a Schedule 191 true-up in early 2005. The Company provided a draft Schedule 191 true-up filing to its Advisory Group December 30, 2004 requesting an adjustment to the collection rate from \$4.5 million to \$6.1 million to fund the ongoing operation of existing programs in 2005. The proposed higher collection rate anticipated an increase in expenditures in 2005 for commercial/industrial programs including one large industrial incentive payment for a project under construction. The draft true-up filing also indicated the Company may file another adjustment to Schedule 191 in 2005 when it filed new residential programs.

2005

The true-up filing was made January 21, 2005 and approved effective February 24, 2005. The "WashWise" program was filed January 28, 2005 and approved effective March 1, 2005.

The Company met with its Advisory Group on February 2, 2005 to go over the draft filing for a refrigerator recycling program, an Energy Star New Homes program, and an increase in the SBC for the new programs. The group also discussed the Company's recommendation to transition the On-Line Audit program to available public domain audit tools and to not complete another evaluation of the On-Line Audit program.

After incorporating Advisory Group input, the Company filed on March 1, 2005 for approval of the residential refrigerator recycling program and Energy Star New Homes Incentive program, cancellation of the On-Line Audit program, and an increase in Schedule 191 from an annual rate of \$6.1 to \$6.7 million. This filing was approved effective April 1, 2005.

The Company provided a draft filing of administrative changes for FinAnswer Express (Schedule 115) and Energy Star New Homes (Schedule 108) to the Advisory Group in September 2005. The Company incorporated input received on the draft filing and added a sunset date for LED traffic signal incentives to the FinAnswer Express filing. The changes were filed November 3, 2005 and approved effective January 1, 2006.