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March 13, 2012

David W. Danner, Executive Director and Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Dr. SW
P. O. Box 47250
Olympia, Washington 98504-7250

Re: *Pacific Power and Light Company's Report Identifying its Ten-Year Achievable
Conservation Potential and 2012-2013 Biennial Conservation Target*
Docket UE-111880

Dear Mr. Danner:

Enclosed for filing in the above-referenced docket are the Comments of Commission Staff.

Sincerely,

FRONDA WOODS
Assistant Attorney General

FW/emd
Enclosure

March 13, 2012

**UTC STAFF COMMENTS ON PACIFICORP'S
BIENNIAL CONSERVATION PLAN IDENTIFYING ITS
TEN-YEAR ACHIEVABLE CONSERVATION POTENTIAL AND ITS
BIENNIAL CONSERVATION TARGET
PURSUANT TO RCW 19.285.040 AND WAC 480-109-010**

DOCKET UE-111880

On January 31, 2012, Pacific Power & Light Company (PacifiCorp) timely filed its Ten-Year Conservation Potential and 2012-2013 Biennial Conservation Target for its Washington Service Area (Biennial Conservation Plan or BCP) with the Commission in this docket. This BCP is required by RCW 19.285.040, WAC 480-109-010, and section (8)(f) of Order 02, Paragraph 59, in Docket UE-100170. As part of the BCP, PacifiCorp identified a biennial conservation target range of 8.709 to 9.055 average Megawatts (aMW), which is 76,291 to 79,322 megawatt-hours (MWh) of energy conservation for the calendar years 2012 through 2013. The Commission has authority to determine whether to approve the target under RCW 19.285.040(1)(e). Staff recommends approval of the biennial conservation target ranging from 76,291 to 79,322 MWh as well as the ten-year conservation potential ranging from 395,076 to 402,031 MWh, that PacifiCorp identified in its BCP.

In Docket UE-100170, Order 02, the Commission approved PacifiCorp's 2010-2019 achievable conservation potential and 2010-2011 conservation target, subject to conditions. Staff has reviewed the BCP PacifiCorp has filed in this docket, and recommends approval of the 2012-2021 achievable conservation potential and 2012-2013 conservation target with an updated set of compliance conditions. The main focus of Staff's review has been (1) to verify that the ten-year conservation potential and biennial conservation target comply with the Energy Independence Act, RCW Chapter 19.285 ("EIA"), and (2) that PacifiCorp developed targets using methodology consistent with that of the Northwest Power Planning and Conservation Council (NWPCC), as required by RCW 19.285.040(1). In evaluating PacifiCorp's BCP, Staff focused on the planned program and projected cost-effectiveness of programs that will deliver conservation savings. Staff was involved with discussions in the Company's demand-side management (DSM) advisory group.

In summary, Staff recommends that the Commission approve the ten-year achievable conservation potential and biennial conservation target contained in the January 31, 2012 BCP in this docket subject to the conditions attached to these comments.

2012-2021 Conservation Potential and 2012-2013 Biennial Conservation Target

As required by RCW 19.285.040¹, PacifiCorp has filed its achievable, cost-effective, biennial acquisition conservation target and its ten-year achievable conservation potential. These consist of conservation projections from customer energy efficiency programs (for residential, commercial and industrial customers), as well as company-side distribution and production efficiencies, as follows²:

	Ten Year Potential		2012		2013		Biennial Target	
	Low	High	Low	High	Low	High	Low	High
Energy Efficiency	45.1	45.1	4.0	4.0	4.7	4.7	8.7	8.7
Distribution Efficiency	0.375	0.721	0	0.111	0	0.235	0	0.346
Production Efficiency	0.073	0.073	0.003	0.003	0.006	0.006	0.009	0.009
Total aMW	45.548	45.894	4.003	4.114	4.706	4.941	8.709	9.055
Total MWh	395,076	402,031	35,066	36,039	41,225	43,283	76,291	79,322

¹ RCW 19.825.040 provides in part:

- 1) Each qualifying utility shall pursue all available conservation that is cost-effective, reliable, and feasible.
 - (a) By January 1, 2010, using methodologies consistent with those used by the Pacific Northwest electric power and conservation planning council in its most recently published regional power plan, each qualifying utility shall identify its achievable cost-effective conservation potential through 2019. At least every two years thereafter, the qualifying utility shall review and update this assessment for the subsequent ten-year period.
 - (b) Beginning January 2010, each qualifying utility shall establish and make publicly available a biennial acquisition target for cost-effective conservation consistent with its identification of achievable opportunities in (a) of this subsection, and meet that target during the subsequent two-year period. At a minimum, each biennial target must be no lower than the qualifying utility's pro rata share for that two-year period of its cost-effective conservation potential for the subsequent ten-year period.
 - ...
 - (e) The commission may rely on its standard practice for review and approval of investor-owned utility conservation targets.

² The values were derived from the BCP, page 6, Table 1, with all significant figures intact and the last row added to show the total values in terms of MWh.

The energy efficiency conservation target in the table above is based on PacifiCorp's 2011 Integrated Resource Plan, while the distribution and production efficiencies came from independent consultant estimates. The inclusion of the distribution and production efficiencies is a change in this BCP. This change was required by the Commission as part of the conditions for approval of PacifiCorp's 2010-2011 biennial conservation target.³ The EIA defines "conservation" to mean "any reduction in electric power consumption resulting from increases in the efficiency of energy use, production, or distribution."⁴

The table above illustrates that the distribution and production efficiency programs are new. The first biennium (2012-2013) shows a range of 0 to 0.346 aMW for distribution efficiency, and a doubling of the production efficiency between the first two years from 0.003 to 0.006 aMW. PacifiCorp is continuing to perform more detailed cost-effective potential assessments of all Washington circuits for distribution efficiency as well as potential efficiency upgrades of generating resources serving Washington customers. The energy savings estimates for distribution include only Washington circuits. The production efficiency values were based on a study of three representative generation units and extrapolated to other generating resources. PacifiCorp assigned 22 percent of the overall production efficiency improvements to Washington, using the West Control Area allocation method.

Staff recommends approval of a ten-year achievable conservation potential ranging from 395,076 to 402,031 MWh, and approval of a biennial conservation target ranging from 76,291 to 79,322 MWh.

The process used to develop the conservation targets is represented on Figure 1 of the BCP on page 7. The details of the process and milestones are found in through page 10 and in various appendices to the BCP. One of these, appendix 7, is the company's DSM Business Plan, which contains the forecasted energy savings and anticipated expenditures to realize the level of conservation targets in this filing. Cost recovery will be the subject of a separate tariff filing in May 1, 2013.

³ Docket UE-100170, Order 02, ¶ 59(8)(f); *see id.* ¶¶ 3, 20.

⁴ EIA defines "conservation" to mean "any reduction in electric power consumption resulting from increases in the efficiency of energy use, production, or distribution" RCW 19.285.030(4).

Recommended Conditions for the 2012-2013 Biennium

WAC 480-109-010(4)(c) provides:

- c) Upon conclusion of the commission review, the commission will determine whether to approve, approve with conditions, or reject the utility's ten-year achievable conservation potential and biennial conservation target.

According to RCW 19.285.040(1)(e), the Commission may rely on its "standard practice for review and approval of investor-owned utility conservation targets." The Commission's standard practice for PacifiCorp was established in Docket UE-100170, in which the Commission approved conservation targets with conditions. Staff recommends continuing the Commission practice of approval of the conservation targets subject to conditions. In Docket UE-10070 Order 02, the Commission approved PacifiCorp's 2010-2019 achievable conservation potential and 2010-2011 biennial conservation target subject to the conditions described in Paragraphs 53 through 62 of the Order. This is often referred to as the "conditions list."

Based on Staff's experience working with PacifiCorp during the past biennium, Staff believes the public interest was well served by the conditions list. As an attachment to these comments, Staff has provided a list of conditions that Staff recommends the Commission adopt in approving PacifiCorp's 2012-2021 ten-year achievable conservation potential and 2012-2013 biennial conservation target. The recommended conditions list incorporates most of the language and terms from the conditions list in Docket UE-100170, with updates and minor modifications where appropriate.

Conclusion

Staff has reviewed the BCP and recommends approval of PacifiCorp's 2012-2021 ten-year achievable conservation potential and 2012-2013 biennial conservation target with the set of compliance conditions attached to these comments.

Attachment to Staff Comments

The following are Staff's recommended conditions for PacifiCorp's approval of the 2012-2013 biennial conservation targets.

- 1 (1) **Approval.** PacifiCorp's Ten-Year Conservation Potential and 2012-2013 Biennial Conservation Target for its Washington Service Area identifies a biennial conservation target range of 8.709 to 9.055 average Megawatts, aMW, which is 76,291 to 79,322 MWh of energy conservation for the calendar years 2012 through 2013. This document and conservation target was filed timely in this docket on January 31, 2012. This target range is approved with conditions pursuant to RCW 19.285.040(1)(e) and WAC 480-109-010(4)(c). This approval is subject to the Conditions described in Paragraphs (2) through (11) below.
- 2 (2) **Company Retains Responsibility.** Nothing within this Order relieves PacifiCorp of the sole responsibility for complying with RCW 19.285, which requires PacifiCorp to use methodologies consistent with those used by the Pacific Northwest Electric Power and Conservation Planning Council ("Council"). Specifically, the Conditions regarding the need for a high degree of transparency, communication and consultation with external stakeholders, diminish neither PacifiCorp's operational authority, nor its ultimate responsibility for meeting the biennial conservation target approved herein.
- 3 (3) **Advisory Group.**
 - (a) PacifiCorp must maintain and use an external Washington Demand-Side Management ("DSM") Advisory Group ("Advisory Group") consisting of external stakeholders to advise the Company on the topics described in Subparagraphs (i) through (vii) below. To meet this condition, PacifiCorp may continue to use its Advisory Group created under the June 16, 2000, Comprehensive Stipulation in Docket UE-991832, which the Commission approved in the August 9, 2000, Third Supplemental Order in that Docket. The Company will seek the advice of the Advisory Group on the following matters:
 - (i) Modification of existing or development of new EM&V conservation protocols based on PacifiCorp's current evaluation, measurement and verification approach.

- (ii) Development of conservation potential assessments under RCW 19.285.040(1)(a) and WAC 480-109-010(1).
 - (iii) Guidance to PacifiCorp regarding methodology inputs and calculations for updating cost-effectiveness.
 - (iv) Need for tariff modifications or mid-course program corrections.
 - (v) Appropriate level of and planning for:
 - (1) Marketing conservation programs.
 - (2) Incentives to customers for measures and services.
 - (vi) Program achievement results with annual and biennial targets.
 - (vii) Conservation program budgets and actual expenditures compared to budgets.
- (b) PacifiCorp has a separate Washington low-income advisory group (“Low Income Advisory Group”) that includes members representing customers with limited income. Any issues related to conservation programs for customers with limited income will need to be considered and reviewed by the Low Income Advisory Group.
- (c) The Advisory Group should meet quarterly at a minimum. PacifiCorp will consider additional meeting requests from any member of the Advisory Group with reasonable notice.
- (d) The Company will provide the Advisory Group an electronic copy of all DSM filings the Company submits to the Commission in advance of filings. When extraordinary circumstances dictate, the Company may provide the Advisory Group with a copy of a filing concurrent with the commission filing.
- (e) The Company will notify the Advisory Group of public meetings scheduled to address the Company’s integrated resource plan. The Company will also provide the Advisory Group with the assumptions and relevant information utilized in the development of PacifiCorp’s integrated resource plan as they apply to development and/or modification of the ten-year conservation potential as requested through the integrated resource plan public process.
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- (4) **Annual Budgets and Energy Savings.**
- (a) PacifiCorp must submit annual budgets to the Commission each year. The submissions must include program-level detail that shows planned expenses and the resulting projected energy savings. In odd-numbered years, the annual budget may be submitted as part of the Biennial Conservation Plan required under Paragraph 8(f) below. In even-numbered years, the annual budget may be submitted as part of the DSM Business Plan required under Paragraph 8(b) below.
 - (b) PacifiCorp must provide its proposed budget in a detailed format with a summary page indicating the proposed budget and savings levels for each

electric conservation program. The Company will, upon request, provide additional detail to the Advisory Group to the extent it exists.

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- (5) **Program Details.** PacifiCorp must maintain its conservation tariffs, with program descriptions, on file with the Commission. Program details about specific measures, incentives, and eligibility requirements must be filed as tariff attachments or as revisions to the Company's DSM Business Plan. PacifiCorp may propose other methods for managing its program details in the Biennial Conservation Plan required under Paragraph 8(f) below, after consultation with the Advisory Group as provided in Paragraph 9(b) below.
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- (6) **Approved Strategies for Selecting and Evaluating Energy Conservation Savings**
- (a) PacifiCorp has identified a number of potential conservation resource types as set forth on page 9 in PacifiCorp's Ten-Year Conservation Potential and 2012-2013 Biennial Conservation Target for its Washington Service Area (Report) filed on January 31, 2012. The Commission is not obligated to accept savings identified in the Report for purposes of compliance with RCW 19.285. PacifiCorp must demonstrate the prudence and cost-effectiveness of its conservation programs to the Commission after the savings are achieved. *See RCW 19.285.040(1)(d).*
- (b) Except as provided in Paragraph (6)(c) below, PacifiCorp must use the Council's Regional Technical Forum's ("RTF's") "deemed" savings for electricity measures. As of the date of this Order, the RTF maintains a website at <http://www.nwcouncil.org/energy/rtf/default.html>.
- (c) If PacifiCorp utilizes savings amounts for prescriptive programs other than those established by the RTF, such estimates must be based on generally accepted impact evaluation data and/or other reliable and relevant source data that has verified savings levels, and be presented to the Advisory Group for comment.
- (d) When PacifiCorp proposes a new program, it must present it to the Advisory Group for comment with program details fully defined. After consultation with the Advisory Group in accordance with Paragraph (3) above, PacifiCorp must file a revision to its DSM Business Plan in this Docket. The revision may be acknowledged by placement on the Commission's No Action Open Meeting agenda.
- (e) PacifiCorp must provide opportunities for the Advisory Group to review and advise on evaluation, measurement and verification protocols for conservation programs. See Paragraph (3)(a)(i) above.
- (f) PacifiCorp must spend a reasonable amount of its conservation budget on evaluation, measurement, and verification (EM&V) including a reasonable

portion on independent third party EM&V. PacifiCorp must perform EM&V annually on a two-year schedule of selected programs such that, over the EM&V cycle, all major programs are covered. The EM&V function includes impact, process, market and cost test analyses. The results must verify the level at which claimed energy savings have occurred, evaluate the existing internal review processes, and suggest improvements to the program and ongoing EM&V processes. Evaluation reports involving analysis of both program impacts and process impacts of the programs evaluated in the prior year must be part of the Annual Report on Conservation Acquisition described in Paragraphs (8)(c) and (8)(g) below.

Independent third-party review of portfolio-level electric energy savings reported by PacifiCorp for the 2012-2013 biennial period, from existing conservation programs operated during that period, shall be conducted to:

- Validate the adequacy of the Company's savings verification process and procedures;
- Validate savings tracking and reporting processes and practices;
- Verify calculation of total portfolio MWh savings; and
- Review biennium third-party program impact and process evaluations, evaluation methodologies, and program cost-effectiveness calculations.

The independent third-party evaluator shall be selected through an RFP process.

A final report for the 2012-2013 biennial shall be submitted as part of the Company's two-year report on conservation program achievement, required by condition (8)(h) below. The report shall be finalized and filed in this docket no later than June 1, 2014.

7 (g) For savings claimed from distribution efficiency, PacifiCorp must provide verified savings calculated using Simplified VO M&V Protocol approved by the RTF in 2010.

8 (7) **Program Design Principles**

- (a) All Sectors Included — To the extent the portfolio of programs is cost-effective, PacifiCorp must offer a mix of tariff-based programs that ensure it is serving each customer sector, including programs targeted to the limited-income subset of residential customers. Modifications to the programs must be filed with the Commission as revisions to tariffs, as revisions to PacifiCorp's DSM Business Plan, or revisions as summarized in the process described in Attachment A of the Report.
- (b) Outreach on Programs — PacifiCorp must establish a strategy and proposed total planned expenditures for informing participants about program opportunities. The planned expenditures will include expenditures by PacifiCorp directly and not those of the Company's third party program

delivery administrators who are primarily or solely contracted for program delivery. PacifiCorp will share these strategies and expenditures in advance with the Advisory Group for review and comments.

- (c) Incentives and Conservation Program Implementation — PacifiCorp must offer a cost-effective portfolio of programs in order to achieve all available conservation that is cost-effective, reliable, and feasible. Programs, program services, and incentives may be directed to consumers, retailers, manufacturers, trade allies or other relevant market actors as appropriate for measures or activities that lead to electric energy savings. Incentive levels and other methods of encouraging energy conservation need to be examined periodically for effectiveness in fulfilling the Company's obligation under WAC 480-109. To the degree the portfolio remains cost-effective, incentive levels and implementation methods should not unnecessarily limit the acquisition of all achievable energy conservation.
- (d) Conservation Efforts without Approved EM&V Protocol — PacifiCorp may spend up to ten (10) percent of its conservation budget on programs whose savings impact has not yet been measured, as long as the overall portfolio of conservation passes the Total Resource Cost (TRC) test described in Paragraph (10)(a) below. These programs may include educational, behavior change, and pilot projects. The Company may ask the Commission to modify this spending limit following full Advisory Group consultation.

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(8) Required Reports and Filings

PacifiCorp must file the following:

- By August 15, 2012, the Semi-Annual Demand-Side Management (DSM) Expenditures and System Benefits Charge (SBC) Collections report as required in Docket UE-001457.
- (b) By November 1, 2012, any proposed revisions to the 2013 DSM Business Plan. The filing should contain any changes to program details and an annual budget.
- (c) 2012 Annual Report on Conservation Acquisition, including an evaluation of cost-effectiveness and comparing budgets to actual, by March 31, 2013, together with the Semi-Annual DSM Expenditures and SBC Collections report required in Docket UE-001457.
- (d) Cost recovery tariff by May 1, 2013, with requested effective date of July 1, 2013.
- (e) By August 15, 2013, a Semi-Annual DSM Expenditures and SBC Collections report showing budgeted versus actual collections and expenditures, as required in Docket UE-001457.
- (f) Biennial Conservation Plan including revised program details and program tariffs together with identification of 2014-2023 achievable conservation

potential, by September 15, 2013. The Biennial Conservation Plan should also document the results of the Advisory Group discussions conducted under Paragraph (3)(a)(i) above, regarding the nature and timing of PacifiCorp's past, current, and future evaluation, measurement, and verification framework. This filing must include the items specified by WAC 480-109-010(3) and will satisfy the requirement in WAC 480-109-010(3) to file a report identifying Ten-year Achievable Conservation Potential and Biennial Conservation Target on or before January 31, 2014.

- (g) 2013 Annual Report on Conservation Acquisition, including an evaluation of cost-effectiveness, by March 31, 2014, together with the Semi-Annual DSM Expenditures and SBC Collections report required in Docket UE-001457.
 - (h) Two-year report on conservation program achievement by June 1, 2014, as required in WAC 480-109-040(1) and RCW 19.285.070, which require that the report also be filed with the Washington Department of Commerce.
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- (9) **Required Public Involvement in Preparation for the 2014-2015 Biennium**
 - (a) By July 1, 2013, PacifiCorp must consult with the Advisory Group to facilitate completion of a ten-year conservation potential analysis by September 1, 2013. *See* RCW 19.285.040(1)(a); WAC 480-109-010(1). The potential analysis must be based on a current conservation potential assessment study or other relevant work of PacifiCorp's service area within Washington State. This may be conducted within the context of PacifiCorp's integrated resource plan. If PacifiCorp chooses to use the supply curves that make up the conservation potential in the Council's Northwest Power Plan, the supply curves must be updated for new assumptions and measures.
 - (b) PacifiCorp must consult with the Advisory Group beginning no later than July 1, 2013, to identify achievable conservation potential for 2014-2023 and set biennial targets for the 2014-2015 biennium, including necessary revisions to program details. *See* RCW 19.285.040(1)(b); WAC 480-109-010(2) and (3).

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(10) **Cost-Effectiveness Test is the Total Resource Cost Test**

- (a) The Commission uses the TRC as its cost-effectiveness test. PacifiCorp must demonstrate that the cost-effectiveness tests presented in support of its programs and portfolio are in compliance with the cost-effectiveness definition (RCW 80.52.030(7)) and system cost definition (RCW 80.52.030(8)) and incorporate the 10 percent conservation benefit and a risk adder consistent with the Council's approach. PacifiCorp will also consider quantifiable non-energy benefits unless the Company shows that they do not materially impact resource targets and potentials. As of the date of this Order, an outline of the major elements of the Council's methodology for determining achievable conservation potential, including the Total Resource Cost test, is available on

the Council's website at

http://www.nwcouncil.org/energy/powerplan/6/supplycurves/I937/CouncilMethodology_outline%20_2_.pdf.

- (b) In addition to the Council-modified TRC, PacifiCorp must provide calculations of the Program Administrator Cost test (also called the Utility Cost test), Ratepayer Impact Measure test, and Participant Cost test described in the National Action Plan for Energy Efficiency's study "Understanding Cost-effectiveness of Energy Efficiency Programs." As of the date of this Order, the study is available on the website of the United States Environmental Protection Agency at <http://www.epa.gov/cleanenergy/documents/suca/cost-effectiveness.pdf>.
- (c) Overall conservation cost-effectiveness must be evaluated at the portfolio level. The three portfolios are Energy Efficiency, Distribution Efficiency, and Production Efficiency. Costs included in the portfolio level analysis include conservation-related administrative costs. PacifiCorp must also evaluate the conservation program by providing cost tests at the individual measure group (measure groups consist of one or more measures) and portfolio levels. All cost-effectiveness calculations will assume a Net-to-Gross ratio of 1.0 consistent with the Council's methodology.
- (d) Treatment of costs for EM&V and potential study or analysis activities in calculating program and portfolio cost-effectiveness will be handled as outlined in the Company's "Evaluation, Measurement & Verification Framework for Washington" document developed in conjunction with the Company's Washington Advisory Group and included as an appendix 8 to the Company's Biennial Conservation Plan.

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(11) **Recovery Through an Electric Tariff Rider**

- (a) Annual Filing — PacifiCorp's annual tariff rider filing, required under Paragraph (8)(d), will recover the future year's budgeted expenses and any significant variances between budgeted and actual income and expenditures during the previous period.
- (b) Scope of Expenditures — Funds collected through the rider must be used on approved conservation programs and pilots designed to encourage customer conservation including planning and program administrative costs communication, education and outreach costs, and costs associated with compliance with WAC 480-109-010, including those associated with its rules and conditions. Costs associated with planning are typically not incurred on an annual basis and may create variations in the SBC from year to year. Therefore, costs associated with planning activities may be recovered through the SBC over a period of two years so as to smooth any of these variations.

- (c) Recovery for Each Customer Class — Rate spread and rate design must match PacifiCorp's underlying base volumetric rates.
- (d) Distribution and Production Efficiency Costs – Recovery of costs associated with Distribution and Production Efficiency initiatives are not funded through the SBC because these programs are not customer conservation initiatives; these are company infrastructure conservation programs. As such, these costs are recovered in the general rate making process over time and may be requested through a general rate case, a deferred accounting petition or other allowed mechanisms.
Only for the 2012-2013 biennium, the Company may continue to use SBC funds to complete the distribution and production efficiency potential assessment studies.