

Agenda Date: December 20, 2017
Item Number: D07

Docket: UE-171092

Company: Pacific Power & Light Company

Staff: Kyle Frankiewicz, Regulatory Analyst

Recommendation

Issue an order rejecting Pacific Power & Light Company's 2018-2019 biennial conservation target of 78,008 megawatt-hours, and direct the company to refile its biennial conservation plan consistent with Attachment A (biennial conservation target of 81,500 megawatt-hours; decoupling commitment of 4,075 MWh).

Background

On November 1, 2017, Pacific Power & Light Company (Pacific Power or company) filed its 10-Year Conservation Potential and 2018-2019 Biennial Conservation Plan (BCP or plan) with the Washington Utilities and Transportation Commission (commission), as required by the Energy Independence Act (EIA) and WAC 480-109-120(1).

Staff filed comments responding to the Plan on December 1, 2017, laying out staff's perspective on both the 10-year potential and two-year target through Pacific Power's Demand-Side Management Advisory Group. Further, staff is satisfied that Pacific Power has used methods consistent with the Council in the establishment of its potential and target, but recommends an alternative approach to handling the company's share of savings generated by the Northwest Energy Efficiency Alliance (NEEA).

Biennial Conservation Target and Portfolio Savings

As discussed in staff's comments, Pacific Power's Conservation Potential Assessment (CPA) and subsequent adjustments identified a 10-year conservation potential of 394,473 megawatt-hours (MWh). The CPA was initially prepared by third-party contractor Applied Energy Group (AEG) as a key input to Pacific Power's 2017 IRP.

In preparation for setting its biennial target, Pacific Power made a number of adjustments. Most of these adjustments related to unit energy savings (UES) values – the assumed savings attributable to a given measure – that were updated based on new information and inclusion of non-energy benefits. The adjustments also included behavioral programs, waste heat-to-power technologies and regenerative technologies. The adjustments comprise about 15 percent of the total 10-year potential identified in the BCP. No adjustments were made for distribution or production efficiency, as the company's evaluations did not identify any additional cost-effective savings in those areas.

WAC 480-109-100(3)(b) requires that a utility’s biennial target be “no lower than a pro rata share of the utility’s ten-year conservation potential,” which for Pacific Power would correspond to a two-year target of 78,895 MWh. The CPA, however, projects the potential on a year-by-year basis, and identified a specific potential of 81,500 MWh for 2018 and 2019. Because the rule requires the higher of the two values, Pacific Power uses the higher two-year potential identified in the CPA.

Pacific Power determined its EIA target for the 2018-2019 biennium by subtracting the projected savings associated with the company’s involvement with NEEA. In addition, the 2018-2019 biennium is the first biennial planning period since the company committed to an additional 5 percent commitment connected to decoupling. As discussed in staff’s comments, staff recommends two changes in approach relative to Pacific Power’s proposed biennial target:

1. NEEA savings should no longer be excluded from the utilities’ targets.
2. If the commission decides that utilities can continue to exclude NEEA savings, the 5 percent decoupling commitment should be calculated based on the total identified cost-effective savings (81,500 MWh for this biennium, resulting in a decoupling commitment of 4,075 MWh).

Biennial Budget and Cost-effectiveness

Pacific Power’s 2018-2019 Demand-side Management Business Plan, attached to the BCP filing as Appendix 2, explains the company’s conservation budget and the suite of measures that the company will use to reach its target. A summary of this information is provided below in Table 2. The biennial budget for all programs in 2018-2019 is \$22.6 million, a decrease of 9 percent over the projected budget for the 2016-2017 biennium. The total projected savings (including NEEA) are 91,596 MWh, a decrease of about 6 percent over the current biennium’s projections.

Table 2. Comparison of Pacific Power’s 2016-2017 and 2018-2019 BCPs¹

Program	2016-2017 Projected Savings (MWh)	2016-2017 Budget	2018-2019 Projected Savings (MWh)	2018-2019 Budget
Residential				
<i>Home Energy Savings</i>	28,512	\$6,843,322	17,536	\$4,253,246
<i>Low-income</i>	534	\$1,780,000	521	\$1,502,000
<i>Home Energy Reports</i>	9,773	\$741,433	10,885	\$453,335
Residential Total	38,819	\$9,364,755	30,918	\$6,208,581

¹ 2016-2017 values are as-filed in the 2016-2017 BCP in Docket UE-152072 (pg. 27). Columns may not add to totals, due to rounding.

Non-Residential	52,812	\$11,616,614	47,944	\$12,679,251
Pilots	-	-	-	-
NEEA	5,245	\$1,821,451	14,330	\$1,741,240
Administration/Other	-	\$1,757,709	-	\$1,956,654
Total	96,876	\$24,560,529	93,193	\$22,585,726

As discussed in staff comments, projected savings are lower than previous biennia because supply-side energy resource costs are decreasing, and conservation resources are not experiencing a similar downward trend. Staff is pleased to see that the company is pursuing these conservation programs even as the decreased cost of supply-side alternatives has pushed the portfolio's cost-effectiveness metrics down. AEG's cost-effectiveness analysis of Pacific Power's 2018-2019 conservation portfolio projects that the company will achieve a Total Resource Cost (TRC) ratio of 1.3² (down from 1.6) and a Utility Cost Test (UCT) ratio of 1.5 (down from 2.5).

Additional Discussion

Conditions List

As a general practice, the commission has approved utilities' biennial conservation plans subject to a series of conditions that are intended to guide the company and the advisory group in matters of program management and implementation not explicitly covered by statute or rule. Staff's proposed conditions have been reviewed with the goal of making the conditions as consistent as possible across the three electric utilities. The conditions list presented in Attachment A represents these efforts, and has been circulated by staff to the company and the demand side management (DSM) advisory group. Staff recommends the company make a compliance filing incorporating the conditions into their BCP and, for this filing, the commission waive the requirement of 30-day advance notice to the advisory group contained in WAC 480-109-110(3).

Proposed Tariff Revisions

No tariff revisions are required to implement the 2018-2019 BCP. Pursuant to its program change process described in Schedule 118 and elsewhere, the company will circulate proposed programmatic changes to the DSM advisory group at least 45 days before the changes are to be implemented. Adjustments to Pacific Power's conservation cost recovery tariff are typically filed in or around June.

² Includes NEEA, non-energy benefits, and the 10 percent conservation adder.

Stakeholder Comments

NW Energy Coalition (NWECC) and Utility Conservation Services LLC (UCONS) both joined staff in responding to the commission's notice of opportunity to comment. NWECC applauded Pacific Power in pursuing an on-bill loan repayment program, encouraged the company to explore pay-for-performance programs, and expressed its preference that any clarification on how NEEA savings and decoupling are treated in the target-setting process should result in a common approach for all three utilities.

UCONS filed comments responding to Puget Sound Energy's (PSE) BCP and referred to Pacific Power's BCP as well, observing in their cover letter that their comments "are relevant to the conservation efforts of Pacific Power as well as to PSE." My colleague synthesizes UCONS's comments in the staff memo for docket UE-171087.

Conclusion

Staff recommends that the commission issue an order rejecting Pacific Power's 2018-2019 biennial conservation target and direct the company to refile its biennial conservation plan consistent with Attachment A.

Attachment