

November 12, 2013

VIA ELECTRONIC FILING

Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive SW
P.O. Box 47250
Olympia, WA 98504-7250

Attention: Steven V. King
Executive Director and Secretary

RE: Advice 13-08 Request to Cancel Schedules 115 and 125, and Approval of Schedule 140 – Non-Residential Energy Efficiency

PacifiCorp, d/b/a Pacific Power and Light Company (Company) is requesting cancellation of the Energy FinAnswer and FinAnswer Express energy efficiency incentive programs for Washington customers offered through Schedule 115 and 125 and approval to consolidate these two schedules, with modifications, under a proposed Schedule 140. The changes are intended to a) add new incentive offers and measures for prescriptive incentives, b) align existing measures with changes in markets, codes, standards, and third party specifications, c) increase overall participation and energy savings achieved through the program, and d) improve administration of the program by combining the two schedules into a single tariff and standardizing the administration of the new schedule through the flexible and more responsive change process described below.

Schedule 115 follows the same administrative change process the company proposes for the new schedule, which includes advisory group input but does not require formal commission action. However, Schedule 125 utilizes a program change process that requires formal commission approval but also contains offers that are managed in a manner similar to Schedule 115.

To streamline administration, the Company requests to cancel the two existing tariffs and consolidate the programs into a single tariff, Schedule 140 - Non-Residential Energy Efficiency. The new tariff will utilize the modification procedure established with the approval of Advice No. 06-008 by the Washington Utilities and Transportation Commission. In Advice No. 06-008 (Docket No. UE-061710), the Company described the program change process as follows:

“...the Company would present information on proposed changes to its Advisory Group and seek comments prior to making changes. Changes would be clearly posted on the Web site and emailed to the appropriate Commission staff person with at least 45 days advance notice.”

If approved, Schedule 140 will consist of the tariff (Attachment A) that contains general information on the program with more detailed program specifics such as qualifying equipment and incentives posted to the Company Web site. The information proposed to be posted to the website is provided in Attachment B: WA Incentive Tables and Information. Subsequent changes to this information will follow the program change process described above.

The Company proposed program additions and enhancements described more fully below are designed to support continuing acquisition of all cost-effective conservation from business customers and help reinforce the ongoing ethos of energy efficient new construction, facility upgrades, and ongoing operations.

Proposed Program Offer Changes

The Company retained third parties through a competitive bidding process to assist in the review of the current prescriptive program¹ and to assist in the validation of company estimates and market applicability for energy management opportunities. The reviews targeted ways to increase the level of energy savings achieved, increase the comprehensiveness of the prescriptive measures, and to provide initial economics for energy management. Several of the program modifications described herein have been informed by these reviews, and the projections were used to inform cost effectiveness. The projections are intended to capture the relative magnitude of impacts resulting from the program changes for a typical year. Actual results in a reporting period will be affected by customer access to capital, customer-specific business outlook, and other factors not controlled by the Company. A summary of key program changes are provided in the Table 1 below.

Table 1 – Program Change Overview

Tariff	Current	Proposed for Schedule 140	Comments
125 - Energy FinAnswer	\$0.15/kWh + \$50/kW	\$0.15/kWh	Focus incentives on energy efficiency and simplify offer.
	Eligible project costs capped at 60%	Increase project cost cap to 70%	Increases incentives to increase participation.
	Customer pays for Commissioning	Program funds Savings Verification	Decreases program complexity for customers and reduces customer project costs.
	New Construction Design Assistance	Discontinue unique incentive	Low participation and offer not moving the market. Custom New Construction projects will be incentivized through the custom tract.

¹ FinAnswer Express.

Tariff	Current	Proposed for Schedule 140	Comments
	Design Honorarium	Discontinue incentive	Low participation and offer not moving the market.
	Design Incentive	Discontinue incentive	Low participation and offer not moving the market.
	Minimum 20,000 SF of existing commercial space to be eligible	Remove minimum space requirement	Remove administrative barrier to increase participation.
	Custom incentives available for listed measures	Listed measures paid at listed amounts.	Simplify customer participation process. The listed incentive is always the incentive paid (subject to caps where applicable). Allow prescriptive and custom measures to be included in single project.
115 - FinAnswer Express			See Attachment D: Explanation of Prescriptive Changes
140 – New options in consolidated tariff	N/A	Energy Management	\$0.02/kWh See discussion below.
	N/A	Use modification procedure approved in Docket No. UE-061710 for information contained in Attachment B – WA Incentive Tables and Information CLEAN	Streamline program modification processes.

The current offer for custom energy efficiency projects is a combination of \$0.15/kWh and \$50/kW, not to exceed a specified percentage of projects costs. The current cost cap is 60% with a proposal to increase the cost cap to 70%. A company review of completed and forecasted projects indicates the energy (kWh) component of the current offer represents the vast majority of the available incentive. A review of a sample of other programs using a “standard offer” incentive indicates that most programs focus on \$/kWh. A small minority of energy efficiency programs utilize \$/kW, but research did not immediately locate another energy efficiency program that utilized both \$/kWh and \$/kW. This adjustment should be viewed in combination with the proposal to increase the project cost cap from 60% to 70% and to fund savings verification instead of requiring the customer to pay and contract for commissioning separately.

Alignment with Regional Technical Forum (RTF)

The measure review process for existing and new measures included a requirement to assess whether the RTF is currently maintaining unit energy savings (UES) value(s) that are applicable to the proposed measure(s). The results of this work are included in both Attachment D – Explanation of Prescriptive Changes for irrigation, industrial, farm and dairy measures; and in Attachment E – RTF Alignment for Commercial Measures.

Energy Management

The addition of Energy Management incentives expands the programs beyond the current focus on capital projects and helps the Company partner with customers to ensure ongoing efficiency improvements in the operation and management of facilities and industrial processes. Energy Management is a system of practices that creates reliable and persistent electric energy savings through improved operations, maintenance and management practices at customer sites. It is designed to complement program offerings for capital improvements and the current Energy Project Manager co-funding offer.

Energy Management will offer multiple levels of engagement: Strategic Energy Management, Persistent Commissioning, Industrial Re-commissioning and Re-commissioning. The level of engagement will be in direct response to the customer's specific needs and their commitment to a process that can extend from 12 - 24 months and produce measurable savings. Savings are site specific and monitoring of building systems and industrial process controls is used to identify and quantify energy savings. Energy savings potential for the Washington service territory was developed by analyzing customer loads, facility types, and typical end uses in facilities that use at least 500,000 kWh/year². Initial incentive levels and program design utilizing three year measure life assumption were also included in the analysis.

Cost Effectiveness Analysis

The following approach was taken to the cost effectiveness analysis. Step one was to establish a two year business as usual case of the current programs without enhancements. The use of a two-year timeframe is designed to align with 2014-2015 biennial period. Realization rates and measure life utilized in the 2012 Washington annual report were incorporated in the assessment of the business as usual case. This case was then assessed for cost effectiveness using the 71% Load Factor West System Load Shape decrement values from Appendix N, Volume II of the 2013 IRP. Once the performance of the base case was assessed, measure group impacts were assessed at the measure group level using the same load shape and decrement values. The measures assessed are:

- Increase custom incentive cost cap from 60% to 70% of project cost

² Research conducted by EnerNoc Utility Solutions.

- Eliminate kW incentive and fund commissioning
- Food Service
- HVAC
- Irrigation
- Compressed Air
- Potato Storage fan VFD
- Adaptive Refrigeration Control
- Fast Acting Door
- End Use compressed air reduction
- Waste water – low power mixing
- Energy Management

Inputs for measure costs, measure life, and realization rates were specific to the measure groups, and in most cases align with 2012 annual report assumptions. Results are displayed at the measure level in Attachment F: wattsmart Cost Effectiveness Analysis. Benefit and cost contributions from the measure groups were then added to the business as usual case to assess the overall impacts of the changes. Results of the cost effectiveness analysis for the enhanced program are provided in Table 2 below.

Table 2 – Cost effectiveness analysis for the enhanced program

Cost-Effectiveness Test	Levelized \$/kWh	Costs	Benefits	Net Benefits	Benefit/Cost Ratio
Total Resource Cost Test (PTRC) + Conservation Adder	\$0.049	\$20,625,185	\$32,999,523	\$12,374,339	1.60
Total Resource Cost Test (TRC) No Adder	\$0.049	\$20,625,185	\$29,999,567	\$9,374,382	1.45
Utility Cost Test (UCT)	\$0.023	\$9,623,150	\$29,999,567	\$20,376,416	3.12
Rate Impact Test (RIM)		\$41,466,116	\$29,999,567	(\$11,466,549)	0.72
Participant Cost Test (PCT)		\$16,449,077	\$37,290,008	\$20,840,931	2.27
Lifecycle Revenue Impact (\$/KWh)	0.000196463				
Discounted Participant Payback (years)	4.26				

Inputs utilized in the analysis of the business as usual case and measure groups are provided in Tables 1-3 of Attachment F: wattsmart Cost Effectiveness Analysis. The additions/changes to the Food Service and HVAC measure groups are not forecasted to be cost effective from a total resource perspective though they are from a utility cost perspective. The total resource outcome is driven primarily by the challenges of identifying incremental costs for the upgrades which are based on incremental costs (and efficiency) above baseline equipment. Since these purchases typically occur when existing equipment fails and the opportunity to influence a customer to purchase more efficient replacement equipment is limited (and potentially lost), the company believes it is appropriate to offer these incentives for these measures.

Transition

In the event the Commission approves the Company's request, customers with Incentive Agreements in place prior to this filing will receive incentives consistent with the tariff(s) at the time the agreement was issued. Customers with Incentive Agreements issued between the date of this filing and the effective date approved by the Commission will receive final project incentive(s) under the new tariff unless their project would have received a higher incentive amount under the existing program(s).

Stakeholder Involvement

In accordance with Docket UE-111880 Order 01, Item (3)(a)(iii) concerning Advisory Group guidance on tariff modification, the Company presented an initial overview of the consolidated program offering to the Washington Demand-Side Management Advisory Group on October 14, 2013.

In accordance with Docket UE-111880 Order 01, Item (3)(d), the filing package was provided to the Advisory Group on November 6, 2013, prior to this advice filing being submitted to the Commission. The Company responded to questions from the group on the minor reduction in the cost effectiveness of the program, the reason the Company continues to provide incentives for HVAC measures that are not cost effective and provided additional information on the new Energy Management incentive offer.

Request

The Company respectfully requests that the Washington Utilities and Transportation Commission approve the Company's request to cancel Electric Service Schedules No. 115 – Commercial and Industrial Energy Efficiency Incentives Optional for Qualifying Customers, and 125 – Commercial and Industrial Energy Services Optional for Qualifying Customers, and approve the attached Electric Service Schedule No. 140, Non-Residential Energy Efficiency effective January 1, 2014, including information contained in Attachment B: WA Incentive Tables and Information CLEAN 110513.

Washington Utilities and Transportation Commission

November 12, 2013

Page 7

Please direct any informal inquiries regarding this filing to Gary Tawwater at 503-813-6805.

Sincerely,

Kathryn Hymas

Vice President of Finance and Demand Side Management

Enclosures/Attachments

- A: Proposed Electric Service Schedule 140: Non-Residential Energy Efficiency
- B: Supporting document for web language and new incentives - clean
- C: Supporting document for web language and new incentives - marked changes
- D: Explanation of prescriptive changes
- E: Alignment with RTF for commercial prescriptive measures
- F: Cost Effectiveness Analysis
- G: Schedule 115, marked Canceled
- H: Schedule 125, marked Canceled
- I: Notice
- J: List of Proposed Tariff Sheets