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Washington Utilities and Transportation Commission
PO Box 47250
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March 5, 2010

*RE: NW Energy Coalition Comments on Docket No. UE-100170, PacifiCorp's
Proposed 2010-2011 Conservation Target to Meet I-937*

The NW Energy Coalition respectfully submits the following comments regarding PacifiCorp's proposed 2010-2011 biennial conservation target filed in accordance with RCW 19.285.040(1). We also plan to attend the Commission Open Meeting on March 11.

After providing context for treating energy efficiency as a priority resource, we discuss PacifiCorp's proposed biennial target in the context of its Integrated Resource Plan ("IRP") analysis of conservation potential and in relation to the Northwest Power and Conservation Council's ("Council") regional plan. We recommend the Commission modify PacifiCorp's biennial conservation target, as discussed below.

Finally, we suggest the Commission consider additional opportunities for engaging members of the public and other interested stakeholders in future I-937 target-setting discussions. We recommend the Commission consider consolidating future annual budget and savings target filings with PacifiCorp's I-937 conservation filing.

Washington State and the Region Prioritize Efficiency for Meeting Energy Demand

The 1980 Pacific Northwest Electric Power Planning and Conservation Act sets important precedent for the region by prioritizing energy efficiency above all other resources.¹ Washington also has a long history of prioritizing energy efficiency as a resource.² State law further finds that energy efficiency is the cleanest, cheapest and most abundant source of energy available. In addition to saving money for consumers and utilities, the law recognizes that efficiency reduces our carbon footprint and protects electricity consumers in times of energy shortage. Pursuit of energy efficiency fosters retention and further development of the clean energy sector in Washington, including green jobs.³

¹ 16 U.S.C. § 839b(e)(1).

² See for example RCW 19.27A.015, Findings, 1990 c 2, § 1; RCW 43.21F.015; RCW 19.27A.130, Finding, 2009 c 423.

³ See for example RCW 28B.20.298, § 1; RCW 19.27A.015, Findings, 1990 c 2, § 1; RCW 82.04.4493, Findings, Intent, 2008 c 284 § 1; RCW 80.04.250, Findings, 1991 c 122 § 1; RCW 70.260.010 Finding, Intent, 2009 c 379.

Washington law specifically directs all state agencies to foster efficient energy use.⁴ Further,

...all state agencies are directed to employ their existing authorities and responsibilities to:

- (a) Work with local organizations and energy companies to facilitate the development and implementation of workable renewable energy and energy efficiency projects;
- (b) Actively promote policies that support energy efficiency and renewable energy development;
- (c) Encourage utilities and customer groups to invest in new renewables and products and services that promote energy efficiency; and
- (d) Assist in the development of stronger markets for renewables and products and services that promote energy efficiency...⁵

The Legislature also recently provided policy direction to electric and natural gas utilities to pursue energy efficiency:

It is the intent of the legislature that financial and technical assistance programs be expanded to direct municipal, state, and federal funds, as well as electric and natural gas utility funding toward greater achievement of energy efficiency improvements. To this end, the legislature establishes a policy goal of assisting in weatherizing twenty thousand homes and businesses in the state in each of the next five years. ...⁶

In 2006, the state's voters approved Initiative 937, which was codified into law as the Energy Independence Act⁷ ("Clean Energy Act"). The Clean Energy Act declares, as state policy, "*increasing energy conservation* and the use of appropriately sited renewable facilities builds on the strong foundation of low-cost hydroelectric generation in Washington state and will promote energy independence in the state and the Pacific Northwest region."⁸ This declaration of state policy combined with the conservation acquisition standard established in RCW 19.285.040(1) confirm the important role that energy efficiency holds for Washington and for the region.

⁴ See for example RCW 43.21F.010; RCW 39.35.010, Findings, c 214 § 14 (2); RCW 43.19.668.

⁵ RCW 28B.20.298 (2).

⁶ RCW 70.260.010 Finding, Intent, 2009 c 379 (2).

⁷ Chapter RCW 19.285 *et seq.*

⁸ RCW 19.285.020 (emphasis added).

The Commission Has Affirmed Energy Efficiency as a Priority Resource

The Commission has repeatedly affirmed energy efficiency as a priority resource for meeting electric and natural gas demand:

- “... the Commission has independently treated conservation as a priority resource, and we reaffirm that policy in this order.”⁹
- “... [P]romoting energy conservation is a goal that [the Commission] strongly supports.”¹⁰
- “It is difficult to overstate the importance of conservation measures, as reflected in these statutes and rules, and in our policies.”¹¹
- Conservation is one of our cornerstone missions. Consequently, we encourage and support efficiency programs as one of the key objectives in our ratemaking. We have long recognized that conservation is, under almost all circumstances, the least cost energy resource available to a utility and its ratepayers.¹²

Energy Efficiency is the Dominant Resource in the Northwest Power and Conservation Council’s Sixth Power Plan

The Northwest Power and Conservation Council adopted the region’s Sixth Power Plan on February 10, 2010. The Plan emphasizes the essential role of conservation in meeting electricity demand, and as already recognized by this Commission, the fundamental point that achieving significant conservation will remain a critically important goal for utilities in this region, including Washington, into the indefinite future.¹³

The dominant new resource in the Sixth Power Plan resource strategy is improved efficiency of electricity use, or conservation. The attractiveness of improved efficiency is due to its relatively low cost and the absence of major sources of risk. Conservation costs half of alternative generating resources and lacks the risk associated with volatile fuel prices and potential carbon policies. It also has short lead time and is available in small increments both of which reduce risk. Therefore, improved efficiency reduces both the cost and risk of the resource strategy.¹⁴

It is important to note that sources of achievable potential savings in the Sixth Plan are about 50 percent higher than in the Council’s Fifth Power Plan adopted in December 2004. The new assessment is higher because the Council identified new sources of savings in areas not addressed in the Fifth Plan and because savings potential has increased significantly in the residential sector due to technology improvements and in the industrial

⁹ Docket U-090222, Order 01, issued 9/14/09, para. 18.

¹⁰ Dockets UE-090134, UG-090135, and UG-060518 (consolidated), Order 10, issued 12/22/09, para. 237.

¹¹ Id., para 239

¹² Id., para 289.

¹³ Id., para 239.

¹⁴ Northwest Power and Conservation Council’s Sixth Power Plan, Pre-Publication Version 2-10-10, p. 10-4.

sector as a result of a more detailed conservation assessment.¹⁵

PacifiCorp's Filing Has Strengths and Weaknesses

PacifiCorp thoughtfully engaged its Washington Demand-Side Management Advisory Group in development of its 10-year conservation potential and 2010-2011 biennial target. The NW Energy Coalition supports many elements of the analysis underlying its biennial target, but we also have some concerns.

First, in this filing, we recommend the Commission focus on approval or rejection of PacifiCorp's proposed biennial target. Stakeholders would benefit from further examination of and discussion about the supporting materials filed in conjunction with the Company's proposed target.

PacifiCorp proposes a 2-year target of 8.8 aMW and a 10-year potential of 49.2 aMW.¹⁶ In keeping with the intent of the law, we support PacifiCorp's proposal to set a specific point target rather than a range.¹⁷

The Company used the conservation potential assessment in its IRP as the basis for its target, then adjusted that number upwards as a result of some identified differences between its methodologies and data sets and those used by the Council.¹⁸ PacifiCorp appropriately used the Council's Sixth Plan (rather than the Fifth Plan) when making those adjustments.¹⁹ We specifically take this opportunity to support the Company's risk reduction credit adjustment.²⁰

Generally, we agree with the Council that a utility's share of the regional conservation assessment generally should be used as a benchmark rather than a specific target unless no current rigorous potential assessment exists for an individual utility.

The purpose of this calculator is to provide utilities with a simple means to compute "their share" of the Northwest Power and Conservation Council 6th Plan's regional conservation target. This calculator is intended to provide utilities with an "approximation" of the level of conservation they should target in order to be consistent with the Council's regional goals. The Council does not formally assign individual utility targets in its planning process. Individual utility conservation goals are best established through utility integrated resource

¹⁵ Id., p. 4-1. The Fifth Plan estimated achievable conservation at approximately 3,900 average megawatts at a cost up to \$120 per megawatt-hour, while the Sixth Plan estimates achievable conservation at 5,860 average megawatts at an equivalent leveled life-cycle cost.

¹⁶ Docket UE-100170, PacifiCorp Initiative No. I-937 Report on Ten-Year Conservation Potential and 2010-2011 Biennial Target-clean, filed 1/29/2010, p. 4. According to Table 9, p. 16, the proposed 2010 target is 4.5 aMW and the 2011 target is 4.3 aMW.

¹⁷ Id., p. 27.

¹⁸ Id., p. 4. The Company added 14.5 aMW to its 10-year potential and 1.9 aMW to its biennial target as a result of those adjustments.

¹⁹ Id., p. 3, footnote 2.

²⁰ Id., p. 32.

planning processes which can better account for local conditions and legal requirements. Nevertheless, the results of this calculator can be used as rough guidance for utility conservation program planning until such time as a utility completes its own integrated resource plan or other similar process.²¹

As such, PacifiCorp's use of its IRP, adjusted for methodological differences and some new data, seems appropriate on the surface. However, we have some concerns because PacifiCorp's most recent conservation potential assessment, included in its 2009 IRP, relied on data collected in 2006 or earlier.²²

As the Council has found, conservation savings potential can increase dramatically in the span of a few years.²³ As noted in the preceding section, the Sixth Plan's conservation assessment is significantly higher than the Fifth due to identification of new sources of savings and because savings potential has increased significantly in the residential sector and in the industrial sector. Interestingly, the Company observed that, "The key differences [between its IRP and the Sixth Plan], before further economic and achievable adjustments, are primarily found in the residential and industrial sector conservation potentials."²⁴ The Company plans to update its conservation potential assessment as part of its 2010 IRP process,²⁵ but that update will not be timely for the current filing.

PacifiCorp's conservation potential analysis suggested a biennial target of 6.9 aMW.²⁶ Even with the adjustments to that IRP figure, PacifiCorp's proposed biennial target (8.8 aMW) is just slightly more than its share of the Council's outdated Fifth Power Plan (8.48 aMW).²⁷ In contrast, PacifiCorp's share of the Sixth Plan's conservation potential assessment is 10.63 aMW²⁸ – 20% higher than what the Company is proposing. That leads us to question whether some additional adjustments to the Company's 2010-2011 IRP targets may have merit,²⁹ or alternatively, whether the Company's biennial target should be based on its share of the Sixth Plan's conservation potential assessment.

²¹ Introduction, Northwest Power and Conservation Council's Sixth Plan Conservation Target Calculator, last revised 1/14/2010.

²² Docket UE-100170, PacifiCorp Initiative No. I-937 Report, p. 11.

²³ Northwest Power and Conservation Council's Sixth Power Plan, Pre-Publication Version 2-10-10, p. 4-1.

²⁴ Docket UE-100170, PacifiCorp Initiative No. I-937 Report, p. 7.

²⁵ Id., p. 4, footnote 5.

²⁶ Id., Table 12, p. 17. The 2010 target would be 3.6 aMW and the 2011 target would be 3.3 aMW.

²⁷ Northwest Power and Conservation Council's Fifth Plan Conservation Calculator shows PacifiCorp's target based on its share of total regional retail sales (i.e., "Option 1") is 4.17 aMW in 2010 and 4.31 aMW in 2011 for a total of 8.48 aMW, just 0.32 aMW less than PacifiCorp's proposed biennial target.

²⁸ Northwest Power and Conservation Council's Sixth Plan Conservation Calculator shows PacifiCorp's target based on its share of total regional retail sales (i.e., "Option 1") is 5.06 aMW in 2010 and 5.57 aMW in 2011 for a total of 10.63 aMW. The ten-year potential is 72.41 aMW.

²⁹ Docket UE-100170, PacifiCorp Initiative No. I-937 Report, ps. 9 and 13. The Company identified a few examples of adjustments that were not made but ultimately also considered "small" – cumulatively, however, those adjustments may have a greater impact on the overall target. Examples include industrial energy management and operations and maintenance measures, and residential space conditioning and HVAC equipment measures.

The Company proposes to acquire 18% of its forecast 10-year potential in 2010-2011.³⁰ While the Commission rules give each utility some flexibility in the interpretation of the Clean Energy Act conservation acquisition obligation of a "...pro rata share for that two-year period of its cost-effective conservation potential for the subsequent ten-year period," it is important to recognize that larger biennial targets may be needed in future years to ensure all cost-effective savings are acquired.³¹

The Company's analysis does not seem to include an estimate of efficiency potential in energy production. I-937 requires qualifying utilities to "pursue all available conservation that is cost-effective, reliable, and feasible,"³² and conservation is defined to mean "any reduction in electric power consumption resulting from increases in the efficiency of energy use, production, or distribution."³³ We believe that the Company's 10-year potential assessment should identify opportunities for efficiency improvements in its generation plants, and the biennial target should reflect any near-term efficiency potential.³⁴

We continue to have some discomfort with the Company's analysis of the effect of the Council's 10% conservation adder. We understand that PacifiCorp's 2009 IRP did not account for that adder in Washington.³⁵ While we appreciate PacifiCorp's efforts to model inclusion of the adder after the fact, we find it difficult to believe that the adder would have zero impact in the first biennium and throughout most of the 10-year period.³⁶ Unfortunately, we have not yet had the opportunity to delve into the Company's analysis. We would be interested to hear Council staff's assessment of this analysis.

The Company identified a list of potential sources of savings that could count towards meeting its biennial target, including regional market transformation efforts through the Northwest Energy Efficiency Alliance, unexpected changes to energy codes and standards, customer participation in utility conservation programs, and utility system initiatives such as distribution efficiency improvements.³⁷ We support those items, and urge the Commission to adopt guidelines related to how an investor-owned utility can count unexpected changes to codes and standards during the first biennium in which they occur.³⁸

However, we oppose the Company's proposal to include "savings from naturally

³⁰ Id., p. 27.

³¹ RCW 19.285.040(1)(b); WAC 480-109-007(14)

³² RCW 19.285.040(1)

³³ RCW 19.285.030(4)

³⁴ We understand that the basic methodologies in the Council's Plan can be used to assess production efficiency potential, though the Sixth Plan does not include such an assessment.

³⁵ Docket UE-100170, PacifiCorp Initiative No. I-937 Report, p. 14.

³⁶ Id., p. 24, Table 15.

³⁷ Id., p. 27.

³⁸ It may be constructive to examine the I-937 rules adopted by the Department of Commerce related to this issue, WAC 194-37-080(4)(c) and (5).

occurring conservation” in meeting its biennial target.³⁹ According to the Company, “Naturally occurring conservation refers to reductions in energy use that occur due to normal market forces, such as technological change, energy prices, market transformation efforts, and improved energy codes and standards.”⁴⁰ We do not believe the Company should be able to count as “conservation” in meeting its biennial target those reductions in load due to normal market forces such as price response or customer acquisition of energy efficiency independent of the utility’s conservation program offerings. Any significant reduction in potential that may occur outside of Company programs will be reflected in the Company’s subsequent 10-year conservation potential assessment and in the next 2-year target.

As discussed above, the Legislature, the Commission, and the Council all recognize energy efficiency as the priority resource for meeting energy demand. The intent of I-937 is to ensure qualifying electric utilities acquire all achievable cost-effective conservation. We therefore recommend the Commission modify PacifiCorp’s biennial target upwards in accordance with the comments above, and reject the proposal that the Company can count naturally occurring conservation in meeting its biennial target. We also repeat our recommendation for the Commission’s decision in this Docket to focus solely on approval, modification or rejection of the proposed biennial and 10-year targets and not the Company’s supporting documents.

Stakeholder Involvement and Timing of Conservation Filings May Require Additional Direction from the Commission

The Commission rules emphasize, “Participation by the commission staff and the public in the development of the ten-year conservation potential and the two-year conservation target is essential.”⁴¹ PacifiCorp utilized its Washington Demand-Side Management Advisory Group for feedback during the development of its conservation potential assessment. PacifiCorp also asked advisory group members for feedback concerning stakeholder involvement, and subsequently invited some additional experts to participate in meetings to discuss its target development process. While PacifiCorp’s extended advisory group included several experts, it did not include members of the public or other entities who may be interested in the utility’s efforts with regard to I-937. Preparation for the 2010-2011 biennium has been a learning experience for all stakeholders, and we believe PacifiCorp’s level of stakeholder involvement was sufficient for this period. But we encourage the Company and the Commission to consider additional possibilities for outreach to non-traditional stakeholders in future biennia.

We also take this opportunity to suggest the Commission consider consolidation of each utility’s conservation filings into a single Docket, at least in every even-numbered year. The requirements in I-937 for a utility to assess its 10-year conservation potential and establish a biennial target based on its pro rata share of that potential were intended to effectively replace rather than be additional to the utility’s ongoing conservation filings

³⁹ Docket UE-100170, PacifiCorp Initiative No. I-937 Report, p. 27.

⁴⁰ Id., p. 27, footnote 29.

⁴¹ WAC 480-109-010(3)(a).

for approval of budgets and savings targets. We believe having multiple filings is unnecessarily confusing and inefficient.⁴²

Conclusion

Thank you for the opportunity to provide these comments. These first I-937 compliance reports and target setting filings are a learning experience for each utility, the Commission, and all stakeholders involved. We provide these comments in the spirit of constructive criticism and look forward to continuing to work with the Company, the Commission, Public Counsel and other stakeholders to implement RCW 19.285.040.

Sincerely,

A handwritten signature in cursive script that reads "Danielle Dixon".

Danielle Dixon
Senior Policy Associate
NW Energy Coalition

⁴² It also is helpful for comparative purposes to consider all three investor-owned utility proposals simultaneously.