

Agenda Date: December 18, 2013
Item Numbers: D4 and D5

Dockets: UE-132047 and UE-132083

Company: Pacific Power and Light Company

Staff: Jeremy Twitchell, Regulatory Analyst

Recommendation

Issue an order approving Pacific Power and Light Company's 10-year conservation potential of 391,777 megawatt-hours and 2014-2015 biennial conservation target of 74,703 megawatt-hours subject to the conditions in Attachment A, and allow the tariff revisions filed in Docket UE-132083 to take effect January 1, 2014, by operation of law.

Background

On November 1, 2013, Pacific Power and Light Company d/b/a PacifiCorp (PacifiCorp or company) filed its 10-Year Conservation Potential and 2014-2015 Biennial Conservation Plan (Plan) with the Washington Utilities and Transportation Commission (commission).

As part of its strategy for reaching the two-year target identified in its Plan, PacifiCorp also filed a request under Docket UE-132083 to cancel its existing tariffs for commercial and industrial conservation programs and combine them in a single new tariff, Non-Residential Energy Efficiency.

Staff filed comments responding to the Plan on December 3, 2013, describing staff participation in the establishment of both the 10-year potential and two-year target through PacifiCorp's Demand-Side Management Advisory Group. Further, staff is satisfied that PacifiCorp has used methods consistent with the Council in the establishment of its potential and target.

Biennial Conservation Target and Portfolio Savings

As discussed in staff's comments, PacifiCorp's Conservation Potential Assessment (CPA) and subsequent adjustments identified a 10-year conservation potential range of 391,187 – 391,777 megawatt-hours (MWh). The range reflects uncertainty around the company's ability to implement production efficiency programs at jointly owned generation facilities, where co-owners must agree to the projects. Staff recommends setting the 10-year potential at 391,777 MWh because WAC 480-109-010(2)(c) allows ranges only for the target, not the potential.

To identify its two-year target, the company further adjusted the potential by subtracting the savings attributable to its involvement in the Northwest Energy Efficiency Alliance (NEEA), as explained in staff's comments. Collectively, these adjustments resulted in a 2014-2015 conservation target range of 74,703 – 74,719 MWh, as summarized in Table 1:

Table 1. Development of PacifiCorp's 2014-2015 Biennial Conservation Target

Savings Category	Target (MWh)
End-Use Efficiency Measures (Adjusted CPA)	89,016
Less NEEA	(14,313)
End-Use Efficiency Measures Subtotal	74,703
Plus Distribution Efficiency	0
Plus Generation Efficiency	0 - 16
2014-2015 Biennial Conservation Target	74,703 – 74,719

Staff recommends that the commission approve the low end of the range, 74,703 MWh, as PacifiCorp's target. While commission rules allow for ranges in conservation targets, staff's comments noted that where ranges are used, the target is effectively the low end of the range. Approving the low end of the range simplifies reporting, and matches the recommended approach to the 10-year potential.

Biennial Budget and Cost-effectiveness

PacifiCorp's Demand-side Management 2014-2015 Business Plan, attached to the Biennial Conservation Plan filing as Appendix 7, 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 2014-2015 is \$20.7 million, an increase of 9 percent over the current biennium. Projected savings are 93,193 MWh, an increase of about 20 percent over the current biennium's projection.¹ This increase is largely the result of the inclusion of Home Energy Reports and the way the company counts savings from that program.² Non-residential savings are also expected to significantly increase because of expanded program offerings contained in the new tariff filed in Docket UE-132083.

Independent analysis of PacifiCorp's conservation portfolio by Cadmus, Inc. found that it achieves a Total Resource Cost (TRC) ratio of 1.70 and a Utility Cost Test (UCT) ratio of 2.42, indicating that the company's expanded portfolio remains cost-effective.³

Table 2. Comparison of PacifiCorp's 2012-2013 and 2014-2015 BCPs.

¹ The Business Plan projects that the company will exceed its biennial target by about six percent, achieving 78,879 MWh of savings. The 93,193 MWh figure includes 14,314 MWh of NEEA savings.

² For a detailed discussion of alternative approaches for counting Home Energy Report savings, see staff's comments, pgs. 15-17.

³ These ratios include the 10 percent conservation adder prescribed by the Council.

Program	2014-2015 Projected Savings (MWh)	2014-2015 Budget	2012-2013 Projected Savings (MWh)	2012-2013 Budget
Residential				
<i>Low-income</i>	521	\$1,840,000	613	\$1,648,000
<i>Home Energy Reports</i>	10,885	\$288,000	-	-
Residential Total	30,918	\$6,473,000	23,389	\$5,417,000
Non-Residential	47,944	\$10,107,000	36,967	\$8,909,000
Pilots	-	-	-	-
Regional ⁴	14,330	\$2,393,000	17,520	\$2,369,000
Administration/Other	-	\$1,751,000	-	\$2,310,000
Total	93,193	\$20,725,000	77,876	\$19,006,000

Note: 2012-2013 values are as filed in the 2012-2013 BCP in Docket UE-111880 (pg. 23). Columns may not add to totals, due to rounding.

Home Energy Reports

Staff identified two areas of inconsistency in how the investor-owned utilities account for their Home Energy Reports (HER) programs. The first is whether a utility's target reflects the savings that the utility plans to claim from the program; the second is how a utility calculates the savings.

Regarding the first issue, there is inconsistency in how the utilities model the potential savings from their HER. Traditionally, CPAs do not include an assessment of the potential associated with behavioral programs like HER, so PacifiCorp models them separately and then adds their potential into the CPA before setting its biennial target. Staff supports this approach, which PSE also uses.

The second issue is more difficult to resolve. It involves how the utilities calculate HER savings, and as explained in staff's comments, no two utilities take the same approach. At present, staff cannot recommend a particular methodology, and requests time over the coming biennium to conduct additional research and work with the companies to develop a more uniform approach.

Additional Discussion

Conditions List

Staff worked with PacifiCorp and advisory group members to develop a set of conditions for PacifiCorp's conservation programs in the 2014-2015 biennium. The resulting conditions list is

⁴ This includes savings and budgets associated with NEEA and PacifiCorp's Production Efficiency program.

included in Attachment A, modified with the conservation potential and biennial conservation target proposed by staff.

Staff has proposed eliminating conditions 3(a) and 3(e), which require PacifiCorp to file semi-annual updated expenditures and budgets for its System Benefit Charge, which funds the company's conservation programs. As other conditions require the company to share this information with the Advisory Group, which meets quarterly at a minimum, staff feels that the filing requirement is unnecessary. Should the commission agree, the order may need to address Docket UE-001457, which initially required the semi-annual reports.

Staff also added a condition, 6(h), which requires the company to pursue regional market transformation. Since NEEA savings are no longer part of the utilities' targets, staff added this condition for all three companies to ensure that they will continue to participate in these cost-effective efforts. PacifiCorp is concerned that this condition requires the company to participate in NEEA without being able to evaluate whether doing so remains cost-effective. The company intends to raise this issue at the Open Meeting.

Proposed Tariff Revisions

As stated above, PacifiCorp has filed a tariff revision in Docket UE-132083 that would create a single tariff for non-residential energy programs. Staff recommends that the tariff be allowed to take effect on Jan. 1, 2014.

Staff believes that this change is in the public interest because it will reduce the confusion created by the previous two tariffs, which were known as Energy FinAnswer and Energy FinAnswer Express, and streamline program administration. The new tariff will also remove or reduce a number of participation barriers, including minimum square footage standards and commissioning costs. Perhaps most notably, the new tariff will add an energy management measure, which will allow small businesses to engage in energy efficiency without having to take on costly up-front expenditures. With these changes implemented, PacifiCorp projects that its non-residential conservation savings achievement will increase by about 30 percent in the 2014-2015 biennium.

Stakeholder Comments

Aside from staff, Public Counsel was the only party to file comments. Public Counsel is withholding its recommendation on the Plan until the December 18, 2013, Open Meeting, citing a lingering concern over PacifiCorp's use of non-RTF unit energy savings (UES) values for its refrigerator and freezer recycling measures. The company uses a UES of 583 kWh for refrigerators and 495 kWh for freezers; RTF uses values of 424 kWh and 478 kWh, respectively. PacifiCorp states that its higher values are based on a company-specific program evaluation, and that they were calculated using methodologies consistent with the Council.

After reviewing the evaluation report that recommended the higher UES values, staff does not share Public Counsel's concern. The higher values result from the use of territory-specific data in place of the regional averages that the RTF uses, specifically related to climate and local appliance stock, which was based on a company survey of its Washington customers. The evaluation's methodology appears to be consistent with the Council.

Public Counsel also stated its concern with the different approaches to modeling HER programs and a desire for further evaluation of the methodologies the companies used to remove NEEA savings from their targets. Finally, Public Counsel restated its preference for annual updates to UES values in conservation reporting, but accepts the use of locked UES values for this biennium.

Conclusion

Staff recommends that the commission issue an order approving PacifiCorp's 2014-2023 conservation potential of 391,777 MWh and biennial conservation target of 74,703 MWh. Staff additionally recommends that the commission take no action on Docket UE-132083, thereby allowing the proposed tariff changes to become effective January 1, 2014, by operation of law.

Attachment