

**BEFORE THE  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of

PACIFIC POWER & LIGHT COMPANY

2012-2021 Ten-Year Achievable  
Conservation Potential and 2012-2013  
Biennial Conservation Target Under RCW  
19.285.040 and WAC 480-109-010

DOCKET UE-111880

ORDER 01

ORDER APPROVING PACIFIC  
POWER & LIGHT COMPANY'S  
2012-2021 ACHIEVABLE  
CONSERVATION POTENTIAL  
AND 2012-2013 CONSERVATION  
TARGET SUBJECT TO  
CONDITIONS

**BACKGROUND**

**A. The Energy Independence Act**

- 1 Washington voters approved Initiative 937, the Energy Independence Act, in the 2006 general election. Now codified in Chapter 19.285 of the Revised Code of Washington, it requires electric utilities with 25,000 or more customers to set and meet energy conservation targets, among other things.
- 2 Under RCW 19.285.040(1)(a) and (b), utilities are required to do the following:
  - (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. . . .

3 Under RCW 19.295.040(1)(e), the Washington Utilities and Transportation Commission (“Commission”) has authority to “rely on its standard practice for review and approval of investor-owned utility conservation targets.” A rule adopted by the Commission, WAC 480-109-010, guides investor-owned utilities’ compliance with RCW 19.285.040(1). WAC 480-109-010(1) requires each utility, by January 1, 2010, and every two years thereafter, to project its cumulative ten-year conservation potential. WAC 480-109-010(3) requires each utility, beginning January 2010, and every two years thereafter, to establish a biennial conservation target. WAC 480-109-010(3) directs that, “On or before January 31, 2010, and every two years thereafter, each utility must file with the commission a report identifying its ten-year achievable conservation potential and its biennial conservation target.” WAC 480-109-010(4) describes the process for review by the commission. Under WAC 480-109-010(4)(c), upon conclusion of that 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.”

4 On July 29, 2010, in Docket UE-100170, the Commission issued Order 02 approving Pacific Power & Light Company’s (PacifiCorp’s) 2010-2019 ten-year achievable conservation potential and 2010-2011 biennial conservation target with conditions. One of the conditions was this:<sup>1</sup>

- (8) PacifiCorp must file the following:

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- (f) Biennial Conservation Plan including revised program details and program tariffs excluding information related to distribution efficiency initiatives (“DEI”) and production efficiency potential in non-hydro generation facilities, together with identification of 2012-2021 achievable conservation potential, by September 15,

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<sup>1</sup> *In re Pac. Power & Light Co.*, Docket UE-100170, Order 02 ¶ 59 (Ordering ¶ 8) (July 29, 2010).

2011. . . . PacifiCorp will provide its revised ten-year conservation potential that includes DEI and production efficiency potential in non-hydro generation facilities by January 1, 2012, and its revised ten-year conservation plan by January 31, 2012. 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, 2012.

**B. PacifiCorp's Filings**

- 5 On September 1, 2011, PacifiCorp initiated this docket by filing a statement projecting its 2012-2021 ten-year achievable conservation potential, excluding information related to distribution efficiency initiatives and production efficiency potential in non-hydro generation facilities. On September 15, 2011, PacifiCorp filed a Biennial Conservation Plan entitled "PacifiCorp's Ten-Year Conservation Potential and 2012-2013 Biennial Conservation Target for its Washington Service Area." The Biennial Conservation Plan included the information required by Ordering Paragraph (8)(f) in Docket UE-100170 Order 02.
- 6 On December 29, 2011, in Docket UE-100170, PacifiCorp filed a statement projecting its 2012-2021 ten-year achievable conservation potential, including information related to distribution efficiency initiatives and production efficiency potential in non-hydro generation facilities. On January 31, 2012, as required by Ordering Paragraph (8)(f) in Docket UE-100170 Order 02 and by WAC 480-109-010(3), PacifiCorp filed a Biennial Conservation Plan entitled "PacifiCorp's Ten-Year Conservation Potential and 2012-2013 Biennial Conservation Target for its Washington Service Area" ("Plan") in this docket. The Plan was supported by detailed exhibits and attachments. The Plan identified a 2012-2021 ten-year achievable conservation potential of 45.548 to 45.894 average megawatts, and a 2012-2013 biennial conservation target of 8.709 to 9.055 average megawatts.<sup>2</sup> As required by WAC 480-109-010(3)(b), PacifiCorp stated that it

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<sup>2</sup> WAC 480-109-010(2)(c) provides: "The biennial conservation target may be a range rather than a point target."

had used its 2011 Integrated Resource Plan<sup>3</sup> as the starting point for its calculations, supplemented by consultant studies related to distribution and production efficiency potentials.

7 On February 14, 2012, the Commission issued a “Notice of Opportunity to Comment on Pacific Power and Light Company’s Report Identifying its Ten-Year Achievable Conservation Potential and 2012-2013 (Biennial) Conservation Target Pursuant to RCW 19.285.040 and WAC 480-109-010,” and a “Notice of Open Meeting.” The notice invited comments to be filed by March 13, 2012, and stated that the Commission would consider the matter at its Open Meeting on April 12, 2012. During the comment period, the Commission received written comments from Public Counsel, the Northwest Energy Coalition (NVEC), and Commission Staff. The Commission heard additional oral comments during its April 12, 2012, Open Meeting.

8 All commenters stated that they supported the 2012-2021 ten year achievable conservation potential and 2012-2013 biennial conservation target that PacifiCorp identified in its Plan. Public Counsel and Commission Staff generally recommended that the Commission approve the targets with the conditions that the Commission had imposed in Docket UE-100170, but they recommended restating the potential and target in megawatt-hours,<sup>4</sup> along with some other modifications and additions.

9 Discussions among PacifiCorp, Public Counsel, NVEC, and Commission Staff continued after the comment period closed. The participants reached agreement on a set of conditions to recommend to the Commission for approval of PacifiCorp’s conservation ranges. PacifiCorp filed the agreed conditions list in this docket on April 9, 2012. The Commission considered and approved the recommended conditions at its April 12, 2012, Open Meeting.

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<sup>3</sup> WAC 480-100-238 requires electric utilities regulated by the commission to file an integrated resource plan every two years. *See* RCW Chapter 19.280. PacifiCorp presented its 2011 Integrated Resource Plan to the Commission in Docket UE-100514.

<sup>4</sup> Under RCW 19.285.060(1), if a utility fails to meet a conservation target, penalties are determined according to “each megawatt-hour of shortfall.” One average megawatt equals one megawatt times 8760 hours per year, or 8760 megawatt-hours.

**FINDINGS AND CONCLUSIONS**

- 10 (1) The Washington Utilities and Transportation Commission is an agency of the state of Washington vested by statute with the authority to regulate the rates, rules, regulations, practices, accounts, securities, transfers of property and affiliated interests of public service companies, including electric companies. RCW 80.01.040, RCW 80.04, RCW 80.08, RCW 80.12, RCW 80.16, RCW 80.28.
- 11 (2) Under RCW 19.285.040(1)(a) and (b), electric utilities that serve more than 25,000 customers in the State of Washington are required to do the following:
- (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.
- 12 (3) As used in RCW 19.285.040(1), “‘Conservation’ means any reduction in electric power consumption resulting from increases in the efficiency of energy use, production, or distribution.” RCW 19.285.030(4).

- 13 (4) The Washington Utilities and Transportation Commission has authority to determine investor-owned utilities' compliance with RCW 19.285.040(1). RCW 19.285.060(6). The Commission has authority to review and decide whether to approve investor-owned utility conservation targets. The Commission may rely on its standard practice in exercising that authority. RCW 19.285.040(1)(e). The Commission has adopted WAC 480-109-010 to implement RCW 19.285.040(1).
- 14 (5) PacifiCorp is an electric company and a public service company subject to Commission jurisdiction. PacifiCorp is a qualifying investor-owned electric utility under RCW 19.285.030.
- 15 (6) In accordance with Order 02 in Docket UE-100170, PacifiCorp timely identified its 2012-2021 ten-year achievable conservation potential and 2012-2013 biennial conservation target, and timely submitted a report, entitled "PacifiCorp's Ten-Year Conservation Potential and 2012-2013 Biennial Conservation Target for its Washington Service Area" ("Plan"), to the Commission under WAC 480-109-010. PacifiCorp used its 2011 Integrated Resource Plan, which PacifiCorp presented to the Commission in Docket UE-100514, as the starting point for its 2012-2021 ten-year achievable conservation potential and 2012-2013 biennial conservation target.
- 16 (7) After considering PacifiCorp's Plan, supporting documentation, and comments received, the Commission concludes that the 2012-2021 ten-year achievable conservation potential that PacifiCorp identified is consistent with RCW 19.285.040(1) and WAC 480-109-010(1). The Commission concludes that the 2012-2013 biennial conservation target that PacifiCorp established is consistent with RCW 19.285.040(1) and WAC 480-109-010(2).
- 17 (8) The Commission concludes that PacifiCorp has satisfied the staff and public participation requirements of WAC 480-109-010(3) and Order 02 in Docket UE-100170 in developing its 2012-2021 achievable ten-year conservation potential and 2012-2013 biennial conservation target.
- 18 (9) PacifiCorp agreed to the Conditions described in this Order. The Conditions memorialize the Commission's standard practice and facilitate the

Commission's ability to determine PacifiCorp's compliance with the provisions of RCW 19.285. RCW 19.285.040(1)(e); RCW 19.285.060(6).

- 19 (10) PacifiCorp's 2012-2021 ten-year achievable conservation potential of 399,000 to 402,031 megawatt-hours, and PacifiCorp's 2012-2013 biennial conservation target of 76,291 to 79,322 megawatt-hours, are appropriate subject to the Conditions included in this Order.
- 20 (11) After reviewing PacifiCorp's Plan filed on January 31, 2012, and giving due consideration to all relevant matters and for good cause shown, the Commission finds it is in the public interest to approve with conditions PacifiCorp's 2012-2021 ten-year achievable conservation potential and 2012-2013 biennial conservation target identified in the Plan, as authorized by RCW 19.285.040(1)(e) and WAC 480-109-010(4).
- 21 (12) This matter came before the Commission at its regularly-scheduled meeting on April 12, 2012.

### ORDER

#### THE COMMISSION ORDERS:

- 22 (1) **Ten-Year Potential/Biennial Conservation Target – Approval and Conditions.** PacifiCorp's "Ten-Year Conservation Potential and 2012-2013 Biennial Conservation Target for its Washington Service Area" ("Plan") identifies a biennial conservation target range of 76,291 to 79,322 megawatt-hours of energy conservation for the calendar years 2012 through 2013. In addition, PacifiCorp's Plan states a ten-year conservation potential range of 399,000 to 402,031 megawatt-hours for the years 2012 through 2021. The Plan was timely filed in this docket on January 31, 2012. Pursuant to RCW 19.285.040(1)(e) and WAC 480-109-010(4)(c), these ranges are approved subject to the Conditions described in Paragraphs (2) through (11) below.
- 23 (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, and communication and consultation with external stakeholders, diminish neither PacifiCorp’s operational authority, nor its ultimate responsibility for meeting the biennial conservation target approved herein.

24 (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 PacifiCorp 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. PacifiCorp will seek the advice of the Advisory Group on the following matters:
  - (i) Modification of existing or development of new evaluation, measurement, and verification (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) PacifiCorp 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, PacifiCorp may provide the Advisory Group with a copy of a filing concurrent with the commission filing.
- (e) PacifiCorp will notify the Advisory Group of public meetings scheduled to address the Company’s integrated resource plan. PacifiCorp 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.

25 (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. PacifiCorp will, upon request, provide additional detail to the Advisory Group to the extent it exists.

- 26 (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 PacifiCorp’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.
- 27 (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 Plan. The Commission is not obligated to accept savings identified in the Plan 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/>.
  - (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 proportion 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:

- (i) Verify calculation of total portfolio MWh savings; and
- (ii) Conduct a review of EM&V activities and application for best practices and reasonable findings, which includes the following:
  - (1) Validate the adequacy of PacifiCorp's savings verification process, controls, and procedures;
  - (2) Validate savings tracking and reporting processes and practices; and
  - (3) Review program process and impact evaluations completed during the biennium for appropriateness of evaluation approach/methodologies (program specific) and program cost-effectiveness calculations.

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

A final report for the 2012-2013 biennium shall be submitted as part of PacifiCorp'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.

- (g) For savings claimed from distribution efficiency, PacifiCorp must provide verified savings calculated using Simplified Voltage Optimization (VO) Measurement and Verification Protocol approved by the RTF in 2010.
- (h) In consultation with an independent third-party consultant, develop a document functionally similar to a Technical Reference Manual outlining the methods and assumptions and sources for those assumptions used for estimating energy savings. The final draft of this document shall be provided to the Advisory Group for review and comment by March 31, 2013 and applied in the development of the next biennial conservation plan. This document will be reviewed periodically as part of the evaluation cycle.

28 (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 Appendix 7 of PacifiCorp's Ten-Year Conservation Potential and 2012-2013 Biennial Conservation Target for its Washington Service Area, dated January 31, 2012.
- (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 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 PacifiCorp'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. PacifiCorp may ask the Commission to modify this spending limit following full Advisory Group consultation.

29 (8) **Required Reports and Filings**

PacifiCorp must file the following:

- (a) 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 Expenditure 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.

30 (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).

31 (10) **Cost-Effectiveness Test is the Total Resource Cost (TRC) 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/Methodology.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. 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 PacifiCorp's "Evaluation, Measurement & Verification Framework for Washington" document developed in conjunction with PacifiCorp's Washington Advisory Group and included as an Appendix 8 to PacifiCorp's Ten-Year Conservation Potential and 2012-2013 Biennial Conservation Target for its Washington Service Area, dated January 31, 2012.

32 (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 designed to encourage customer conservation including planning and program administrative 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 mechanism.

Only for the 2012-2013 biennium, PacifiCorp may continue to use SBC funds to complete the Distribution and Production Efficiency potential assessment studies.

DATED at Olympia, Washington, and effective April 26, 2012.

**WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**JEFFREY D. GOLTZ, Chairman**

**PHILIP B. JONES, Commissioner**