

Agenda Date: January 17, 2024  
Item Number: D5

**Docket: UE-230904**

**Company: PacifiCorp d/b/a Pacific Power & Light Company**

Staff: Jaclynn Simmons, Regulatory Analyst

### **Recommendation**

Issue an order in Docket UE-230904 accepting PacifiCorp’s:

- (1) Ten-year electric conservation potential of 406,486 megawatt-hours (MWh),
- (2) EIA Target of 84,971 MWh,
- (3) EIA Penalty Threshold of 74,839 MWh, and
- (4) Decoupling Penalty Threshold of 4,249 MWh pursuant to Order 12 in Docket UE-152253,
- (5) Subject to the conditions in Attachment A.

### **Background**

On November 1, 2023, PacifiCorp d/b/a Pacific Power & Light Company (PacifiCorp or Company) filed its “2024-2025 Biennial Conservation Plan” (BCP or Plan) with the Washington Utilities and Transportation Commission (Commission) under Docket UE-230904. The electric Plan is required by the Energy Independence Act (EIA).<sup>1</sup> PacifiCorp serves approximately 150,000 electric customers in its Washington service territory with the majority located in Columbia, Walla Walla, and Yakima counties.

Commission Staff (Staff) filed responsive comments on the Plan on December 22, 2023.<sup>2</sup> Those comments detailed Staff’s review of PacifiCorp’s expected electric savings in the 2024-2025 biennium some of the programs the Company will run to achieve those savings.

### **Discussion**

PacifiCorp plans to spend \$49,316,013 million over the 2024-2025 biennium to achieve an estimated 89,220 MWh of forecasted savings, including NEEA. PacifiCorp projects its total portfolio savings to exceed its goal of 89,220 MWh and achieve 91,123 MWh in savings.<sup>3</sup> Table

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<sup>1</sup> RCW 19.285.040(1); WAC 480-109-120(1).

<sup>2</sup> Docket UE-230904, “Commission Staff Comments Regarding Gas and Electric Utility Conservation Plans Under RCW 19.285 and 80.28 and WAC 480-109 (2024-2025 Biennial Conservation Plans),” filed Dec. 22, 2023.

<sup>3</sup> *PacifiCorp 2024-2025 BCP*, Docket UE-230904, DSM Biennial Plan, at 7 (Nov. 1, 2023).

1 shows the Company's conservation targets and goals for 2024-2025 and Table 2 compares PacifiCorp's 2024-2025 electric expected savings and budgets with expected savings and budgets from the 2022-2023 biennium.

**Table 1 - PacifiCorp Electric Conservation Targets and Goals 2024-2025<sup>4</sup>**

Category	MWh*
Pro Rata Share of 10-year conservation potential	87,348
<b>EIA Target</b>	<b>84,971</b>
Excluded Programs (NEEA)	(10,132)
<b>EIA Penalty Threshold</b>	<b>74,839</b>
Decoupling Threshold	4,249
<b>Total Utility Conservation Goal</b>	<b>89,220</b>

\*Numbers reported at customer meter/site.

**Table 2. Electric Savings and Budgets from Pacific Power's 2022-2023<sup>5</sup> and 2024-2025<sup>6</sup> BCPs**

Program	2022-2023 Projected Savings (MWh at Site)	2022-2023 Budget	2024-2025 Projected Savings (MWh at Site)	2024-2025 Budget
Residential Total <sup>7</sup>	24,082	\$21,699,191	17,750	\$18,395,915
<i>Home Energy Savings</i>	19,814	\$18,961,967	9,438	\$14,558,826
<i>Home Energy Reports</i>	3,930	\$755,975	7,953	\$668,529
<i>Low-income</i>	338	\$1,981,250	359	\$3,318,650
Non-Residential	70,338	\$20,341,392	63,013	\$27,426,680
NEEA	6773	\$1,724,200	10,132	\$1,939,531
Other Savings	-	-	228	-
Administration/Other	-	\$2,072,993	-	\$1,553,887
<b>Total Conservation</b>	<b>101,193</b>	<b>\$45,837,776</b>	<b>91,123</b>	<b>\$49,316,013</b>

The Company's conservation budget increased 8 percent, with an associated 18 percent decrease in energy savings compared to the previous biennia. Among other factors, this reflects an

<sup>4</sup> *In re PacifiCorp's 2024-2025 Biennial Conservation Plan*, UE-230904, PacifiCorp Biennial Conservation Plan, at 8-9 (Nov. 1, 2023).

<sup>5</sup> *In re PacifiCorp's 2024-2025 Biennial Conservation Plan*, UE-230904, Appendix 2: Demand-side Management 2024-2025 Business Plan - Washington, Table 2, at 5, (Nov. 1, 2023).

<sup>6</sup> *In re PacifiCorp's 2024-2025 Biennial Conservation Plan*, UE-230904, Appendix 2: Demand-side Management 2024-2025 Business Plan - Washington, Table 2, at 4, (Nov. 1, 2023).

<sup>7</sup> Includes Home Energy Savings, Home Energy Reports, and Low-income programs.

increase in incentives required to make programs more accessible to customers and direct installation vendors, additional residential and business programs, and extended projects in Highly Impacted Communities and Vulnerable populations.<sup>8</sup> Additional increases include responding to inflation, labor shortages, and lingering pandemic effects on program participation.

The Company expects its total portfolio to achieve a TRC ratio of 1.52 and a UTC ratio of 1.42, indicating the portfolio remains cost-effective.<sup>9</sup>

Staff notes PacifiCorp's emphasis on Washington's Clean Energy Transformation Act (CETA) requirements and ensuring conservation program alignment with legislative directives. For example, the Company plans to increase Named Community customer participation, update their customer benefit indicator actions, and community partnerships. to ensure they can achieve this goal. Also, the BCP includes co-deployment of energy efficiency and demand response, to attempt to increase participation in demand response programs. Staff acknowledges the effort PacifiCorp has put into their BCP to make sure it includes actions to address CETA requirements.

### **List of Conditions**

As with previous biennia, Staff and the Company have negotiated a set of conditions that PacifiCorp agrees to adhere to throughout the biennium. These are included as Attachment A to this memo.

### **Stakeholder Comments**

As of January 3, 2024, there were no comments filed in addition to Staff's comments, which were filed on December 22, 2023.

### **Conclusion**

Staff recommends the Commission issue an order in docket UE-230904 accepting PacifiCorp's ten-year electric conservation potential of 406,486 MWh, EIA Target 84,971 MWh, EIA Penalty Threshold of 74,839 MWh, and Decoupling Penalty Threshold of 4,249 MWh pursuant to Order 12 in Docket UE-152253, subject to the conditions in Attachment A.

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<sup>8</sup> RCW 19.405.020

<sup>9</sup> *In re PacifiCorp's 2024-2025 Biennial Conservation Plan*, UE-230904, PacifiCorp's 2024-2025 DSM Plan, at 6, (Nov. 1, 2023).

**Attachment A – Docket UE-230904**  
**Conditions for 2024-2025 PacifiCorp Electric Biennial Conservation Plan**

**1. Conservation Potential and Targets – Approval and Conditions**

- a. The following conservation targets are approved for PacifiCorp, with conditions pursuant to RCW 19.285.040(1)(e) and WAC 480-109-120(1). This approval is subject to the Conditions described in Paragraphs (2) through (13) below.<sup>10</sup>
  - i. *Ten-Year Potential*: 406,486 megawatt-hours.
  - ii. *Two-Year EIA Target*: 84,971 megawatt-hours.
  - iii. *Two-Year EIA Penalty Threshold*: 74,839 megawatt-hours.
  - iv. *Two-Year Decoupling Penalty Threshold*: 4,249 megawatt-hours, pursuant to Order 12 in Docket UE-152253.
  - v. *Total Two-Year Utility Conservation Goal*: 89,220 megawatt-hours.
- b. The Commission approves the above targets and thresholds as measured at the customer meter. All planning and reporting must include savings data as measured at the customer meter.
- c. As part of PacifiCorp’s biennial conservation acquisition efforts, PacifiCorp must continue to invest in regional studies and market transformation, in collaboration with funding from other parties and with other strategic market partners in this biennium that complements PacifiCorp’s energy efficiency programs, planning, services, and measures.

**2. PacifiCorp Retains Responsibility.** Nothing in these conditions relieves PacifiCorp of the sole responsibility for complying with RCW 19.285 and WAC 480-109. 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.

**3. Advisory Group**

- a. To meet the requirements of WAC 480-109-110, PacifiCorp must continue to use its Advisory Group, initially created under Docket UE-991823 and its Integrated Resource Planning Advisory Group as described under WAC 480-100-630.
- b. PacifiCorp must notify Advisory Group members of all public meetings scheduled to address PacifiCorp’s integrated resource plan. PacifiCorp must also coordinate a meeting with Advisory Group members and the entity conducting the conservation potential assessment (CPA) addressing the scope and design of the CPA. Such a meeting must address the assumptions and relevant information utilized in the development of PacifiCorp’s integrated resource plan as they apply to the development and/or modification of the ten-year conservation potential.

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<sup>10</sup> The definitions of “Two-Year EIA Target” and “Two-Year EIA Penalty Threshold” were developed in 2018 through the Statewide Advisory Group (SWAG) process. *See* Dockets UE-171087, UE-171091, and UE-171092, “Report on 2018 Washington State Investor-Owned Utility Energy Efficiency Joint Advisory Group Activities and Outcomes”.

This meeting must be held early enough in the integrated resource plan public process to incorporate the group's advice. PacifiCorp must notify Advisory Group members of IRP Advisory Group meetings that present the Company's natural gas and energy price forecasts and generation resource cost assumptions used in the development of the company's integrated resource plan, as these assumptions will inform the ten-year conservation potential.

- c. PacifiCorp must consult with the Advisory Groups starting no later than July 1, 2025, to begin to identify achievable conservation potential for 2026-2035 and to begin to set annual and biennial targets for the 2026-2027 biennium, including necessary revisions to program details and the quadrennial 2026-2029 CEIP target. See RCW 19.285.040(1)(b); WAC 480-109-120; and WAC 480-100-640(11).
  - d. PacifiCorp must inform the Advisory Group members when its projected expenditures indicate that PacifiCorp will spend more than 120 percent or less than 80 percent of its annual conservation budget.
  - e. If PacifiCorp believes that an event beyond its reasonable control has occurred that may prevent it from meeting its combined EIA Penalty Threshold and Decoupling Penalty Threshold, PacifiCorp will confer with the Advisory Group members as soon as possible to determine a path forward. See RCW 19.285.040(1)(e) and RCW 19.285.060(2).
  - f. Prior to filing the 2026-2027 Biennial Conservation Plan, PacifiCorp must provide the following information to the Advisory Group: draft ten-year conservation potential, revised four-year target, and two-year target by August 1, 2025; draft program details, including budgets, by September 1, 2025; and draft program tariffs by October 2, 2025.
- 4. Annual Budgets and Energy Savings.** PacifiCorp must provide its proposed budget in a detailed format with a summary page indicating the proposed budget and savings levels for each conservation program, and subsequent supporting spreadsheets providing further detail for each program and line item shown in the summary sheet. PacifiCorp must allocate a reasonable amount of its program budget (as determined through consultation with the Advisory Group) towards pilot programs, research, and data collection.
- 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 and updated in this docket. PacifiCorp must notify the Advisory Group when it files updated measures, incentives, or eligibility requirements.
- 6. Approved Strategies for Selecting and Evaluating Energy Conservation Savings**
- a. PacifiCorp has identified several potential conservation measures described in the BCP. The Commission is not obligated to accept savings identified in the BCP for purposes of compliance with RCW 19.285.
  - b. When PacifiCorp proposes a new or significant change to a program, pilot, or tariff schedule, it must present the program to the Advisory Group with program

details fully defined, to the extent practicable. After consultation with the Advisory Group in accordance with WAC 480-109-110(1)(h), the Advisory Group may advise if a revision to the Conservation Plan in this docket is necessary.

- c. PacifiCorp must spend a reasonable (as determined through consultation with the Advisory Group) 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 maximum four-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.
- d. An independent third-party must review portfolio-level electric energy savings reported by PacifiCorp for the 2024-2025 biennial period, from existing conservation programs operated during that period, per WAC 480-109-120(4)(b)(v). The review will be funded by PacifiCorp's Electric Service Conservation Rider. Commission Staff and PacifiCorp staff will review jointly the input on the scope, cost, RFP development, reviewer selection and ongoing oversight by the Advisory Group. The independent third-party reviewer must be selected through an RFP process and is intended to:
  - i. Verify the calculation of total portfolio MWh savings; and
  - ii. Provide 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.
    3. Review program process and impact evaluations completed during the biennium for appropriateness of evaluation approach/methodologies (program specific) and program cost-effectiveness calculations.
- e. A final report for the entire 2024-2025 biennium may be implemented in phases and delivered as a final product at an earlier date, as needed, by PacifiCorp.

## **7. Program Design Principles**

- a. Modifications to the programs must be filed with the Commission as revisions to tariffs or as revisions to PacifiCorp's current Conservation Plan, as determined in consultation with the Advisory Group.
- b. Incentives and Conservation Program Implementation — 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. PacifiCorp must work with the Advisory Group to establish a balanced portfolio of measures that provides savings from a variety of savings types and meets the needs of a broad spectrum of PacifiCorp customers.

- c. 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, if the overall portfolio of conservation passes the primary cost-effectiveness test used by the Commission. These programs may include information-only, and pilot projects. PacifiCorp may ask the Commission to modify this spending limit, following Advisory Group consultation.
  - i. Information-only services refers to those information services that are not associated with an active incentive program or that include no on-site technical assistance or on-site delivery of school education programs. Information-only services and behavior change services must be assigned no quantifiable energy savings value without full support of the Advisory Group.
  - ii. If quantifiable energy savings have been identified and Commission-approved for any aspect of such programs, the budget associated with that aspect of the program will no longer be subject to this ten percent spending restriction.

## **8. Cost-Effectiveness Tests**

- a. The Commission currently uses a modified Total Resource Cost Test (TRC), consistent with the Council, as its primary cost-effectiveness test. The modified TRC test includes all quantifiable nonenergy impacts, a risk adder, and a 10 percent conservation benefit adder. PacifiCorp's portfolio must pass the modified TRC test. All cost-effectiveness calculations will assume a Net-to-Gross ratio of 1.0, consistent with the Council's methodology.
- b. PacifiCorp must also provide calculations of the Program Administrator Cost Test (also called the Utility Cost Test) as described in the National Action Plan for Energy Efficiency's study "Understanding Cost-Effectiveness of Energy Efficiency Programs" (November 2008), located at: <https://www7.eere.energy.gov/seeaction/system/files/documents/understanding-cost-effectiveness-ee-programs.pdf>.
- c. Conservation-related administrative costs must be included in portfolio level analysis.

## **9. Low-Income and Named Community Programs**

- a. PacifiCorp must demonstrate progress toward sustained energy burden reductions during the 2024-2025 biennium by, at a minimum, funding all eligible and cost-effective low-income conservation measures, consistent with RCW 19.405.120.
  - i. PacifiCorp's biennial report must include the contribution from low-income conservation programs toward sustained energy burden reductions. The report must include the number of participants and any other information that demonstrates progress as described above. The utility should include a discussion of barriers to success, options for overcoming these barriers, and potential uses for increased low-income conservation funding.

- ii. Energy savings from low-income conservation measures will be counted toward conservation goals.
  - iii. PacifiCorp may, after consultation with advisory groups, fully fund repairs, administrative costs, and health and safety improvements associated with cost-effective low-income conservation measures. These costs are excluded from portfolio cost-effectiveness calculations. PacifiCorp shall maintain a project cost allowance of up to thirty percent (30%) for Administrative/Indirect Rate associated with the delivery of low-income conservation measures.
- b. PacifiCorp must consider how and whether existing conservation programs serve the highly impacted communities and vulnerable populations identified in its CEIP. In addition, PacifiCorp must adjust existing conservation programs or design new programs and offerings so that the portfolio of programs ensures an improvement in the equitable distribution of energy and nonenergy impacts to the same communities identified in its CEIP. See WAC 480-100-640(4).

#### **10. Research Efforts and Innovative Programs**

- a. PacifiCorp must evaluate opportunities for location-targeted programs that provide non-wires alternatives to eliminate or delay the need for distribution system investments.
  - i. If PacifiCorp pursues such research, evaluation, and/or outreach, it should detail the research and evaluation results and outreach efforts in its conservation reporting.

#### **11. Equitable Distribution of Nonenergy Benefits**

- a. During this biennium, PacifiCorp must continue to demonstrate progress towards identifying, researching, and properly valuing nonenergy impacts. Progress shall mean identifying, researching and properly valuing nonenergy impacts not included in prior work or research demonstrating no new quantifiable nonenergy impacts are available. The nonenergy impacts considered must include the costs and risks of long-term and short-term public health benefits, environmental benefits, energy security, and other applicable nonenergy impacts. In consultation with the Company's conservation, equity, and resource planning advisory groups, nonenergy impacts and risks must be included in the next Biennial Conservation Plan and Conservation Potential Assessment.
- b. PacifiCorp must continue to identify the discrete nonenergy impacts and the monetized value used in cost-effectiveness testing for each electric conservation program. This must be provided in a detailed format with a summary page and subsequent supporting spreadsheets, in native format with formulas intact, providing further detail for each program and line item shown in the summary sheet in annual plans and reports.
- c. PacifiCorp must continue to identify the forecasted distribution of energy and nonenergy impacts in annual plans and reports. This reporting must use currently quantified nonenergy impacts as well as values and estimates of additional impacts as they become available. See WAC 480-100-640(3)(a)(i).



## 12. Recovery through an Electric Conservation Service Rider

- a. Scope of Expenditures — Funds collected through the Electric Conservation Service Rider must be used on approved conservation programs and their administrative costs. Additionally, Rider funds may be used for other purposes when they have a benefit to PacifiCorp customers and are approved by the Commission.
- b. Recovery for Each Customer Class —PacifiCorp shall retain existing cost recovery mechanisms, subject to the Commission’s Order in Docket UE-001457.
- c. Recovery of costs associated with distribution and production efficiency initiatives are not funded through the Electric Conservation Tariff Rider because these programs are not *customer* conservation initiatives. These are company conservation programs. As such, these costs are recovered in the general ratemaking process over time and may be requested through a general rate case, a deferred accounting petition or other allowed mechanism. The method of cost recovery in no way diminishes its obligation as required in RCW 19.285 and WAC 480-109.
- d. PacifiCorp must file revisions to its cost recovery tariff, (Schedule 191) by June 1 each year, with the requested effective date of August 1 of that same year. If PacifiCorp files its cost recovery tariff early, a Draft Annual Report with completed savings evaluations (see section 6(d)) must accompany the filing.

## 13. Additional Commitments

- a. PacifiCorp must continue to pursue cost-effective conservation in the form of reduction in electric power consumption resulting from increases in the efficiency of energy used at electric power production facilities it owns in whole or in part. PacifiCorp’s Annual Report must include updates regarding production efficiency activities in power production facilities operated by PacifiCorp and, to the extent practicable, facilities wholly or partially owned by PacifiCorp that are not operated by the Company.
- b. To avoid double-counting of efficiency savings achieved at electric power production facilities owned in whole or in part by PacifiCorp, the Company must consult with the Advisory Group when developing or modifying its protocol for how savings will be claimed.