

Agenda Date: January 26, 2017
Item Number: A2

Docket: UE-152072

Company: Pacific Power & Light Company

Staff: Amy White, Regulatory Analyst
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Recommendation

Take no action, thereby acknowledging the 2017 Annual Conservation Plan (ACP) filed by Pacific Power & Light Company (Pacific Power or company).

Background

On December 17, 2015, the Washington Utilities and Transportation Commission (commission) issued Order 01 in this docket, approving the company's 10-year conservation potential of 458,530 megawatt-hours (MWh) and a 2016-2017 biennial target of 87,814 MWh. The company's 2016-2017 Biennial Conservation Plan (BCP) projected 91,630 MWh of savings with a budget of \$22.7 million.¹

On September 1, 2016, in Docket UE-152253, the commission ordered that "Pacific Power must increase its annual conservation targets by 2.5 percent for the current 2016-2017 biennium, and by 5 percent per biennium thereafter through the period when decoupling is in effect."² The 2017 ACP is the first required filing from Pacific Power since this order was issued. Accordingly, Pacific Power's revised 2016-2017 target is now 90,009 MWh, 2.5 percent higher than the BCP target of 87,814 MWh.

On November 15, 2016, as required by WAC 480-109-120 and conditions 4 and 5 of the commission's order, the company timely filed revisions to their BCP by submitting their 2017 Annual Conservation Plan.

Pacific Power, a part of PacifiCorp, provides electricity to 740,000 customers in Washington, Oregon and California. Their Washington service areas is comprised of most of Yakima and Walla Walla counties and parts of Columbia, Garfield and Kittitas counties, and includes about 128,000 customers and 300,000 residents.

¹ Savings associated with the company's participation in the Northwest Energy Efficiency Alliance (NEEA), which the commission determined should be tracked independently of the company's target for this biennium, would combine with Pacific Power's conservation efforts for a projected 96,876 MWh in savings, and a budget of \$24.6 million.

² *Washington Utilities & Transportation Commission v. Pacific Power & Light Company*, Docket UE-152253, Order 12, paragraph 7, item 4 (page 6).

Discussion

Budget: Pacific Power has revised its projected budgets for 2017, adjusting total expenditures upwards by \$884,805 to \$23.6 million, a 3.9 percent increase. The following table summarizes these changes.³

Program Budget	Initial	Revised	Change (\$)	Change (%)
Residential programs	\$9,364,755	\$8,487,037	-\$877,718	-9.4%
<i>Low-income weatherization</i>	\$1,780,000	\$1,780,000	\$0	0.0%
<i>Home Energy Savings</i>	\$6,843,322	\$5,965,604	-\$877,718	-12.8%
<i>Home Energy Reports</i>	\$741,433	\$741,433	\$0	0.0%
Business programs	\$11,616,614	\$13,353,655	\$1,737,041	15.0%
<i>Commercial</i>	\$6,290,253	\$6,743,255	\$453,002	7.2%
<i>Industrial</i>	\$4,580,262	\$5,965,098	\$1,384,836	30.2%
<i>Agricultural</i>	\$746,099	\$645,302	-\$100,797	-13.5%
Portfolio-level expenses	\$1,757,709	\$1,783,191	\$25,482	1.5%
Pacific Power subtotal	\$22,739,078	\$23,623,883	\$884,805	3.9%
<i>NEEA</i>	\$1,821,452	\$1,821,452	\$0	0.0%
Total Conservation (incl. NEEA)	\$24,560,530	\$25,445,335	\$884,805	3.6%

Decrease in Home Energy Savings Program: As the table shows, the 9.4 percent decrease in spending on residential programs is driven downward due to two main factors:

- Residents moved away from CFL bulbs more quickly than the program anticipated, and, due to supply shortages, LED bulbs meeting the program's standards were not as readily available as was previously forecast, delaying the program's savings impact.
- The smart thermostat measure has not seen as much participation as expected.

Increase in commercial and industrial budgets: Declining prices for commercial and industrial LEDs led to higher-than-expected participation in the *watt*smart Business offerings to the commercial and industrial sectors. Changes to the lighting incentive structure went into place on July 11, 2016, a deadline that motivated many customers to complete projects earlier and take advantage of higher incentives.

Energy savings: Program spending and the resulting savings move in tandem, so as the biennial plan's spending has increased in business programs and decreased in residential programs,

³ Pacific Power's 2017 Annual Conservation Plan, p. 7.

2017's expected savings have adjusted accordingly. The net effect of the changes explained above is that Pacific Power is increasing its total expected savings by 2.7 percent, from 91,630 MWh to 94,127 MWh.

The changes in the company's energy savings projections are summarized in the following table:

Projected savings (gross MWh savings @ gen)	Initial	Revised	Change (%)
Residential programs	38,818	28,953	-25%
<i>Low-income weatherization</i>	534	534	0%
<i>Home Energy Savings</i>	28,511	20,262	-29%
<i>Home Energy Reports</i>	9,773	8,157	-17%
Business Programs	52,812	65,174	23%
<i>Commercial</i>	24,108	31,826	32%
<i>Industrial</i>	25,705	30,681	19%
<i>Agricultural</i>	2,999	2,667	-11%
Pacific Power conservation subtotal	91,630	94,127	2.7%
<i>NEEA</i>	5,245	5,245	0%
Total Conservation (including NEEA)	96,875	99,372	2.6%

With a projected savings of 94,127 MWh and a target of 90,009 MWh, Pacific Power projects that it will exceed its conservation target by 4.6 percent.

Cost Effectiveness: Pacific Power commissioned an analysis of the company's 2017 ACP by Navigant, who calculated that Pacific Power's total portfolio (not including NEEA savings) had a total resource cost test (TRC) ratio of 1.7 and a utility cost test ratio of 2.5.⁴

Based on Navigant's analysis, and on the fact that the company's previous reports show a consistently solid TRC ratio, staff feels confident that Pacific Power's 2016-2017 energy efficiency program portfolio remains cost-effective. The company will provide a final, independent cost-effectiveness analysis with its final biennial conservation report in 2018.

⁴ Pacific Power's 2017 ACP, Appendix 1 – Program and Portfolio-Level Cost-Effectiveness; table 20. Navigant's cost effectiveness study uses Pacific Power's projections for the 2017 program year only.

Supplemental Budget Analysis

During the 2017 annual conservation plan cycle, staff identified a need to analyze each utility's budget allocations as an additional metric of program success. Each company was asked to provide data on the programs' 2017 direct benefit to customers⁵ (DBtC) ratio along with an explanation of why the ratio was appropriate for the 2017 conservation program.

Pacific Power filed supplemental materials clarifying its budget for 2017. Staff researched the company's historical budget figures, and applied standardized estimates about NEEA and the low-income weatherization program so that the commission can compare the ratios across the companies. The results are in the table below.

Program Year	Direct Benefit to Customer	Other Conservation Program Costs	Total Conservation Costs	Direct Benefit to Customer as % of Total
<i>2010</i>	\$4,242,546	\$3,480,959	\$7,723,505	55%
<i>2011</i>	\$4,539,938	\$4,556,724	\$9,096,662	50%
<i>2012</i>	\$5,214,558	\$4,840,458	\$10,055,016	52%
<i>2013</i>	\$5,572,962	\$3,833,553	\$9,406,515	59%
<i>2014</i>	\$6,670,683	\$4,894,846	\$11,565,529	58%
<i>2015</i>	\$6,717,629	\$4,605,196	\$11,322,825	59%
<i>2016 (projected)</i> ⁶	\$7,906,634	\$4,607,033	\$12,513,667	63%
<i>2017 (projected)</i>	\$8,081,741	\$4,849,927	\$12,931,668	63%

Commission staff recommend that all conservation programs spend 60 percent or more of their total conservation budgets to provide direct benefits to their customers. Pacific Power estimates that their conservation program will meet this expectation in 2017. The company's historical performance also indicates that the company is on a positive trajectory. Nevertheless, commission staff sees value in coordinating with the company and advisory group to establish a suite of well-defined metrics for judging the health of the conservation program going forward.

Program Changes: Pacific Power has a number of programmatic changes for 2017, including a suite of pilot programs – heat pump dryers, increased efforts with new manufactured homes, waste heat to power, incentive improvements in the company's trade ally network, and a pilot that aims to reduce the need for infrastructure investments in Yakima through targeted conservation efforts.

⁵ Direct benefits to customers includes but is not limited to: customer incentives, rebates, bill credits, credits on purchases, payments to community action agencies, free efficiency measures, and upstream incentives to partners or trade allies.

⁶ Percentage of direct-benefit-to-customer for the low-income weatherization program estimated by commission staff based on the program's historical performance.

Stakeholder Comments

In comments filed on January 20, 2017, Utility Conservation Services, LLC (UCONS) supported efforts to acquire conservation in hard-to-reach markets, specifically manufactured homes. In addition to urging the Commission to reinforce these efforts, UCONS suggests requiring reporting savings by sector alongside the conservation potential for each sector. UCONS recognized Pacific Power's ACP as "the most specific in addressing the demands of [the Northwest Power and Conservation Council's] 7th Power Plan."⁷

Staff encourages Pacific Power to evaluate the merits and applicability of the UCONS's pilot proposal, which was tailored for PSE but may also be appropriate as a part of Pacific Power's conservation program.

Conclusion

Pacific Power has complied with WAC 480-109-120 (2) and with conditions 4 and 5 of Order 01 in this docket, which required the company to submit an Annual Conservation Plan and program revisions. Staff therefore recommends that the commission take no action and acknowledge timely submission of this plan.

⁷ UCONS comments, pg 6.