

UE-171092 – Attachment A to staff memo dated January 10, 2018

Proposed Conditions for 2018-2019 Pacific Power & Light Company Electric Conservation

- (1) **Ten-Year Potential/Biennial Conservation Target – Approval and Conditions.**
 - (a) The following conservation targets are approved for Pacific Power & Light Company (Pacific Power or Company), 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 (9) below.
 - i. *Biennial conservation target:* 79,509 megawatt-hours (as measured at generation).
 - ii. *Decoupling commitment:* 3,975 megawatt-hours, pursuant to Order 12 in Docket UE-152253.
 - (b) As part of Pacific Power’s biennial conservation acquisition efforts, Pacific Power will continue to pursue regional electric market transformation in its Washington service area, in collaboration with funding from other parties and with other strategic market partners in this biennium that complements Pacific Power’s energy efficiency programs, services, and measures.
- (2) **Pacific Power Retains Responsibility.** Nothing within this Agreement relieves Pacific Power 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 Pacific Power’s operational authority nor its ultimate responsibility for meeting the biennial conservation target approved herein.
- (3) **Advisory Group.**
 - (a) To meet the requirements of WAC 480-109-110, Pacific Power shall continue to use its Demand-Side Management Advisory Group (DSM Advisory Group), initially 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, and its Integrated Resource Plan public input process created under WAC 480-100-238.
 - (b) Pacific Power 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 be considered and reviewed by the Low-Income Advisory Group as well as by the DSM Advisory Group.

- (c) Pacific Power will notify the DSM Advisory Group members of public meetings scheduled to address the Company's integrated resource plan. The Company will invite members to engage in the integrated resource plan public process to discuss the assumptions and relevant information utilized in the development of the Company's integrated resource plan, as these assumptions will inform the ten-year conservation potential.
 - (d) Pacific Power will consult the DSM Advisory Group members on the scope and design of the conservation potential assessment that will inform the 2021 IRP and Washington 2022-2031 conservation forecast in advance of beginning that work, i.e., prior to the vendor Request for Proposal, etc.
 - (e) Pacific Power must consult with its DSM Advisory Groups starting no later than July 1, 2019, to begin to identify achievable conservation potential for 2020-2029 and to begin to set annual and biennial targets for the 2020-2021 biennium, including necessary revisions to program details. *See* RCW 19.285.040(1)(b); WAC 480-109-120.
- (4) **Annual Budgets and Energy Savings.** Pacific Power must provide its proposed annual budgets in a detailed format with a summary page indicating the proposed budget and savings levels for each electric conservation program, and subsequent supporting spreadsheets providing further detail for each program and line item shown in the summary sheet.
- (5) **Program Details.** Pacific Power 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 Pacific Power's DSM Business Plan. Pacific Power may propose other methods for managing its program details in the BCP after consultation with the DSM Advisory Group as provided in Paragraph (3) above.
- (6) **Approved Strategies for Selecting and Evaluating Energy Conservation Savings.**

- (a) Pacific Power has identified a number of potential conservation resource types as set forth on Page 7 in Pacific Power's BCP. The Commission is not obligated to accept savings identified in the BCP for purposes of compliance with RCW 19.285. Pacific Power must demonstrate the cost-effectiveness of its conservation programs to the Commission after the savings are achieved. *See* RCW 19.285.040(1)(e).
- (b) When Pacific Power proposes a new or significant change to a program, pilot or tariff schedule, it must present the program to the DSM Advisory Group members with program details fully defined. After consultation with the DSM Advisory Group in accordance with WAC 480-109-110(1)(h), Pacific Power must file a revision to its DSM Business Plan in this Docket.
- (c) Pacific Power 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. Pacific Power 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.
- (d) An independent third-party review of portfolio-level electric energy savings reported by Pacific Power for the 2018-2019 biennial period, from existing conservation programs operated during that period, shall be conducted, per WAC 480-109-120(4)(b)(v). The independent third-party reviewer shall 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 Pacific Power'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.

(7) Program Design Principles

- (a) Modifications to the programs must be filed with the Commission as revisions to tariffs, revisions to Pacific Power's DSM Business Plan, or utilize the program change process for Schedule 118 or Schedule 140 described in the Company's DSM Business Plan.
- (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.
- (c) Conservation Efforts without Approved EM&V Protocol — Pacific Power 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 as modified by the Northwest Power and Conservation Council (Council). Pacific Power may ask the Commission to modify this spending limit following consultation with DSM Advisory Group members.
 - (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 shall be assigned no quantifiable energy savings value without the support of the DSM 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 Test is the Total Resource Cost (TRC) Test

- (a) The Commission uses the Total Resource Cost Test (TRC), as modified by the Council, as its primary cost-effectiveness test. The Council-modified

TRC test includes quantifiable non-energy benefits, a risk adder, and a 10 percent conservation benefit adder. Pacific Power's portfolio must pass the TRC test. All cost-effectiveness calculations will assume a Net-to-Gross ratio of 1.0, consistent with the Council's methodology.

- (b) Pacific Power 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."
- (c) Conservation-related administrative costs must be included in portfolio level analysis.

(9) Recovery Through an Electric Conservation Service Rider

- (a) Scope of Expenditures — Funds collected through the Pacific Power's Electric Conservation Service Rider (Schedule 191 – System Benefits Charge Adjustment or SBC) are intended to recover the costs incurred by the Company associated with providing demand side management services and programs to customers.
- (b) Recovery for Each Customer Class — Rate spread and rate design must match Pacific Power's underlying base volumetric rates.
- (c) Recovery of costs associated with distribution and production efficiency initiative are not funded through the SBC because these programs are not customer conservation initiatives. These are company 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.