

July 6, 2012

***VIA ELECTRONIC FILING
AND OVERNIGHT DELIVERY***

Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive SW
P.O. Box 47250
Olympia, WA 98504-7250

Attention: David W. Danner
Executive Director and Secretary

**RE: PacifiCorp's Demand-side Management Business Plan Revisions
UE-111880**

Dear Mr. Danner:

Pursuant to Docket UE-111880, Order 01, Condition (5), on June 4, 2012, PacifiCorp, d.b.a. Pacific Power & Light Company (PacifiCorp or the Company) submitted to the Washington Utilities and Transportation Commission (Commission) revisions to its Demand-side Management (DSM) Business Plan. As outlined in Condition (5) of the Order, PacifiCorp is required to "maintain its conservation tariffs 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." The revisions submitted in this filing reflected changes to the FinAnswer Express and Home Energy Savings programs as well as the addition of the Home Energy Reports program and the cancellation of the Energy Education program. This filing was scheduled for the No Action Agenda at the Commission's Open Meeting on July 12, 2012.

During the review period between the time the Company submitted its revisions to the Demand-side Management Business Plan (the Revised Business Plan), Attorney General of Washington's Public Counsel Section (Public Counsel) submitted four suggestions to PacifiCorp based on certain procedures it would like to see implemented in the application of the Home Energy Report program. Included as Attachment A, please find a summary of the Public Counsel recommendations and the Company responses. A similar summary has been distributed to Public Counsel and Commission Staff. As indicated in Attachment A, PacifiCorp has agreed to comply with three of the four proposals made by Public Counsel:

- The methodology for avoiding double-counting of savings,
- The request to customize the reports based on customer characteristics, and
- To provide a statistical count on the number of customers in the control group by location to avoid target population.

In addition to the three suggestions above, Public Counsel recommended that PacifiCorp hire an independent third-party to conduct random assignment of households or groups based on a the *Evaluation, Measurement, and Verification (EM&V) of Residential Behavior-Based Energy Efficiency Programs: Issues and Recommendations* report published May 2012 (aka "LBNL report"). In response, the Company explained that the Washington program groups have already been selected and provided the protocol details used in the selection process. Further, while the recommended selection process does decrease the perceived conflicts of interest, the Company understands that report did not cite any known issues with the protocol used by the Company. Halting the program implementation process to reselect the control group will result in increased program costs for customers and delay implementation resulting in fewer savings. However, the Company has agreed to have a third-party evaluate and review the methodology used by the Company and its vendor in the selection process.

Public Counsel indicated to the Company that its proposal to have a third-party review the selection process was inadequate. The Company will be present at the July 12, 2012 Open Meeting and can provide responses or answer any questions if this issue should arise.

Informal questions should be directed to Carla Bird at (503) 813-5269.

Sincerely,


Carol Hunter
Vice President, Services

Cc: Washington Advisory Group

Home Energy Report: PacifiCorp's Response to Public Counsel Concerns with the Home Energy Report (HER) program Design and Evaluation.

In an email from Public Counsel on July 5, 2012, the following recommendations were proposed based on recommendations contained in the *Evaluation, Measurement, and Verification (EM&V) of Residential Behavior-Based Energy Efficiency Programs: Issues and Recommendations* report published May 2012 (aka "LBNL report"). The responses from the Company follow each point.

1. Public Counsel: Assignment of Households to Control and Treatment Groups

The evaluation plan will conform to recent best practices recommendations by having an independent third-party conduct the random assignment, as well as other tasks, to avoid potential conflict of interests. According to the LBNL report, "using a third party evaluator that does not have a financial interest in either the quantity of savings achieved, or the success or failure of the program is the most transparent way to achieve this objective." Specifically the LBNL report identifies three tasks that should be performed by an independent third party evaluator which includes the random assignment of households to treatment or control groups, defining and implementing program evaluation, and data selection and cleaning. See p. 22 of the LBNL report. Public Counsel would like confirmation that these tasks will be performed by a third-party.

Company Response:

The test and control groups for the Washington program have been selected. Industry accepted selection and measurement and verification protocol process (International Performance Measurement & Verification Protocol) were utilized in choosing the test and control populations. Customers were selected based on their usage, demographic and parcel variables. Those selected homes were randomized into treatment and control groups using MySQL's built-in "order by rand()" function.

Halting the program implementation process to reselect the test and control groups will delay launch of the program while the Company procures a third-party vendor to conduct the random selection process. While this selection process does decrease the perceived conflicts of interest, the Company understands that, the LBNL report did not cite known issues with the process and protocol used by the Company and its vendor.

To address the Public Counsel's concern with any potential conflict of interest in self-selecting, the Company will have a third-party evaluator review the methodology and process used by the Company and its vendor in the selection process and provide a report documenting the results to the Advisory Group. While the cost of a third-party review of the selection process is unknown at this time, it's not expected the added expense will have a material impact on the program economics as provided.

2. Public Counsel: Methodology for Avoiding Double-Counting of Savings

The evaluation plan will include a methodology to determine double counted savings for upstream programs such as retail CFL's consistent with the recommendations in the LBNL Report, which recommend that evaluations include "a compelling rigorous estimation approach." PSE has developed a methodology for addressing double-counting of associated with behavior-based programs, including programs for which there is no tracking data like upstream CFL's, and we shared that methodology with PacifiCorp. We believe this methodology would be considered a "compelling rigorous estimation approach." We would like confirmation that PacifiCorp's evaluation approach will include such a methodology.

Company Response:

The Company agrees to adopt similar approaches identified in the LBNL Report (Section 3.2.5.) The adoption costs of Section 3.2.5 is already assumed in the Company's evaluation cost estimate.

3. Public Counsel: Customization of Reports Based on Customer Characteristics

PacifiCorp states that OPower uses tip targeting to customize home energy reports based on known customer circumstances. The evaluation plan should include an equivalency check methodology, consistent with the LBNL Report recommendations, to check for statistical validity or balance between the test and control groups. See page 28 of the LBNL report.

Company Response:

The Company agrees to adopt similar approaches identified in the LBNL Report (Section 3.2.5.). The adoption costs of this provision in 3.2.5, is not expected to have a material impact on the program economics as provided.

4. Public Counsel: Target Population

PacifiCorp should file revisions to the program description identifying the geographic area of the pilot (i.e. location of test and control groups). In designing Home Energy Report programs, there are various factors that affect the validity of the program, including specific factors associated with the location of the pilot. For example, target population must be large enough to yield a statistically significant result. For this reason we think the location is a key component of program design that should be identified at the program inception.

Company Response:

The Company will provide a statistical count on the number of customers in the treatment and control group by location. The counts will be available by aggregating by zip code. These values will be available by July 6, 2012.

CERTIFICATE OF SERVICE

I certify that I have cause to be served the foregoing document, via E-mail, to the following:

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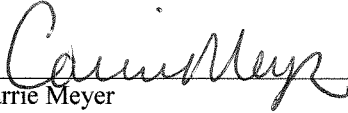
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DATED this 6th day of July, 2012



Carrie Meyer

Coordinator, Regulatory Operations