

Agenda Date: October 29, 2009
Item Numbers: A1 and A2

Dockets: UE-091515 and UE-091516

Company: Pacific Power and Light Company

Staff: David Nightingale, Sr. Regulatory Engineering Specialist

Recommendation

Take no action, thereby allowing the proposed Energy Efficiency program in Docket UE-091515 and the System Benefit Charge increase in docket UE-091516, to become effective October 30, 2009, by operation of law.

Background

Pacific Power and Light Company (PacifiCorp or company) serves customers in the most of the central and lower Yakima River Valley as well as Walla Walla and rural SE WA. PacifiCorp filed tariff pages on September 18, 2009. These submittals expand the Commercial and Industrial Energy Efficiency Programs for the company's Washington customers and provide an increase in the System Benefit Charge to support the increased company costs associated with their ongoing and expanded energy efficiency programs.

The filing is split by docket numbers. Docket UE-091515 expands the offerings to commercial and industrial customers in tariff schedules 115 and 125. Docket UE-091516 provides the funding to match historic changes in fund balances as well as the funding needs through February 2011 when the Systems Benefit Charge (energy efficiency program) account is projected to be balanced, using the proposed rate increase. The proposed tariff will result in an average monthly residential bill increase of approximately 1.85 percent or \$1.60 per month. The amount shown in Schedule 191 of the proposed tariff, the System Benefit Charge (SBC), generates revenue to support all of the company's energy efficiency programs from the various customer classes. The energy efficiency programs continue to gain in popularity and deliver cost-effective energy savings to the residential, commercial, and industrial customers and the company.

Discussion

Conservation Program Expansion

Tariff schedule 115 is called the FinAnswer Express program and includes prescriptive and custom commercial and industrial conservation measures. This program was first approved by the Commission in 2004. This proposed tariff change increases the number of measures available to commercial and industrial customers. New measures under schedule 115 include new cost-effective energy efficient incentives for:

- installation of daylighting controls,
- premium efficiency motors over 200 horsepower,

- variable frequency HVAC drives,
- food service equipment,
- appliances, and
- dairy/farm equipment.

This proposed tariff schedule also increases selected energy conservation incentives for lighting and custom measures as well as expanding the availability of the program to partial service requirement customers who were already paying the energy conservation tariff. The FinAnswer Express program will also remove selected measures to reflect changes in the building code and Energy Star (for programmable thermostats), and federal Heating Ventilation and Air-Conditioning (HVAC) equipment standards which become effective January 1, 2010. Custom project and lighting projects will have increased incentives; rising from their current cap of 50 percent of project or incremental cost to 60 percent under the proposed tariff. In addition, incentives per kWh saved per year will increase from eight to ten cents per kWh saved in the first year.

Tariff schedule 125 is for non-prescriptive commercial and industrial measures and is called the Energy FinAnswer program. The Energy FinAnswer program was initially approved by the Commission in 2000. Engineering services to customers provide technical as well as financial incentives to conserve energy. This schedule change will also increase the level of conservation incentives paid for cost-effective conservation measures from 12 to 15 cents per first year kWh saved.

The schedule changes in this tariff filing were a direct result of the consultant study by Nexant, Inc. to provide recommendations to the FinAnswer Express and Energy FinAnswer programs. The changes proposed in this tariff are intended to increase the overall participation and energy savings achieved by cost-effective FinAnswer Express and Energy FinAnswer program offerings as well as update the schedules for changing codes and standards. These proposed expanded energy efficiency programs and increased incentive payments are described in more detail, measure-by-measure and program-by-program, in Attachment D of the Cover letter of UE-091515.

Schedule 191, System Benefit Charge Increase

Docket UE-091516 provides the funding to match historic changes in fund balances as well as the funding needs through February 2011 when the account is projected to be balanced, using the proposed rate increase. The amount shown in Schedule 191, called the System Benefit Charge (SBC), generates revenue to support all of the company's energy efficiency programs from the various customer classes. Prior to 2006 there was a need to provide a large source of funding to provide conservation incentives to a large industrial customer. In November 2006 the annual collection rate was reduced from \$6.7 million per year to its current rate of \$4.5 million per year. After the large industrial project incentive was paid, the funds generated were in excess of expenditures, resulting in a fund surplus. SBC rates remained at this lower level to reduce the

positive account balance. With the increased participation in energy conservation programs and enhancing the FinAnswer Express and Energy FinAnswer programs the fund balance is rapidly decreasing. In 2008 the expenditures from the SBC was about \$6.1 million. With the increase in the tariff proposed in this filing, it is anticipated that the SBC account will at or near zero by February of 2011.

Proposed Tariff Impacts and Projected Results

Tariff 115 is anticipated to increase the annual energy savings from the current 5.8 million kWh per year (in 2008) to approximately 6.9 million kWh per year (under the new tariff), approximately a 20 percent increase. Tariff 125 is anticipated to increase annual energy savings more than one million kWh per year, an increase of about 6 percent over 2008 levels. This does not include additional increases as the residential programs continue to grow.

The SBC tariff increase is to support all the growth of all energy efficiency programs. The proposed tariff increase approximately doubles the level of funding per kWh paid by all customers. This will result in about 1/10 to 1.5/10 of a cent per kWh increase across the various customer classes.

The average monthly residential rate impact from this tariff is about \$1.60 or 1.85 percent, as follows:

(Average residential customer uses 1300 kWh/yr)

Residential Monthly Rates	Dollars per month	Percent Change
Current Average Billing	\$86.72	--
Energy Efficiency Program, increase	\$ 1.60	100%
Projected Avg. Bill w/new tariff, total	\$88.32	1.85%

The current Total Resource Cost (TRC) ratio for the residential conservation program (excluding low-income weatherization) in 2008 was 1.093 according to analysis performed for the company by The Cadmus Group. Similar analysis by Cadmus calculated the 2008 TRC ratio to be 1.921 for the commercial and industrial demand side management (energy efficiency /conservation) program. This analysis indicates that the commercial and industrial customer classes have a larger, lower cost opportunity to achieve further conservation than the residential sector.

Conclusion

These tariff revisions are in the public interest and are consistent with the conservation goals of PacifiCorp's IRP, therefore, staff recommends that the tariff filings in Dockets UE-091515 and UE-091516 be allowed to become effective October 30, 2009, by operation of law.