

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of	)	DOCKET UE-132047
	)	
PACIFIC POWER & LIGHT	)	ORDER 02
COMPANY	)	
	)	ORDER GRANTING PETITION
Report Identifying Its 2014-2023 Ten-	)	AND MODIFYING ORDER 01 TO
Year Achievable Electric Conservation	)	COMPLY WITH NEWLY
Potential and Its 2014-2015 Electric	)	ADOPTED RULES
Biennial Conservation Target Under	)	
RCW 19.285.040 and WAC 480-109-120	)	
	)	
.....	)	

**BACKGROUND**

1 Electric utilities with 25,000 or more customers are required, under the Energy Independence Act (EIA or Act),<sup>1</sup> to set and meet energy conservation targets.<sup>2</sup> In furtherance of its pursuit of all available, cost-effective, reliable, and feasible conservation, each electric utility must:

- (a) By January 1, 2010, using methodologies consistent with those used by the Pacific Northwest Electric Power and Conservation Planning Council in its most recently published regional power plan, each qualifying utility shall identify its achievable cost-effective conservation potential through 2019. At least every two years thereafter, the qualifying utility shall review and update this assessment for the subsequent ten-year period.

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<sup>1</sup> On March 12, 2015, the Commission entered General Order R-578 in Docket UE-131723, Order Amending, Adopting, and Repealing Rules Permanently, which modified rules in chapter WAC 480-109 to implement statutory changes and other provisions of the EIA. Paragraph 146 of the order directed utilities to review prior order addressing conservation targets and to file a petition to modify such orders, if requirements of the prior orders conflicted with the rules adopted in General Order R-578. On October 1, 2015, Pacific Power & Light Company filed a petition to modify Order 01 and the associated conditions of Docket UE-132047.

<sup>2</sup> RCW 19.285.040.

- (b) Beginning January 2010, each qualifying utility shall establish and make publicly available a biennial acquisition target for cost-effective conservation consistent with its identification of achievable opportunities in (a) of this subsection, and meet that target during the subsequent two-year period. At a minimum, each biennial target must be no lower than the qualifying utility's pro-rata share for that two-year period of its cost-effective conservation potential for the subsequent ten-year period.<sup>3</sup>

2 The Washington Utilities and Transportation Commission (Commission) promulgated rules implementing the EIA. These rules further require that, "On or before November 1<sup>st</sup> of every odd-numbered year, each utility must file with the commission a biennial conservation plan. The plan must include, but is not limited to: (i) A request that the commission approve its ten-year conservation potential and its biennial conservation target."<sup>4</sup> Upon conclusion of the Commission review of the utility's biennial report or plan, "the Commission will issue a decision accepting or rejecting the calculation of the utility's conservation target."<sup>5</sup>

3 On June 14, 2012, in Docket UE-111880, the Commission entered Order 01 approving Pacific Power & Light Company (Pacific Power or Company) 2012-2021 ten-year achievable conservation potential and 2012-2013 biennial conservation target, subject to conditions. One of these conditions required:

- (8) Pacific Power must file the following:

\* \* \*

- (e) Biennial Conservation Plan including revised program details and program tariffs together with identification of 2014-2023 achievable conservation potential, by September 15, 2013.<sup>6</sup> The Biennial Conservation Plan should also document the results of the Advisory

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<sup>3</sup> RCW 19.285.040(1)(a) and (b).

<sup>4</sup> WAC 480-109-120(1).

<sup>5</sup> WAC 480-109-120(5)(b).

<sup>6</sup> On April 25, 2013, the Commission granted Pacific Power's request to delay filing its Biennial Conservation Plan until November 1, 2013, to align the deadlines of all the investor-owned utilities. *In the Matter of the Petition of PACIFIC POWER & LIGHT COMPANY, Petitioner, Petition of Pacific Power & Light Company to Amend Order 01 of Docket UE-111880*, Docket UE-111880, Order 03 (April 25, 2013).

Group discussions conducted under Paragraph (3)(a)(i) above, regarding the nature and timing of Pacific Power & Light Company's past, current, and future evaluation, measurement, and verification framework. This filing must include the items specified by WAC 480-109-010(3) and will satisfy the requirement in WAC 480-109-010(3) to file a report identifying Ten-year Achievable Conservation Potential and Biennial Conservation Target on or before January 31, 2014.<sup>7</sup>

- 4 On November 1, 2013, Pacific Power filed its Biennial Conservation Plan (BCP) identifying a 2014-2023 ten-year achievable conservation potential range of 391,187 to 391,777 megawatt-hours (MWh) and a 2014-2015 biennial conservation target range of 74,703 to 74,719 MWh.<sup>8</sup> On November 12, 2013, Pacific Power filed revisions to its tariffs, in Docket UE-132083, which cancel the Company's existing tariffs for commercial and industrial conservation programs and combine them in a single new tariff, Non-Residential Energy Efficiency.<sup>9</sup>
- 5 Table 1 below illustrates Pacific Power's calculation of its biennial conservation target.

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<sup>7</sup> *In the Matter of Pacific Power & Light Company 2012-2021 Ten-Year Achievable Conservation Potential and 2012-2013 Biennial Conservation Target Under RCW 19.285.040 and WAC 480-109-010*, Docket UE-111880, Order 01 (April 26, 2012) (approving Pacific Power's 2012-2021 achievable conservation potential and 2012-2013 biennial electric conservation target subject to conditions). The quoted material is from condition (8)(f).

<sup>8</sup> As required by WAC 480-109-100(2)(b), Pacific Power used its 2013 Integrated Resource Plan as the basis for its calculations.

<sup>9</sup> Pacific Power proposes to eliminate its two non-residential tariffs, Energy FinAnswer and Energy FinAnswer Express, and replace them with a single new tariff. Staff agrees with this approach and recommends that the Commission take no action, allowing the tariff revisions to become effective by operation of law. Staff argues that the new tariff will reduce confusion and streamline program administration. Perhaps most notably, the new tariff will add an energy management measure, which will allow small businesses to engage in energy efficiency without having to take on costly up-front expenditures. We agree and will take no action on the proposed tariff sheet in this Order, allowing them to go into effect by operation of law on January 1, 2014.

**Table 1. Development of Pacific Power's 2014-2015 Biennial Conservation Target**

<b>Savings Category</b>	<b>Savings (MWh)</b>
End-Use Efficiency Measures (Adjusted CPA)	89,016
Less NEEA	(14,313)
End-Use Efficiency Measures Subtotal	74,703
Plus Distribution Efficiency	0
Plus Generation Efficiency	0 - 16
<b>2014-2015 Biennial Conservation Target</b>	<b>74,703-74,719</b>

As Table 1 shows, Pacific Power identified 89,016 MWh of 2014-2015 achievable conservation in its Conservation Potential Assessment (CPA). The Company adjusted this total by subtracting the 14,313 MWh of savings it expects to achieve through the Northwest Energy Efficiency Alliance (NEEA).<sup>10</sup> In addition, Pacific Power added the savings it expects to achieve from distribution and generation efficiencies to arrive at the target range of 74,703-74,719 MWh.

- 6 On November 6, 2013, the Commission issued a notice inviting stakeholders to comment on Pacific Power's BCP, with the matter being heard at the Commission's December 18, 2013, Recessed Open Meeting. During the comment period, the Commission received written comments from the Commission's Regulatory Staff (Staff) and the Public Counsel Section of the Washington State Attorney General's Office (Public Counsel).

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<sup>10</sup> The adjustment is consistent with the proposal agreed to in Docket UE-100170 by Avista Corporation, Puget Sound Energy, and Pacific Power. This is the projected NEEA savings identifiable to the CPA. See Staff Open Meeting Memorandum, December 18, 2013.

COMMENTS

- 7 Overall, Staff supports Pacific Power's conservation portfolio, which achieves a Total Resource Cost ratio of 1.70 and a Utility Cost Test ratio of 2.42. The ratios indicate Pacific Power's expanded portfolio remains cost-effective.
- 8 Staff recommends the Commission approve fixed numbers for Pacific Power's achievable conservation potential and biennial conservation target instead of the ranges suggested by the Company. Specifically, Staff proposes an achievable conservation potential of 391,777 MWh and a biennial conservation target of 74,703 MWh. At the time of filing, WAC 480-109-010(2)(c) allowed utilities to establish ranges for targets, but not potentials, so Staff proposes the Commission adopt the high end of Pacific Power's range for the Company's potential. With regard to Pacific Power's target, Staff maintains that Pacific Power's range requires only that the Company achieve 74,703 MWh to be in compliance, rendering the high end of the range irrelevant.
- 9 Staff also proposes the Commission condition its approval of Pacific Power's conservation potential and target on the list of conditions included with its December 18, 2013, Open Meeting memo that are similar to the conditions the Commission imposed when it approved Pacific Power's last conservation potential and target in Docket UE-111880. Within this list, Staff included an additional condition, condition 6(h), which requires Pacific Power to "continue to pursue regional electric market transformation."<sup>11</sup> NEEA savings are no longer part of the three investor-owned utilities' (IOU) targets, so Staff added this condition for all three companies to assure that they will continue to participate in these cost-effective efforts. Pacific Power is concerned that this condition requires participation in NEEA regardless of whether doing so remains cost effective. Staff's December 18, 2013, Open Meeting memo points out that NEEA savings are cost-effective.
- 10 In the discussion at the December 18, 2013, Open Meeting, Pacific Power reiterated its concern, stating that Condition 6(h) was inappropriate because it directed the company to achieve its conservation savings in a specific way. Staff explained that the condition is in the public interest because regional market transformation has consistently been among the most cost-effective programs in each utility's conservation portfolio. Staff further agreed

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<sup>11</sup> Appendix A to this Order at 5.

that this condition does not supersede the statutory language requiring companies to only pursue cost effective conservation.

- 11 Pacific Power further clarified its concerns with Staff's proposed condition 6(h). Specifically, Pacific Power argued the condition supplants the Company's discretion to evaluate and choose the most cost-effective conservation options. Pacific Power asserted it will now be forced to either fund NEEA or come up with an alternative.
- 12 Public Counsel and Staff disagreed, stating that the requirement in condition 6(h) mandates the Company pursue regional market transformation, but it does not require participation specifically in NEEA.
- 13 Public Counsel supports Staff's recommendation. In comments filed on December 3, 2013, it identified a concern relating to Pacific Power's use of non-Regional Technical Forum (non-RTF) unit energy savings (UES) values for its refrigerator and freezer recycling measures. Pacific Power uses a UES of 583 kilowatt-hours (kWh) for refrigerators and 495 kWh for freezers, compared to RTF values of 424 kWh and 478 kWh, respectively. The Company explains that the higher values are the result of a Pacific Power-specific program evaluation, and they have been calculated using methodologies consistent with the Northwest Power and Conservation Council. Public Counsel, at the Commission's December 18, 2013, recessed Open Meeting, stated acceptance of this explanation.

### **DISCUSSION AND DECISION**

- 14 Under RCW 19.285.040(1)(e), the Commission has authority to "rely on its standard practice for review and approval of investor-owned utility conservation targets." WAC 480-109-120 guides investor-owned utilities' compliance with RCW 19.285.040(1). Specifically, WAC 480-109-120(5)(b) provides that:

Upon conclusion of the commission review of the utility's biennial report or plan, the commission will issue a decision accepting or rejecting the calculation of the utility's conservation target; or determining whether the utility has acquired enough conservation resources to comply with its conservation target.

- 15 The Commission agrees with the stakeholders that the conditions set forth in Appendix A to this Order are appropriate and provide Pacific Power with clear guidance on its responsibilities under the Act. The conditions proposed by Staff are similar to those imposed by the Commission in approving Pacific Power's last conservation report. Both

Public Counsel and Staff praise the effectiveness of the prior conditions and stated that they have provided a valuable framework to evaluate the Company's compliance with the EIA.

16 We further find that the public interest is best served by adoption of an additional condition, condition 6(h), which requires continued pursuit of regional electric market transformation. This condition is carefully worded and does not demand NEEA participation if such is not cost-effective. Ultimately, decisions to pursue conservation acquisitions are still subject to cost-effectiveness and feasibility determinations by the utility.

17 While Pacific Power has proposed ranges for its ten-year conservation potential and biennial conservation target, we find that such ranges are not practical or in the public interest. As Staff explains, the Commission's rules allow for ranges only for the target, not the Company's potential. Further, when a utility can fulfill its conservation target through a range of megawatt-hours, the utility only need reach the lowest number within the range to have complied with its target. For the above reasons, we approve Pacific Power's 2014-2023 achievable conservation potential of 391,777 MWh and its 2014-2015 biennial conservation target of 74,703 MWh, subject to the conditions set forth in Appendix A attached to this Order.

### **FINDINGS AND CONCLUSIONS**

- 18 (1) The Washington Utilities and Transportation Commission is an agency of the state of Washington vested by statute with the authority to regulate the rates, rules, regulations, practices, accounts, securities, transfers of property and affiliated interests of public service companies, including electric companies.
- 19 (2) The Commission has authority to determine investor-owned utilities' compliance with RCW 19.285.040(1). The Commission has authority to review and decide whether to approve investor-owned utility conservation targets. The Commission may rely on its standard practice in exercising that authority. The Commission has adopted WAC 480-109-120 to implement RCW 19.285.040(1).
- 20 (3) Pacific Power & Light Company, is an electric company and a public service company subject to Commission jurisdiction. Pacific Power is a qualifying investor-owned electric utility under RCW 19.285.030(19).

- 21 (4) On November 1, 2013, Pacific Power filed with the Commission its 2014-2015 Biennial Conservation Report identifying the Company's 2014-2023 ten-year achievable conservation potential and 2014-2015 biennial conservation target.
- 22 (5) The Commission concludes that Pacific Power has satisfied the Staff and public participation requirements of WAC 480-109-110 and Order 01 in Docket UE-111880 in developing its 2014-2023 ten-year conservation potential and 2014-2015 biennial conservation target.
- 23 (6) Pacific Power's 2014-2023 ten-year achievable conservation potential is consistent with RCW 19.285.040(1) and WAC 480-109-100(2). Pacific Power's 2014-2015 biennial conservation target is consistent with RCW 19.285.040(1) and WAC 480-109-100(3).
- 24 (7) Pacific Power's 2014-2023 ten-year achievable conservation potential of 391,777 megawatt-hours, and Pacific Power's 2014-2015 biennial conservation target of 74,703 megawatt-hours are appropriate, subject to the conditions attached to this Order in Appendix A.
- 25 (8) It is in the public interest to approve with conditions Pacific Power's ten-year achievable conservation potential and revised biennial conservation target, as authorized by RCW 19.285.040(1)(e) and WAC 480-109-120(5).

**ORDER**

**THE COMMISSION ORDERS:**

- 26 (1) Pacific Power & Light Company's 2014-2023 ten-year achievable conservation potential of 391,777 megawatt-hours and its 2014-2015 biennial conservation target of 74,703 megawatt-hours are approved, subject to the conditions contained within Appendix A attached to this Order.
- 27 (2) Pacific Power & Light Company's petition to modify Order 01 in Docket UE-132047 is granted.
- 28 (3) The Commission retains jurisdiction over this matter for purposes of effectuating this order.



The Commissioners, having determined this Order to be consistent with the provision of RCW 82.14B.030 and in the public interest, directed the Secretary to enter this Order.

DATED at Olympia, Washington, and effective October 29, 2015.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

STEVEN V. KING, Executive Director and Secretary