

Attachment A

Proposed 2014-2015 BCP Conditions for Pacific Power & Light Company

- 1 (1) **Ten-Year Potential/Biennial Conservation Target – Approval and Conditions.** Pacific Power & Light Company’s 2014-2023 ten-year achievable electric conservation potential of 391,777 megawatt-hours and Pacific Power & Light Company’s 2014-2015 biennial conservation target of 74,703 megawatt-hours, identified in Pacific Power & Light Company’s “Ten-Year Conservation Potential and 2014-2015 Biennial Conservation Target for its Washington Service Area” (“BCP” or “Plan”) filed on November 1, 2013, are approved with conditions pursuant to RCW 19.285.040(1)(e) and WAC 480-109-120(1)(iii). This approval is subject to the Conditions described in Paragraphs (2) through (11) below.

- 2 (2) **Company Retains Responsibility.** Nothing within this Order relieves Pacific Power & Light Company of the sole responsibility for complying with RCW 19.285, which requires Pacific Power & Light Company to use methodologies consistent with those used by the Pacific Northwest Electric Power and Conservation Planning Council (“Council”). Specifically, the Conditions regarding the need for a high degree of transparency, and communication and consultation with external stakeholders, diminish neither Pacific Power & Light Company’s operational authority, nor its ultimate responsibility for meeting the biennial conservation target approved herein.

- 3 (3) **Advisory Group.**
 - (a) Pacific Power & Light Company must maintain and use an external Washington Demand-Side Management (“DSM”) Advisory Group (“Advisory Group”) consisting of external stakeholders to advise Pacific Power & Light Company on the topics described in Subparagraphs (i) through (vii) below. To meet this condition, Pacific Power & Light Company may continue to use its Advisory Group 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. Pacific Power & Light Company will seek the advice of the Advisory Group on the following matters:

- (i) Modification of existing or development of new evaluation, measurement, and verification (EM&V) conservation protocols based on Pacific Power & Light Company's current evaluation, measurement and verification approach.
 - (ii) Development of conservation potential assessments under RCW 19.285.040(1)(a) and WAC 480-109-100(2).
 - (iii) Guidance to Pacific Power & Light Company regarding methodology inputs and calculations for updating cost-effectiveness.
 - (iv) Review of data sources and values used to update supply curves.
 - (v) Need for tariff modifications or mid-course program corrections.
 - (vi) Appropriate level of and planning for:
 - (1) Marketing conservation programs.
 - (2) Incentives to customers for measures and services.
 - (vii) Program achievement results with annual and biennial targets.
 - (viii) Conservation program budgets and actual expenditures compared to budgets.
- (b) Pacific Power & Light Company 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 need to be considered and reviewed by the Low Income Advisory Group.
- (c) The Advisory Group should meet quarterly at a minimum. Pacific Power & Light Company will consider additional meeting requests from any member of the Advisory Group with reasonable notice.
- (d) Pacific Power & Light Company will provide the Advisory Group an electronic copy of all DSM filings the Company submits to the Commission in advance of filing. When extraordinary circumstances dictate, Pacific Power & Light Company may provide the Advisory Group with a copy of a filing concurrent with the commission filing.

- (e) Pacific Power & Light Company will notify the Advisory Group of public meetings scheduled to address the Company's integrated resource plan. Pacific Power & Light Company will also provide the Advisory Group with the assumptions and relevant information utilized in the development of Pacific Power & Light Company's integrated resource plan as they apply to development and/or modification of the ten-year conservation potential as requested through the integrated resource plan public process.
- (f) Pacific Power & Light Company will notify the Advisory Group when an evaluation report associated with the Washington DSM Program is completed and provide Advisory Group members with an electronic copy of the report or a link to the report on the Company's website. Pacific Power & Light Company will also summarize the report at the next Advisory Group meeting.

4 (4) **Annual Budgets and Energy Savings.**

- (a) Pacific Power & Light Company must submit annual budgets to the Commission each year. The submissions must include program-level detail that shows planned expenses and the resulting projected energy savings. In odd-numbered years, the annual budget may be submitted as part of the Biennial Conservation Plan (BCP or Plan) required under Paragraph 8(f) below. In even-numbered years, the annual budget may be submitted as part of the DSM Business Plan required under Paragraph 8(b) below.
- (b) Pacific Power & Light Company must provide its proposed budget in a detailed format with a summary page indicating the proposed budget and savings levels for each electric conservation program. Pacific Power & Light Company will, upon request, provide additional detail to the Advisory Group to the extent it exists.

5 (5) **Program Details.** Pacific Power & Light Company 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 & Light

Company's DSM Business Plan. Pacific Power & Light Company may propose other methods for managing its program details in the Biennial Conservation Plan required under Paragraph 8(f) below, after consultation with the Advisory Group as provided in Paragraph 9(b) below.

- 6 (6) **Approved Strategies for Selecting and Evaluating Energy Conservation Savings.**
- (a) Pacific Power & Light Company has identified a number of potential conservation resource types as set forth on page 9 in Pacific Power & Light Company's Plan. The Commission is not obligated to accept savings identified in the Plan for purposes of compliance with RCW 19.285. Pacific Power & Light Company must demonstrate the prudence and cost-effectiveness of its conservation programs to the Commission after the savings are achieved. *See* RCW 19.285.040(1)(d).
 - (b) Except as provided in Paragraph (6)(c) below, Pacific Power & Light Company must use the Council's Regional Technical Forum's ("RTF's") unit energy savings for electricity measures and approved methods and protocols. As of the date of this Order, the RTF maintains a website at <http://www.nwcouncil.org/energy/rtf/>.
 - (c) If Pacific Power & Light Company uses savings estimates that differ from those established by the RTF, such estimates must be based on generally accepted impact evaluation data and/or other reliable and relevant source data that has verified savings levels, and be presented to the Advisory Group for comment.
 - (d) When Pacific Power & Light Company proposes a new program, it must present it to the Advisory Group for comment with program details fully defined. After consultation with the Advisory Group in accordance with Paragraph (3) above, Pacific Power & Light Company must file a revision to its DSM Business Plan in this Docket. The revision may be acknowledged by placement on the Commission's No Action Open Meeting agenda.

- (e) Pacific Power & Light Company must provide opportunities for the Advisory Group to review and advise on evaluation, measurement and verification protocols for conservation programs. See Paragraph (3)(a)(i) above.
- (f) Pacific Power & Light Company 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 & Light Company 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. Evaluation reports involving analysis of both program impacts and process impacts of the programs evaluated in the prior year must be part of the Annual Report on Conservation Acquisition described in Paragraphs (8)(c) and (8)(g) below.

Independent third-party review of portfolio-level electric energy savings reported by Pacific Power & Light Company for the 2014-2015 biennial period, from existing conservation programs operated during that period, shall be conducted to:

- (i) Verify calculation of total portfolio MWh savings; and
- (ii) Conduct 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 & Light Company’s savings verification process, controls, and procedures;
 - (2) Validate savings tracking and reporting processes and practices; and
 - (3) Review program process and impact evaluations completed during the biennium for appropriateness of

evaluation approach/methodologies (program specific) and program cost-effectiveness calculations.

The independent third-party evaluator shall be selected through an RFP process.

A final report for the 2014-2015 biennium shall be submitted as part of Pacific Power & Light Company's two-year report on conservation program achievement, required by condition (8)(h) below. The report shall be finalized and filed in this docket no later than June 1, 2016.

- (g) For savings claimed from distribution efficiency, Pacific Power & Light Company must provide verified savings calculated using Simplified Voltage Optimization (VO) Measurement and Verification Protocol approved by the RTF in 2010.
- (h) As part of Pacific Power & Light Company's biennial conservation acquisition efforts, Pacific Power & Light Company will continue to pursue regional electric market transformation.

7 (7) **Program Design Principles**

- (a) All Sectors Included — To the extent the portfolio of programs is cost-effective, Pacific Power & Light Company must offer a mix of tariff-based programs that ensure it is serving each customer sector, including programs targeted to the limited-income subset of residential customers. Modifications to the programs must be filed with the Commission as revisions to tariffs, as revisions to Pacific Power & Light Company's DSM Business Plan, or revisions as summarized in the process described in the Company's DSM Business Plan. .
- (b) Outreach on Programs — Pacific Power & Light Company must establish a strategy and proposed total planned expenditures for informing participants about program opportunities. The planned expenditures will include expenditures by Pacific Power & Light Company directly and not those of the Company's third party program delivery administrators who are primarily or solely contracted for program delivery. Pacific Power & Light Company will share these

strategies and expenditures with the Advisory Group for review and comments.

- (c) Incentives and Conservation Program Implementation — Pacific Power & Light Company must offer a cost-effective portfolio of programs in order to achieve all available conservation that is cost-effective, reliable, and feasible. 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. Incentive levels and other methods of encouraging energy conservation need to be examined periodically for effectiveness in fulfilling Pacific Power & Light Company's obligation under WAC 480-109. To the degree the portfolio remains cost-effective, incentive levels and implementation methods should not unnecessarily limit the acquisition of all achievable energy conservation.
- (d) Conservation Efforts without Approved EM&V Protocol — Pacific Power & Light Company 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 described in Paragraph (10)(a) below. These programs may include educational, behavior change, and pilot projects. Pacific Power & Light Company may ask the Commission to modify this spending limit following full Advisory Group consultation.

8 (8) **Required Reports and Filings**

Pacific Power & Light Company must file the following:

- (a) By November 1, 2014, any proposed revisions to the 2015 DSM Business Plan. The filing should contain any changes to program details and an annual budget.
- (b) An Annual Report on Conservation Acquisition, including an evaluation of cost-effectiveness and comparing budgets to actual, by June 1 of each year.

- (c) A cost recovery tariff by May 1 of each year, with a requested effective date of July 1 of that year.
- (d) A Biennial Conservation Plan, including revised program details and program tariffs together with identification of 2016-2025 achievable conservation potential, by November 1, 2015.
- (e) Two-year report on conservation program achievement by June 1, 2016, as required in WAC 480-109-120(4) and RCW 19.285.070, which require that the report also be filed with the Washington Department of Commerce.

9 (9) **Required Public Involvement in Preparation for the 2016-2017 Biennium**

- (a) Pacific Power & Light Company must consult with the Advisory Group on the scope and design of a ten-year conservation potential analysis, which shall be completed by September 1, 2015. *See* RCW 19.285.040(1)(a); WAC 480-109-100(2). The potential analysis must be based on a current conservation potential assessment study or other relevant work of Pacific Power & Light Company's service area within Washington State. This may be conducted within the context of Pacific Power & Light Company's integrated resource plan. If Pacific Power & Light Company chooses to use the supply curves that make up the conservation potential in the Council's Northwest Power Plan, the supply curves must be updated for new assumptions and measures.
- (b) Pacific Power & Light Company must consult with the Advisory Group beginning no later than July 1, 2015, to identify achievable conservation potential for 2016-2025 and set biennial targets for the 2016-2017 biennium, including necessary revisions to program details. *See* RCW 19.285.040(1)(b); WAC 480-109-100(3) and WAC 480-109-120(1).

10 (10) **Cost-Effectiveness Test is the Total Resource Cost (TRC) Test**

- (a) The Commission uses the TRC, as modified by the Council, as its cost-effectiveness test. Pacific Power & Light Company must demonstrate that the cost-effectiveness tests presented in support of its programs and

portfolio are in compliance with the cost-effectiveness definition (RCW 80.52.030(7)) and system cost definition (RCW 80.52.030(8)) and incorporate the 10 percent conservation benefit and a risk adder consistent with the Council's approach. Pacific Power & Light Company will also consider quantifiable non-energy benefits unless the Company shows that they do not materially impact resource targets and potentials.

- (b) In addition to the Council-modified TRC, Pacific Power & Light Company must provide calculations of the Program Administrator Cost test (also called the Utility Cost test), Ratepayer Impact Measure test, and Participant Cost test described in the National Action Plan for Energy Efficiency's study "Understanding Cost-effectiveness of Energy Efficiency Programs." As of the date of this Order, the study is available on the website of the United States Environmental Protection Agency at <http://www.epa.gov/cleanenergy/documents/suca/cost-effectiveness.pdf>.
- (c) Overall conservation cost-effectiveness must be evaluated at the portfolio level. Costs included in the portfolio level analysis include conservation-related administrative costs. Pacific Power & Light Company must also evaluate the conservation program by providing cost tests at the individual measure group (measure groups consist of one or more measures) and portfolio levels. All cost-effectiveness calculations will assume a Net-to-Gross ratio of 1.0 consistent with the Council's methodology.
- (d) Treatment of costs for EM&V and potential study or analysis activities in calculating program and portfolio cost-effectiveness will be handled as outlined in Pacific Power & Light Company's "Evaluation, Measurement & Verification Framework for Washington" document developed in conjunction with Pacific Power & Light Company's Washington Advisory Group and included as an Appendix 8 to Pacific Power & Light Company's Ten-Year Conservation Potential and 2014-2015 Biennial Conservation Target for its Washington Service Area.

11 (11) **Recovery Through an Electric Tariff Rider**

- (a) Annual Filing — Pacific Power & Light Company’s annual tariff rider filing, required under Paragraph (8)(d), will recover the future year’s budgeted expenses and any significant variances between budgeted and actual income and expenditures during the previous period.
- (b) Scope of Expenditures — Funds collected through the rider must be used on approved conservation programs and their administrative costs. Costs associated with planning are typically not incurred on an annual basis and may create variations in the SBC from year to year. Therefore, costs associated with planning activities may be recovered through the SBC over a period of two years so as to smooth any of these variations.
- (c) Recovery for Each Customer Class — Rate spread and rate design must match Pacific Power & Light Company’s underlying base volumetric rates.
- (d) Distribution and Production Efficiency Costs — Recovery of costs associated with Distribution and Production Efficiency initiatives are not funded through the SBC because these programs are not customer conservation initiatives; these are company infrastructure 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.