

**CONDITIONS FOR APPROVAL OF PACIFICORP'S 10-YEAR ACHIEVABLE
CONSERVATION & BIENNIAL CONSERVATION TARGET
DOCKET UE-100170 JULY 15, 2010
STAFF MEMO ATTACHMENT**

(1) PacifiCorp's Ten-Year Achievable Conservation Potential and Biennial Conservation Target, as identified in the Company's Revised Report filed on July 2, 2010, are approved with conditions pursuant to RCW 19.285.040(1)(e) and WAC 480-109-010(4)(c). This approval is subject to the Conditions described in Paragraphs (2) through (11) below.

(2) **Company Retains Responsibility.** Nothing within this Order relieves PacifiCorp of the sole responsibility for complying with RCW 19.285, which requires PacifiCorp 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 PacifiCorp's operational authority, nor its ultimate responsibility for meeting the biennial conservation target approved herein.

(3) **Advisory Group.**

- (a) PacifiCorp must maintain and use an external Washington Demand-side Management ("DSM") Advisory Group ("Advisory Group") consisting of external stakeholders to advise the Company on the topics described in subparagraphs (i) through (vii) below. To meet this condition, PacifiCorp may continue to use its Advisory Group created under the Stipulation in Docket UE-991832. A current listing of members of the Advisory Group is included as Attachment A to this document. The Company will seek the advice of the Advisory Group on the following matters:
- (i) Modifications or development of protocols based on PacifiCorp's current evaluation, measurement and verification approach used to determine energy savings.
 - (ii) Development of conservation potential assessments under RCW 19.285.040(1)(a) and WAC 480-109-010(1).
 - (iii) Guidance to PacifiCorp regarding methodology inputs and calculations for updating cost-effectiveness.
 - (iv) Need for tariff modifications or mid-course program corrections.
 - (v) Appropriate level of and planning for:

**DOCKET UE-100170
STAFF MEMO ATTACHMENT**

- (1) Marketing conservation programs.
 - (2) Incentives to customers for measures and services.
 - (vi) Program achievement results with annual and biennial targets
 - (vii) Conservation program budgets and actual expenditures compared to budgets.

- (b) PacifiCorp 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. PacifiCorp will consider additional meeting requests from any member of the Advisory Group with reasonable notice.

- (d) The Company will provide the Advisory Group an electronic copy of all DSM filings submitted to the Washington Utilities and Transportation Commission (“Commission”) in advance of filings. When extraordinary circumstances dictate, the Company may provide the DSM Advisory Group with a copy of a filing concurrent with the commission filing.

- (e) The Company will notify the Advisory Group of public meetings scheduled to address the Company’s integrated resource plan. The Company will also provide the Advisory group with the assumptions and relevant information utilized in the development of PacifiCorp’s integrated resource plan as they apply to development and/or modification of the 10-year conservation potential as requested through the integrated resource plan public process.

- (4) **Annual Budgets and Energy Savings.**
 - (a) PacifiCorp 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 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) PacifiCorp must provide its proposed budget in a detailed format with a summary page indicating the proposed budget and savings levels for each electric

**DOCKET UE-100170
STAFF MEMO ATTACHMENT**

conservation program. The Company will, upon request, provide additional detail to the Advisory Group to the extent it exists.

- (5) **Program Details.** PacifiCorp 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 the Company's DSM Business Plan. PacifiCorp 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) **Approved Strategies for Selecting and Evaluating Energy Conservation Savings.**
- (a) PacifiCorp has identified a number of potential conservation resource types as set forth on page 34 in its revised 10-Year Achievable Conservation Potential and Biennial Conservation Target Report ("Revised Report") filed on July 2, 2010. The Commission is not obligated to accept savings identified in the Revised Report for purposes of compliance with RCW 19.285. PacifiCorp 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 subparagraph (6)(c), PacifiCorp must use the Council's Regional Technical Forum's ("RTF") "deemed" savings for electricity measures. As of the date of this Order, the RTF maintains a Web site at <http://www.nwcouncil.org/energy/rtf/>.
- (c) If PacifiCorp utilizes savings amounts for prescriptive programs other than 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 PacifiCorp 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, PacifiCorp 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) PacifiCorp 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.

**DOCKET UE-100170
STAFF MEMO ATTACHMENT**

- (f) PacifiCorp must spend between four (4) and six (6) percent of its conservation budget on evaluation, measurement, and verification (EM&V), including a reasonable proportion on independent, third-party EM&V. PacifiCorp may, at its sole discretion, elect to contract for the EM&V analysis for its Washington service area on a stand-alone basis, the cost of which will be recovered through the Washington System Benefits Charge (“SBC”). PacifiCorp must perform EM&V annually on a multi-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 (g) below. PacifiCorp may ask the Commission to modify this spending band following full Advisory Group consultation.
- (7) **Program Design Principles**
- (a) All Sectors Included — To the extent the portfolio of programs is cost-effective, PacifiCorp 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 PacifiCorp’s DSM Business Plan, or revisions as summarized in the process described in Attachment A of the Revised Report.
- (b) Outreach on Programs — PacifiCorp must establish a strategy and proposed total planned expenditures for informing participants about program opportunities. The planned expenditures will include expenditures by PacifiCorp directly and not those of the Company’s third party program delivery administrators who are primarily or solely contracted for program delivery. PacifiCorp will share these strategies and expenditures with the Advisory Group for review and comments.
- (c) Incentives and Conservation Program Implementation — PacifiCorp 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 periodically examined for effectiveness in

DOCKET UE-100170
STAFF MEMO ATTACHMENT

fulfilling the Company's obligation under WAC 480-109. 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 — PacifiCorp 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 described in 10(a) below. These programs may include educational, behavior change, and pilot projects. The Company may ask the Commission to modify this spending limit following full Advisory Group consultation. .

(8) Required Reports and Filings

PacifiCorp must file the following:

- (a) By August 15, 2010, the Semi-Annual Demand-Side Management Expenditures and Systems Benefits Charge Collections report as required in Docket No. UE-001457.
- (b) By November 1, 2010, any proposed revisions to the 2011 DSM Business Plan. The filing should contain any changes to program details and an annual budget.
- (c) 2010 Annual Report on Conservation Acquisition, including an evaluation of cost effectiveness and comparing budgets to actual, by March 31, 2011. This condition modifies the reporting requirement in Ordering Paragraph 1, Accounting Order, Docket UE-001457 provided the SBC collection and DSM expenditure report is incorporated into the Annual Report on Conservation Acquisition.
- (d) Revisions to cost recovery tariff by May 1, 2011, with requested effective date of July 1, 2011.
- (e) By August 15, 2011, a Semi-Annual Demand-Side Management Expenditures and Systems Benefits Charge Collections report showing budgeted versus actual collections and expenditures. This condition modifies the reporting requirement in Ordering Paragraph 1, Accounting Order, Docket UE-001457.
- (f) Biennial Conservation Plan including revised program details and program tariffs excluding information related to distribution efficiency initiatives ("DEI"), together with identification of 2012-2021 achievable conservation potential, by September 15, 2011. The company will provide its revised 10-year conservation potential that includes DEI by January 1, 2012 and its revised 10-year conservation plan by January 31, 2012. This filing will satisfy the requirement in

**DOCKET UE-100170
STAFF MEMO ATTACHMENT**

WAC 480-109-010 to file 10-year Achievable Conservation Potential and Biennial Conservation Target on or before January 31.¹

- (g) 2011 Annual Report on Conservation Acquisition, including an evaluation of cost-effectiveness, by March 31, 2012. This condition modifies the reporting requirement in Ordering Paragraph 1, Accounting Order, Docket UE-001457 provided the SBC collection and DSM expenditure report is incorporated into the Annual Report on Conservation Acquisition.
 - (h) Two-year report on conservation program achievement by June 1, 2012 as required in WAC 480-109-040(1) and RCW 19.285.070, which require that the report also be filed with the Washington Department of Commerce.
- (9) **Required Public Involvement in Preparation for the 2012-2013 Biennium**
- (a) By July 1, 2011, PacifiCorp must consult with the Advisory Group to facilitate completion of a 10-year conservation potential analysis by September 1, 2011. *See* RCW 19.285.040(1)(a); WAC 480-109-010(1). The potential analysis must be based on a current conservation potential assessment study or other relevant work of PacifiCorp's service area within Washington State. This may be conducted within the context of PacifiCorp's integrated resource plan. If PacifiCorp 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) PacifiCorp must consult with the Advisory Group beginning no later than July 1, 2011, to identify achievable conservation potential for 2012-2021 and set biennial targets for the 2012-2013 biennium, including necessary revisions to program details. *See* RCW 19.285.040(1)(b); WAC 480-109-010(2) and (3).
- (10) **Cost Effectiveness Test is the Total Resource Cost Test**
- (a) The Commission uses the TRC as its cost-effectiveness test. PacifiCorp 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. PacifiCorp will also consider quantifiable non-energy benefits unless the Company shows that they do not materially impact resource targets and potentials.
- As of the date of this Order, an outline of the major elements of the Council's methodology for determining achievable conservation potential, including the Total Resource Cost test, is available on the Council's Web site at

¹ The Commission recognizes that this deadline is not the same as the rule. This is acceptable because PacifiCorp has agreed to the earlier deadline for the purposes of the 2012 and 2013 report filing.

**DOCKET UE-100170
STAFF MEMO ATTACHMENT**

http://www.nwcouncil.org/energy/powerplan/6/supplycurves/I937/CouncilMethodology_outline%20_2_.pdf

- (b) In addition to the Council-modified TRC, PacifiCorp 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 Web site of the United States Environmental Protection Agency at <http://www.epa.gov/cleanenergy/documents/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. PacifiCorp 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.
- (11) **Recovery Through an Electric Tariff Rider**
- (a) Annual Filing — PacifiCorp'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, planning and program administrative costs and costs associated with compliance with WAC-480-109-010 including those associated with its rules and conditions. 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 PacifiCorp's underlying base volumetric rates.
 - (d) Carry Charge — As a result of the annual tariff rider filing requirement in paragraph (8)(d) above, there is no carrying charge requirement for the under or over tariff rider collections over the course of any given plan year. This condition supersedes Ordering Paragraph 3 and Findings Paragraph 5 in Accounting Order, Docket UE-001457.