

Agenda Date: July 15, 2010  
Item Number: A1

**Docket:** UE-100170  
Company: Pacific Power & Light Company

Staff: Dave Nightingale, Senior Regulatory Engineering Specialist  
Ryan Dyer, Regulatory Analyst

### **Recommendation**

Enter an order in Docket UE-100170 approving Pacific Power & Light Company's 10-Year Achievable Conservation Potential and Biennial Conservation Target subject to conditions.

### **Background**

On December 31, 2009, Pacific Power & Light Company ("PacifiCorp" or "company") documented its compliance with the January 1, 2010, deadline imposed by RCW 19.285.040(1)(a) and WAC 480 109 010(1) by filing with the commission a document entitled "Projected Cumulative Ten-Year Electric Conservation Potential" ("Initial Report"). The filing was assigned docket number UE-091982. In the December 31 filing, PacifiCorp identified a ten-year conservation potential of 413,472 megawatt-hours (47.2 aMW).

On January 29, 2010, in accordance with WAC 480 109 010(3), PacifiCorp filed with the commission a Ten-Year Achievable Conservation Potential and Biennial Conservation Target Report ("Initial Report"), pursuant to RCW 19.285.040(1). That filing initiated this Docket UE-100170. PacifiCorp identified a higher ten-year conservation potential of 430,992 megawatt-hours (49.2 aMW) and a biennial 2010-11 conservation target of 77,088 megawatt-hours (8.8 aMW). In its 35-page Initial Report, PacifiCorp explained that it had elected to utilize its 2008 Integrated Resource Plan ("IRP") with modifications applicable to PacifiCorp's conservation programs and Washington service territory. Accompanying the report were several voluminous appendices of supporting materials, including an Assessment of Long-Term, System-Wide Potential for Demand-Side and Other Supplemental Resources, a comparison of the Northwest Power and Conservation Council ("council") methodologies with PacifiCorp's IRP, a list of measures selected for the 2010 and 2011 biennium, and PacifiCorp's 2008 Integrated Resource Plan.

On February 2, 2010, the commission issued a Notice of Opportunity to Comment on PacifiCorp's Initial Report by March 5, 2010, and a notice that PacifiCorp's Initial Report would be considered at the commission's open meeting on March 11, 2010. During the comment period, the commission received written comments from Public Counsel, the Northwest Energy Coalition, the Washington Department of Ecology, and commission staff. The commission heard additional oral comments at the March 11, 2010, open meeting from the Sierra Club, Climate

Solutions, the Northwest Energy Efficiency Alliance, the Energy Project, Public Counsel, the Northwest Energy Coalition, the company, and commission staff.

RCW 19.285.040(1)(e) authorizes the commission to "rely on its standard practice for review and approval of investor-owned utility conservation targets". The commission has codified some of its standard practice in WAC 480 109 010(4). Under the rule, the commission will consider all comments on a utility's ten-year achievable conservation potential and biennial conservation target, may determine that additional scrutiny is warranted, and may establish an adjudicative proceeding or other process to fully consider appropriate revisions. Upon conclusion of its review, the commission will approve, approve with conditions, or reject the utility's ten-year conservation potential and biennial conservation target.

The commission decided at the March 11 open meeting to defer its consideration of PacifiCorp's filing to a later open meeting so that commission staff, PacifiCorp, and other interested persons could engage in additional discussion.

PacifiCorp and interested parties held a number of conference calls, and circulated several revisions of the company's Initial Report. Interested parties were given an opportunity to comment on the revised versions of PacifiCorp's report. During that time staff sought input on a draft list of conditions for approval of PacifiCorp's Report from interested persons. After many stakeholder meetings, conducted in-person, via e-mail, and via conference call during April, May and June, on July 2, 2010, PacifiCorp filed a Revised Ten-year Achievable Conservation Potential and Biennial Conservation Target Report, which it supplemented on July 7, 2010 ("Revised Report").

The Revised Report describes: how the company established its ten-year achievable conservation potential and biennial conservation target including a number of adjustments to reconcile the company's 2008 IRP with the council methodology; what measures the company will use to achieve that target; how acquisition will be measured and reported; and how PacifiCorp involved the public in developing its targets. The report also describes how PacifiCorp will work with stakeholders during the initial (2010-2011) compliance period, as well as the company's expectations for future compliance periods. The 46-page Revised Report was supported by eight appendices, and three attachments, including PacifiCorp's 163-page 2010 DSM Business Plan, which provided substantial details about PacifiCorp's energy efficiency programs.

The 10-year conservation potential, 49.2 aMW, did not change from the Initial to Revised Reports. However the 2-year conservation target was reduced from 8.8 aMW to 8.5 aMW. This was due to shifting the implementation of distribution efficiency program to begin in the second biennium, 2012-2013. This allows the company time to complete an engineering analysis of their Washington service electric distribution system to identify which circuits are likely to result in cost-effective conservation savings prior to implementation.

Staff is recommending that the 10-year conservation potential of 49.2 aMW (430,992 MWh) and biennial conservation target of 8.5 aMW (74,460 MWh) be approved with conditions as agreed to by the parties.

### **Summary of comments by interested parties**

#### **Summary of Staff Comments**

Commission staff evaluated whether PacifiCorp had complied with RCW 19.285.040(1) and WAC 480-109-010 by reviewing the following aspects of its Initial Report:

- The company's methodology for identifying its ten-year conservation potential and whether it was consistent with the council's methodology for assessing conservation potential.
- Details about the company's programs and whether they supported the ten-year conservation potential and biennial target.
- The extent to which the company included public participation in the development of the ten-year conservation potential and biennial target.

Staff found PacifiCorp's Initial Filing to be detailed, however, there were several issues that were not addressed or additional information was needed to fully understand the analysis presented. A primary concern was whether the company's conservation potential and biennial conservation targets were consistent with the council's methodology.

In addition, staff recommended that the company file specific program information and detailed program budgets with their future filings to be consistent with commission's standard practice with other energy utilities.

Staff also recommended that some issues that had implications for investor-owned utilities in Washington, such as the collection of interest on tariff rider fund balances, be deferred to a "Washington Conservation Collaborative" for broader discussion.

Staff concluded that PacifiCorp had provided the public and staff with sufficient opportunities for participation in the development of its ten-year conservation potential and biennial conservation target under WAC 480 109 010(3)(a). However, the level of participation was significantly constrained due to the few months in which the report was being conceptualized and drafted. Consequently, a less rushed timeframe for the next conservation potential and biennial target was recommended by staff.

Staff concluded that PacifiCorp's methodology in its Initial Report for identifying its ten-year conservation potential was inconsistent with the council's methodology. Staff concluded that the company's use of their 2008 IRP for deriving its ten-year conservation potential and biennial

target, with modifications applicable to PacifiCorp's conservation programs and Washington service territory, was inconsistent with WAC 480-109-010(1)(b)(ii) and WAC 480-109-010(2).

Staff recommended that the largely voluntary guidelines under which PacifiCorp had previously operated its conservation programs be incorporated into an order in this Docket. The rationale is that RCW 19.285.040(1)(e) authorizes the commission to "rely on its standard practice for review and approval of investor-owned utility conservation targets," and the commission's "standard practice" for reviewing and approving utility programs includes program details.

Staff's comments on the Initial Report identified a possible inconsistency between a provision in a prior PacifiCorp accounting order (Docket UE-001457) and RCW 19.285. The provision in question addresses interest on conservation tariff rider fund balances. Staff proposed that the commission establish a Washington Conservation Collaborative as a forum for coordination and development of issues and solutions related to the implementation of RCW 19.285, including the issue of interest on rider fund balances.

### **Public Counsel**

In written comments dated March 5, 2010, public counsel stressed that utility conservation programs should be cost-effective and well-designed. Public Counsel questioned whether PacifiCorp's use of their 2008 IRP for deriving its ten-year conservation potential and biennial target, with modifications applicable to PacifiCorp's conservation programs and Washington service territory was consistent with the council's conservation potential assessment methodology. Public counsel urged that PacifiCorp had not provided adequate documentation to show how it developed its biennial target from its ten-year conservation potential.

Public counsel recommended a rule making or other process to address certain topics such as the savings estimates used to calculate conservation acquisition and the development of standard Demand Side Management reporting requirements.

### **Northwest Energy Coalition**

In written comments dated March 5, 2010, the Northwest Energy Coalition ("NWEC") stated that stakeholders would benefit from further examination of and discussion about supporting materials filed in conjunction with PacifiCorp's proposed targets. NWEC expressed concerns over how consistent the company's filing was with council methodology. NWEC stated that PacifiCorp's level of stakeholder involvement was adequate, but encouraged greater outreach in the future. NWEC asked the commission to consider consolidating PacifiCorp's various conservation filings into a single docket, at least in even-numbered years.

### **Washington Department of Ecology**

The Washington Department of Ecology (Ecology) submitted written comments dated March 5, 2010. Ecology's comments were made as one comment on the filings of all three of the investor-owned electric utilities. Ecology supports utilities to update their ten-year achievable potential and biennial target using methods consistent with the council, and generally encourages utilities to invest in cost-effective electricity conservation measures especially as they result in reduced greenhouse gas emissions.

### **Discussion**

PacifiCorp chose to derive its conservation potential and biennial target from its IRP and incorporated utility specific adjustments to achieve consistency with council methodology. The level of specific program detail and explanations included in PacifiCorp's Initial Report was insufficient. Staff reviewed the Revised Report against stakeholder comments from the Initial Report and numerous discussions with stakeholders and is satisfied that the revisions are appropriate and sufficient. Following are the specific areas of concern identified in comments submitted based on the Initial Report filing or that were revealed in the discussions with stakeholders between the Initial and Revised Report filings.

### **Consistency with Council Methodology**

The company's Revised Report contains changes that reflect a more complete explanation of conservation estimates to provide more certainty that PacifiCorp's conservation targets are reasonably aligned with council methodology . Changes to the Revised Report include:

- Data on how PacifiCorp's per residential customer energy usage is significantly higher than the regional average used by the council and the resultant adjustments needed to account for potential residential savings in PacifiCorp's service area,
- Comparing the methodology used by PacifiCorp to the council,
- Status of recent and scheduled evaluations of current conservation program offerings,
- Elimination of energy savings from distribution efficiency conservation measures in the 2010-2012 timeframe. This will allow for the completion of an engineering study of the Washington service area infrastructure to identify which circuits are most likely to provide cost-effective conservation if voltage control is applied,
- Inclusion of budget details for the 2010,
- Accounting for tariff fund balances, and
- Conclusions of relative impacts and differences in assumptions for PacifiCorp service area conservation potential that vary from the council's region-wide assumptions.

### **Current Practices**

A Conditions List was developed by the company based on the Avista Conditions List from Order 01 in Docket UE-100176. Parties commented on the Conditions List which was the basis of discussions via conference call and changes were made by the company and later, in the final

document, by staff. Staff proposes the list here as appropriate conditions for the commission's approval of PacifiCorp's conservation potential and biennial target. (See Attachment)

Reliance on standard practice is in the public interest because it shows continuity with existing conditions agreed to by the commission in past orders. The commission's review and approval of previous conservation targets relied on conservation potential assessments filed in utility integrated resource plans required by WAC 480-100-238. The commission has also addressed, in prior dockets, the inclusion of education-only programs, pilot and research projects, and equity between customer groups. Therefore, providing sufficient detail on these issues to allow the commission to come to a conclusion concerning the biennial conservation targets is a necessary component of complying with RCW 19.285.

### **Residential Sector Energy Usage**

Disparities between the company's Initial Filing and the regional power plans two-year technical potential was due in large part to differing estimates of residential sector energy usage. More specifically, the company's estimates of technical potential savings from consumer electronics and water heating was less than the technical potential identified by the council. For consumer electronics this difference was attributable to the company's use of its 2008 IRP, which relied on data from 2006 or earlier in its development. Specifically, televisions have evolved over the last several years resulting in elevated energy consumption per television. And since the data used by the power council in developing its technical potential was more current, the company adjusted its estimates of potential savings to be consistent resulting in more potential savings.

The next largest disparity in residential potential savings between the power council and the company's IRP estimates was in the water heating end use caused by different showerhead replacement estimates. The council currently estimates that showerheads replaced will deliver 2.0 gallons per minute whereas the company was using 2.5 gallons per minute showerhead performance as its technical potential. The company adjusted their showerhead reduction performance to be consistent with the more aggressive council estimates of current technology.

### **Council 10% Adder**

Because PacifiCorp's 2008 IRP covered multiple states outside of the region it did not consider the 10% conservation adder as required by the Northwest Power Act. The company went back and modeled conservation for their Washington service territory in a manner consistent with the council methodology which resulted in additional savings.

### **Market Price Adder & Risk Reduction Credit**

There are technical modeling differences between the council's portfolio modeling and the company's capacity expansion model. The council's market price adder accounts for the full risk mitigation value of conservation resources which increases its cost effectiveness. To account for this, PacifiCorp integrated a risk reduction credit into its avoided cost estimation methodology to reflect the risk mitigation values used by the council. The company's application of the risk reduction credit to their modeling process resulted in additional conservation potential.

### **2010 DSM Budget Details**

These details were not in the Initial Report and are now included in Attachment A of the Revised Report.

### **Net-to-Gross**

The company's Revised Report clearly states that it excludes a net-to-gross calculation which is consistent with council methodology.

### **Distribution Efficiency**

The company's Revised Report removes the potential for distribution efficiency improvements that was included in the Initial Report. The company proposes to complete a distribution efficiency potential study in time for the 2012-13 biennium. Staff believes this is appropriate thus reducing the company's conservation target in the first two years.

### **Evaluation Improvement Efforts**

The company's Initial Report did not include sufficient detail concerning its evaluation, measurement and verification ("EM&V") protocols. The Revised Report includes these details in new Attachments B and C. In addition, staff proposes a condition that the company spend between four and six percent of its conservation budget on EM&V, including a reasonable proportion on independent, third-party EM&V. EM&V will be performed 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 will verify that claimed energy savings have actually occurred, will evaluate the existing internal review processes, and will suggest improvements to the program and ongoing EM&V processes. An annual independent, third-party EM&V report involving analysis of both program and process impacts will be part of the Annual Report on Conservation Acquisition.

### **Filing Schedule**

To streamline the information received from all companies and provide adequate time for planning, analysis, and public input, staff recommends a filing schedule as part of the conditions for approval of PacifiCorp's 10-year conservation potential and biennial targets.

### **Codes & Standards**

Staff did not have enough information to evaluate the company's proposal for addressing building codes and energy standards. Staff proposes a condition that the company file new program tariffs when it needs to count savings from new sources.

### **Rider Fund Balances**

Staff found inconsistencies between RCW 19.285 and a previous commission order in Docket UE-001457 concerning the collection of interest on rider fund balances. The order states:

If the energy efficiency program expenditures exceed tariff rider collections in the future, the Company may not collect interest on the negative balance; the Company must bear the risk of undercollection of funds through the tariff rider; because the Company, not its customers, manages the energy efficiency program expenditures.<sup>1</sup>

The recording of interest on conservation fund balances is on the issues list for discussion under the conservation incentive Docket U-100522, which is an appropriate venue for this discussion. Staff recommends that the conflicting conditions in the order UE-001457 be modified. This modification is consistent with condition 11(d) of the attached Conditions List and the company has filed a petition for modification.

#### **Summary of Conservation Potential & Targets**

The adjustments made to the company's 2008 IRP cumulative conservation potential are illustrated in the following table:

**Summary of Adjustment to 2008 IRP Cumulative Conservation Potential (aMW)<sup>2</sup>**

	2010	2011	10-year
2008 IRP	3.6	6.9	34.7
Total of adjustments	0.8	1.5	14.5
Revised conservation potential & cumulative targets	4.3	8.5	49.2

#### **Conclusion**

Enter an order in Docket UE-100170 approving Pacific Power & Light Company's 10-Year Achievable Conservation Potential and Biennial Conservation Target subject to conditions.

Attachment

---

<sup>1</sup> See Docket UE-001457, Order 01.

<sup>2</sup> Adapted from Table 1, p. 6 of the company's Revised Report.