

**BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of)	DOCKET UE-100170
)	
PACIFIC POWER & LIGHT)	ORDER 02
COMPANY)	
)	ORDER AMENDING ORDER 01
)	APPROVING PACIFIC POWER &
Ten-Year Achievable Conservation)	LIGHT COMPANY'S TEN-YEAR
Potential And Biennial Conservation)	ACHIEVABLE CONSERVATION
Target Under RCW 19.285.040 and)	POTENTIAL AND BIENNIAL
WAC 480-109-010)	CONSERVATION TARGET
)	SUBJECT TO CONDITIONS
.....)	

BACKGROUND

The Energy Independence Act

- 1 Washington voters approved Initiative 937, the Energy Independence Act, in the 2006 general election. Now codified in Chapter 19.285 of the Revised Code of Washington, it requires electric utilities with 25,000 or more customers to set and meet energy conservation targets, among other things.

- 2 Under RCW 19.285.040(1)(a) and (b), utilities are required to do the following:
 - (1) Each qualifying utility shall pursue all available conservation that is cost-effective, reliable, and feasible.
 - (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.

- (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.

3 "Conservation" is defined in RCW 19.285.030(4) to mean "any reduction in electric power consumption resulting from increases in the efficiency of energy use, production, or distribution." This definition is substantially similar to the definition of "conservation" in the Pacific Northwest Electric Power Planning and Conservation Act of 1980 ("Northwest Power Act"), 16 U.S.C. § 839a(3).

4 "Cost-effective" is defined in RCW 19.285.030(5) to have the same meaning as in RCW 80.52.030(7). It means that "a project or resource is forecast:

- (a) To be reliable and available within the time it is needed; and
- (b) To meet or reduce the electric power demand of the intended consumers at an estimated incremental system cost no greater than that of the least-cost similarly reliable and available alternative project or resource, or any combination thereof."

This definition is substantially similar to the definition of "cost-effective" in the Northwest Power Act, 16 U.S.C. § 839a(4)(A).

5 "System cost" is defined in RCW 80.52.030(8) to mean "an estimate of all direct costs of a project or resource over its effective life, including, if applicable, the costs of distribution to the consumer, and, among other factors, waste disposal costs, end-of-cycle costs, and fuel costs (including projected increases), and such quantifiable environmental costs and benefits as are directly attributable to the project or resource." This definition is substantially similar to the definition of "system cost" in the Northwest Power Act, 16 U.S.C. § 839a(4)(B).

- 6 RCW 19.285.040(1)(a) requires utilities to use “methodologies consistent with those used by the Pacific Northwest electric power and conservation planning council” when identifying their achievable cost-effective conservation potential. The Pacific Northwest Electric Power and Conservation Planning Council (“Council”) is a regional multistate agency established under the Northwest Power Act.¹ The Council prepares and adopts a regional conservation and electric power plan for the Pacific Northwest region south of Canada every five years.² The Council’s plans include regional targets for conservation. The Council adopted its Sixth Northwest Power Plan in February 2010.
- 7 RCW 19.285.080(1) authorizes the Washington Utilities and Transportation Commission (“Commission”) to “adopt rules to ensure the proper implementation and enforcement of this chapter as it applies to investor-owned utilities.” The Commission adopted such rules in Docket UE-061895, *In the Matter of Adopting Rules to Implement the Energy Independence Act*, General Order R-546 (Nov. 26, 2007). The rule adoption order is published in issue 08-1 of the Washington State Register as Wash. St. Reg. 07-24-012. The rules are codified at Chapter 480-109 of the Washington Administrative Code.
- 8 WAC 480-109-010 guides investor-owned utilities’ compliance with RCW 19.285.040(1). WAC 480-109-010(1) requires each utility, by January 1, 2010, to project its cumulative ten-year conservation potential. WAC 480-109-010(2) requires each utility, beginning January 2010, to establish a biennial conservation target. WAC 480-109-010(3) directs that, “On or before January 31, 2010, . . . each utility must file with the commission a report identifying its ten-year achievable conservation potential and its biennial conservation target.” WAC 480-109-010(4) describes the process for review by the Commission. Under WAC 480-109-010(4)(c), upon conclusion of that review, “the commission will determine whether to approve, approve with conditions, or reject the utility’s ten-year achievable conservation potential and biennial conservation target.”
- 9 Under RCW 19.285.040(1)(a), utilities are to use “methodologies consistent with those used by the [Council]” when identifying their achievable cost-effective conservation potential. The Commission’s rules do not describe the Council’s methodology for assessing conservation potential. The Washington Department of Commerce has adopted

¹ 16 U.S.C. § 839b(a); *see* RCW 43.52A (state participation in the Council).

² 16 U.S.C. § 839b(d)(1); *see* 16 U.S.C. § 839a(14) (definition of “regional”).

rules to guide consumer-owned utilities' compliance with RCW 19.285.040, including a rule that briefly describes the methodology. Though the Department of Commerce rule does not bind the Commission or investor-owned utilities, it provides a useful abbreviated summary of the Council's methodology.

10 The Department of Commerce rule, WAC 194-37-070(6)(a), provides:

The [Council's] analytical methodology for establishing the conservation resource potential and conservation targets for the Northwest power system is outlined in procedures (a)(i) through (xv) of this subsection. . . :

- (i) Analyze a broad range of energy efficiency measures considered technically feasible;
- (ii) Perform a life-cycle cost analysis of measures or programs, including the incremental savings and incremental costs of measures and replacement measures where resources or measures have different measure lifetimes;
- (iii) Set avoided costs equal to a forecast of regional market prices, which represents the cost of the next increment of available and reliable power supply available to the utility for the life of the energy efficiency measures to which it is compared;
- (iv) Calculate the value of the energy saved based on when it is saved. In performing this calculation, use time differentiated avoided costs to conduct the analysis that determines the financial value of energy saved through conservation;
- (v) Conduct a total resource cost analysis that assesses all costs and all benefits of conservation measures regardless of who pays the costs or receives the benefits. The [Council] identifies conservation measures that pass the total resource cost test as economically achievable;
- (vi) Identify conservation measures that pass the total resource cost test, by having a benefit/cost ratio of one or greater as economically achievable;

- (vii) Include the increase or decrease in annual or periodic operations and maintenance costs due to conservation measures;
- (viii) Include deferred capacity expansion benefits for transmission and distribution systems in its cost-effectiveness analysis;
- (ix) Include all nonpower benefits that a resource or measure may provide that can be quantified and monetized;
- (x) Include an estimate of program administrative costs;
- (xi) Discount future costs and benefits at a discount rate based on a weighted, after-tax, cost of capital for utilities and their customers for the measure lifetime;
- (xii) Include estimates of the achievable customer conservation penetration rates for retrofit measures and for lost-opportunity (long-lived) measures. The [Council's] twenty-year achievable penetration rates, for use when a utility assesses its twenty-year potential, are eighty-five percent for retrofit measures and sixty-five percent for lost opportunity measures achieved through a mix of utility programs and local, state and federal codes and standards. The [Council's] ten-year achievable penetration rates, for use when a utility assesses its ten-year potential, are sixty-four percent for nonlost opportunity measures and twenty-three percent for lost-opportunity measures; the weighted average of the two is a forty-six percent ten-year achievable penetration rate;
- (xiii) Include a ten percent bonus for conservation measures as defined in 16 U.S.C. § 839a of the Pacific Northwest Electric Power Planning and Conservation Act;
- (xiv) Analyze the results of multiple scenarios. This includes testing scenarios that accelerate the rate of conservation acquisition in the earlier years; and
- (xv) Analyze the costs of estimated future environmental externalities in the multiple scenarios that estimate costs and risks.

11 An outline of the major elements of the Council’s methodology, downloaded from the Council’s Internet website,³ was provided to the Commission as Appendix B to the March 5, 2010, Staff Comments in this Docket. The Council’s methodology is generally described in Council document 2007-13, “Achievable Savings: A Retrospective Look at the Northwest Power and Conservation Council’s Conservation Planning Assumptions” (August 2007).⁴

PacifiCorp’s Filings

12 Pacific Power and Light Company (“PacifiCorp” or “Company”) serves retail electric customers in six western states. In Washington, PacifiCorp serves customers in portions of Yakima, Walla Walla, Columbia, and Garfield Counties, and a few nearby areas.

13 On December 31, 2009, PacifiCorp documented its compliance with the January 1, 2010, deadline of RCW 19.285.040(1)(a) and WAC 480-109-010(1) by filing with the Commission a “projected cumulative ten-year conservation potential.” The filing was assigned docket number UE-091982. In the December 31 filing, PacifiCorp identified a ten-year conservation potential of 47.2 average megawatts, or 413,472 megawatt-hours.

14 On January 29, 2010, in accordance with WAC 480-109-010(3), PacifiCorp filed with the Commission a report entitled “PacifiCorp’s Ten-Year Achievable Conservation Potential and 2010-2011 Biennial Conservation Target for its Washington Service Area” (“Initial Report”). That filing initiated this Docket UE-100170. PacifiCorp identified a ten-year conservation potential of 49.2 average megawatts (430,992 megawatt-hours) and a biennial 2010-11 conservation target of 8.8 average megawatts (77,088 megawatt-hours). In its Initial Report, PacifiCorp explained that it had elected to use its 2008 Integrated Resource Plan⁵ (“IRP”), with modifications applicable to PacifiCorp’s conservation programs and Washington service territory, as the source for its ten-year conservation potential under WAC 480-109-010(1)(b)(i). Accompanying the report were several voluminous appendices of supporting materials, including an Assessment of Long-Term,

³ The outline is available at www.nwcouncil.org/energy/powerplan/6/supplycurves/I937/CouncilMethodology_outline%20_2_.pdf (last visited June 25, 2010).

⁴ Council document 2007-13 is available at <http://www.nwcouncil.org/library/2007/2007-13.pdf> (last visited June 25, 2010).

⁵ PacifiCorp’s 2008 IRP was filed with the Commission in Docket No. UE-080826.

System-Wide Potential for Demand-Side and Other Supplemental Resources, a comparison of the Council's methodology with the methodology used in PacifiCorp's IRP, a list of measures selected for the 2010 and 2011 biennium, and PacifiCorp's 2008 Integrated Resource Plan.

- 15 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.
- 16 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.
- 17 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.
- 18 PacifiCorp, Commission Staff, members of the Company's Demand-Side Management Advisory Group, and other interested persons convened a series of meetings and conference calls between March and July 2010 to clarify and supplement the Company's Initial Report. During that process, Commission Staff sought input on a draft list of conditions for approval of PacifiCorp's ten-year conservation potential and biennial conservation target.

- 19 On July 2, 2010, PacifiCorp filed a revised “Ten-Year Conservation Potential and 2010-2011 Biennial Conservation Target for its Washington Service Area,” which was supplemented on July 7, 2010 (“Revised Report”). The Revised Report contained additional explanation that had not been in the Initial Report. Accompanying the Revised Report were eight appendices and three attachments, including a 2010-2011 Demand-Side Management Business Plan for PacifiCorp’s operations in Washington, Evaluation Plans for several conservation programs, and PacifiCorp’s 2008 IRP.
- 20 PacifiCorp explained in the Revised Report that it had used its 2008 IRP, with adjustments to align its processes with those used by the Council, as the source for its ten-year conservation potential under WAC 480-109-010(1)(b)(i). The Revised Report identified a ten-year conservation potential of 49.2 average megawatts (430,992 megawatt-hours), the same as the ten-year potential identified in the Initial Report. The biennial 2010-11 conservation target identified in the Revised Report was 8.5 average megawatts (74,460 megawatt-hours), somewhat less than the biennial target in the Initial Report. The reason given for the change was that PacifiCorp had shifted some potential savings from distribution efficiency initiatives to later years during the 2010-2019 period.
- 21 All parties involved in the discussion process between March and July 2010 agreed to the content of the Revised Report and accept its projected ten-year conservation potential and biennial conservation target. All parties agree to a set of conditions for approval of PacifiCorp’s ten-year conservation potential and biennial conservation target.
- 22 Staff presented a memo at the July 15, 2010, Open Meeting recommending approval with conditions.
- 23 The Commission considered PacifiCorp’s Revised Report at its July 15, 2010, Open Meeting and heard additional oral comments from Public Counsel, the Northwest Energy Coalition, and Commission Staff.

**SUMMARY AND DISCUSSION
OF COMMENTS FROM INTERESTED PERSONS**

Commission Staff

- 24 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 and Revised Reports:
- 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.
- 25 Staff found PacifiCorp’s Initial Report to be detailed but incomplete. Several issues either were not addressed or lacked the information Staff needed to understand fully the analysis presented. PacifiCorp addressed Staff’s concerns in its Revised Report.
- 26 **Consistency with Council Methodology.** Staff’s primary concern with PacifiCorp’s Initial Report was whether PacifiCorp had used conservation potential assessment methodologies consistent with those of the Council. PacifiCorp used its 2008 IRP, with adjustments to align its processes with those used by the Council, as the source for its ten-year conservation potential under WAC 480-109-010(1)(b)(i). The conservation potential PacifiCorp identified is about half of PacifiCorp’s proportionate “share” of the Council’s Sixth Northwest Power Plan regional conservation target as a function of retail electric sales. Because Staff could not determine from the Initial Report why that was so, Staff suspected that PacifiCorp had not used a methodology consistent with the Council’s methodology. In the Revised Report, PacifiCorp explained that, because its rural southeast Washington service area is not representative of the Council’s four-state planning region, its customers use electricity in a manner that differs from the regional average. Staff was satisfied with the explanation.
- 27 **Program Details.** Staff recommended that the Company file specific program information and detailed program budgets in accordance with the Commission’s standard

practice in other dockets. With its Revised Report, PacifiCorp filed a Demand-Side Management Business Plan for 2010-2011. PacifiCorp agreed to entry of an order requiring that its future conservation filings contain detailed budgets and program details.

28 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 practices includes program details. PacifiCorp agreed to entry of an order that includes program details.

29 **Evaluation, Measurement, and Verification.** Staff proposed a condition that PacifiCorp spend between four and six percent of its conservation budget on evaluation, measurement, and verification activities to determine whether its conservation programs result in actual energy savings. Staff explained that four to six percent is consistent with electric utility budget allocations in other jurisdictions. Staff also proposed that PacifiCorp be permitted to spend up to ten percent of its conservation budget on programs whose energy savings has not yet been measured, so long as the Company’s overall portfolio of conservation measures is cost-effective. PacifiCorp agreed to these conditions.

30 **Public and Staff Participation.** Staff concluded that PacifiCorp had provided the public and Staff with barely sufficient opportunities for participation in the development of its 2010-2019 ten-year conservation potential and 2010-2011 biennial conservation target under WAC 480-109-010(3)(a). Participation was limited because PacifiCorp began that process less than five months before the deadline for identifying its ten-year conservation potential. Staff recommended that PacifiCorp begin the process farther in advance of future deadlines for updating its ten-year conservation potential and biennial target. PacifiCorp agreed to a schedule for consultation with its Washington Demand-Side Advisory Group.

31 **Interest on Conservation Fund Balances.** In the Staff Comments of March 5, 2010, Staff identified a possible inconsistency between a provision in a prior PacifiCorp accounting order in Docket UE-001457 and RCW 19.285.040. The provision in question addresses interest on a Demand-Side Management System Benefits Charge balancing

account.⁶ 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 conservation fund balances.

32 PacifiCorp, Staff and other interested parties have agreed that the Accounting Order in Docket UE-001457 should be amended so that interest will cease to accrue on balances in PacifiCorp's Demand-Side Management System Benefits Charge balancing account. PacifiCorp and Staff have filed a Joint Motion to Modify the Accounting Order in Docket UE-001457.

33 The Commission has previously determined that it is not appropriate to consider Staff's proposal for a conservation collaborative at this time.⁷

Public Counsel

34 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 its 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.

35 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.

36 In written comments dated July 9, 2010, Public Counsel expressed general support for PacifiCorp's Revised Report and the agreed conditions for approval of PacifiCorp's ten-

⁶ Docket No. UE-001457, Accounting Order (Oct. 25, 2000).

⁷ *In re Avista Corp.*, Docket UE-100176, Order 01 Approving Avista's Ten-Year Achievable Conservation Potential and Biennial Conservation Target Subject to Conditions ¶ 55 (Wash. Utils. & Transp. Comm'n May 13, 2010).

year conservation potential and biennial conservation target. Public Counsel expressed concern, however, that the explanation in the “Evaluation” section of the Revised Report was insufficient. Public Counsel recommended that the Commission direct PacifiCorp to engage its Washington Demand-Side Advisory Group in discussions about evaluation, measurement, and verification (“EM&V”), and to include additional information about EM&V in future biennial compliance filings. Public Counsel reiterated that recommendation in oral comments presented during the July 15, 2010 Open Meeting. Staff supported the recommendation, and PacifiCorp stated that it had no objection.

Northwest Energy Coalition

- 37 In written comments dated March 5, 2010, the Northwest Energy Coalition (“NVEC”) proposed that stakeholders would benefit from further examination of and discussion about supporting materials filed in conjunction with PacifiCorp’s Initial Report. NVEC questioned whether the Company had used methodologies consistent with those of the Council. NVEC stated that PacifiCorp’s level of stakeholder involvement was adequate, but encouraged greater outreach in the future. NVEC asked the Commission to consider consolidating PacifiCorp’s various conservation filings into a single docket, at least in even-numbered years.
- 38 In written comments dated July 14, 2010, NVEC recommended approval of PacifiCorp’s ten-year conservation potential and biennial conservation target with the conditions recommended by Staff. NVEC suggested that PacifiCorp should address production efficiency potential from non-hydro generation facilities when PacifiCorp updates its ten-year conservation potential for 2012-2021 under RCW 19.285.040(1)(a), and reiterated that suggestion during the July 15, 2010 Open Meeting. Staff supported the recommendation, and PacifiCorp stated that it had no objection.

Washington Department of Ecology

- 39 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 generally encourages utilities to invest in cost-effective electricity conservation measures.

FINDINGS AND CONCLUSIONS

- 40 (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. *RCW 80.01.040, RCW 80.04, RCW 80.08, RCW 80.12, RCW 80.16, RCW 80.28.*
- 41 (2) Under RCW 19.285.040(1)(a) and (b), electric utilities that serve more than 25,000 customers in the State of Washington are required to do the following:
- (1) Each qualifying utility shall pursue all available conservation that is cost-effective, reliable, and feasible.
 - (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.
 - (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.

- 42 (3) As used in RCW 19.285.040(1), “‘Conservation’ means any reduction in electric power consumption resulting from increases in the efficiency of energy use, production, or distribution.” *RCW 19.285.030(4)*.
- 43 (4) The Washington Utilities and Transportation Commission has authority to determine investor-owned utilities’ compliance with RCW 19.285.040(1). *RCW 19.285.060(6)*. 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. *RCW 19.285.040(1)(e)*. The Commission has adopted WAC 480-109-010 to implement RCW 19.285.040(1).
- 44 (5) PacifiCorp is an electric company and a public service company subject to Commission jurisdiction. PacifiCorp is a qualifying investor-owned electric utility under RCW 19.285.030.
- 45 (6) PacifiCorp timely identified its ten-year achievable conservation potential and biennial conservation target, and timely submitted a Ten-Year Conservation Potential and 2010-2011 Biennial Conservation Target report to the Commission under WAC 480-109-010.
- 46 (7) To guide the development of its 2010-2019 achievable conservation potential and 2010-2011 biennial conservation target, PacifiCorp used its 2008 Integrated Resource Plan supplemented with an Assessment of Long-Term, System-Wide Potential for Demand-Side and Other Supplemental Resources. Using these materials as a starting point, PacifiCorp made modifications applicable to PacifiCorp’s conservation programs and Washington service territory. After considering PacifiCorp’s Revised Report and supporting documentation, comments received, and Staff’s analysis, the Commission concludes that the Ten-Year Conservation Potential that PacifiCorp identified is consistent with RCW 19.285.040(1) and WAC 480-109-010(1). The Commission concludes that the 2010-2011 Biennial Conservation Target that PacifiCorp established is consistent with RCW 19.285.040(1) and WAC 480-109-010(2).
- 47 (8) The Commission concludes that PacifiCorp has satisfied the staff and public participation requirements of WAC 480-109-010(3) in developing its ten-year conservation potential and biennial conservation target.

- 48 (9) PacifiCorp agreed to the Conditions described in this Order. The Conditions memorialize the Commission's standard practice with respect to investor-owned utility conservation programs and facilitate the Commission's ability to determine PacifiCorp's compliance with the provisions of RCW 19.285. *RCW 19.285.040(1)(e); RCW 19.285.060(6); RCW 80.28.303(1).*
- 49 (10) After reviewing PacifiCorp's revised Ten-Year Conservation Potential and 2010-2011 Biennial Conservation Target report filed on July 2, 2010, and giving due consideration to all relevant matters and for good cause shown, the Commission finds it is in the public interest to approve with conditions PacifiCorp's Ten-Year Conservation Potential and 2010-2011 Biennial Conservation Target identified in the Company's Revised Report, as authorized by RCW 19.285.040 (1)(e) and WAC 480-109-010(4).
- 50 (11) The Commission finds that it is not appropriate to consider Staff's proposal for a conservation collaborative until after the Commission has completed review of the pending conservation target filings of all investor-owned utilities. When that reviews is complete, Staff may renew its proposal, taking into account the other demands on Commission staff resources.
- 51 (12) This final Order was presented to the Commission for consideration at its regularly-scheduled meeting on July 15, 2010.

ORDER

THE COMMISSION ORDERS:

- 52 (1) **Approval.** PacifiCorp's Ten-Year Conservation Potential and 2010-2011 Biennial Conservation Target, as identified in the Company's Revised Report filed in this docket 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.
- 53 (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.

- 54 (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 June 16, 2000, Comprehensive Stipulation in Docket UE-991832, which the Commission approved in the August 9, 2000, Third Supplemental Order in that Docket. The Company will seek the advice of the Advisory Group on the following matters:
- (i) (1) Development of a written framework for evaluation, measurement, and verification (EM&V) as implemented by PacifiCorp which guides its approach to evaluation, measurement, and verification of energy savings. This framework must be reflected in the Biennial Conservation Plan for the next biennium, 2012-2013, and
 - (2) Modification of existing or development of new EM&V conservation protocols based on PacifiCorp’s current evaluation, measurement and verification approach.
 - (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:
 - (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 the Company submits to the Commission in advance of filings. When extraordinary circumstances dictate, the Company may provide the 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 ten-year conservation potential as requested through the integrated resource plan public process.

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

- 56 (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.
- 57 (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 Ten-Year Conservation Potential and 2010-2011 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 Paragraph (6)(c) below, PacifiCorp must use the Council’s Regional Technical Forum’s (“RTF’s”) “deemed” savings for electricity measures. As of the date of this Order, the RTF maintains a website 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.

- (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) approved in Docket UE-001457. 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 (8)(g) below. PacifiCorp may ask the Commission to modify this spending band following full Advisory Group consultation.

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(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 examined periodically for effectiveness in fulfilling the 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 — 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 described in Paragraph (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.

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(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 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 System 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”) and production efficiency potential in non-hydro generation facilities, together with identification of 2012-2021 achievable conservation potential, by September 15, 2011. The Biennial Conservation Plan should also document the results of the Advisory Group discussions conducted under Paragraph (3)(a)(i) above, regarding the nature and timing of PacifiCorp’s past, current, and future evaluation, measurement, and verification framework. PacifiCorp will provide its revised ten-year conservation potential that includes DEI and production efficiency potential in non-hydro generation facilities by January 1, 2012, and its revised ten-year conservation plan by January 31, 2012. 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, 2012.
- (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.

60 (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 ten-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).

61 (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 website at 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 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. 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's methodology.

- 62 (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 — The Commission defers a decision on whether a carrying charge requirement for any under- or over-tariff rider collections over the course of any given year is appropriate.

DATED at Olympia, Washington, and effective July , 2010.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

JEFFREY D. GOLTZ, Chairman

PATRICK J. OSHIE, Commissioner

PHILIP B. JONES, Commissioner