

Southwest Energy Efficiency Project (SWEEP)

August 24, 2007 letter to PacifiCorp

General Comments

1. SWEEP believes the Quantec Study underestimates the amount of DSM that is truly achievable. SWEEP states that while the estimation of technical and economic potential is more straightforward, there is considerable judgment regarding what fraction of the technical and economic potential is achievable. Factors that may influence what's achievable proposed by SWEEP include: level of program promotion and marketing, the level of incentives, what is happening with respect to energy prices and the socio-political context.

Company Response: On page 27 of the study, Quantec acknowledges that two key areas provide the majority of uncertainty in their analysis; the first is the assumed avoided costs and the second is the assumed level of customer acceptance or achievable potential. To account for this uncertainty Quantec developed alternative potential scenarios for each resource type. The alternative scenarios consisted of three economic scenarios (low, base and high cases) which varied the assumed avoided cost of each resource type and two market penetration or achievable scenarios (expected achievable and high achievable) which assumed varying levels of program participation incentives. In addition, as noted in the Company's response to UCE and WRA comment #3, PacifiCorp is assuming a higher level of achievable potential for energy efficiency resources within the 2008 resource plan than that assumed in the study.

Energy Efficiency Comments

2. SWEEP questions the 7% retail sales savings figure assumed by 2027 stating that .35% per year on average is low compared to what PacifiCorp is acquiring in Utah today (.58%) and notes that according to the Energy Efficiency Task Force convened by the Western Governor's Association, leading electric utilities in the country are saving .8 to 1 percent of electricity sales each year.

Company Response: PacifiCorp acknowledges Dr. Geller's observation however respectfully reminds parties the study is not intended to be a resource plan but rather foundational data to be used in assisting PacifiCorp with the program and resource planning processes. PacifiCorp has no intention to reduce the level of current acquisitions based on the plan's leveling acquisition assumption and has demonstrated this in the use of the study data to date. PacifiCorp further acknowledges that several leading electric utilities are targeting and a few may even be achieving savings at or near the .8 to 1 percent level. That said, PacifiCorp is not aware of any utility comparably positioned to PacifiCorp in terms of service area characteristics and retail energy prices, that is achieving results at this level or of any utility in any market that has demonstrated capability

to achieve results at this level over a sustainable period of time, such as that used in the development long range resource planning.

3. SWEEP believe the study is “overly conservative” about the energy savings potential in a number of areas, citing residential lighting as an example. SWEEP notes that the study assumes 1% a year or 20% by 2027 and that other utilities are offering year round buy-downs and are achieving over 1% in savings each year as a result. Other areas cited as “overly conservative” were plug loads, residential refrigeration, commercial HVAC auxiliary energy, plug loads and lighting, irrigation load control, and thermal energy storage.

Company Response: Most of these get addressed as a function of the Company’s achievable assumptions incorporated into the development of supply curves for resource planning purposes. As such, it doesn’t seem practical to address each independently in this response. Suffice it to say, PacifiCorp intends to aggressively pursue all the cost effective resources available and will use the study as a guide, not a limiter to that end. An example is the success this past year in Idaho in vastly surpassing the study’s potential assessment for irrigation load control, the result of significant market and program design changes.

Peak Load or Demand Response Comments

4. SWEEP believes Quantec’s assumption regarding the probable growth of the residential and small commercial air conditioning load control program from 30% penetration to 40% penetration by 2027 is conservative citing numerous possible futures that may change the landscape for the program.

Company Response: After having run this program in Utah since 2003 PacifiCorp believes Quantec’s 40% participation assumption is very aggressive in a market like Utah and more so in PacifiCorp’s more rural markets, however all parties recognize that program design and customer incentives are paramount in the ultimate determination of customer participation. With that in mind, PacifiCorp is working on several proposals to better the 40% penetration estimate for this program. If successful, the Company will look to employ this model in other PacifiCorp service areas where air conditioning loads are sufficient to support such a program.

5. SWEEP also noted that Quantec’s penetration assumptions for critical peak pricing and real time pricing programs were “overly conservative” citing that most of the participation data was derived from pilot programs or programs in place for a limited number of years.

Company Response: PacifiCorp agrees that most of the programs benchmarked by Quantec in the development of participation estimates for these pricing programs were derived from pilot programs or programs in place for a limited number of years. This is more a function of the depth and breadth of these

programs in the market than a flaw on the part of Quantec. Furthermore, few if any of the benchmarks were from programs that were designed to produce a loser or actually penalize participants if they didn't heed the pricing signals. Also, there were no established and working programs found in markets with comparable retail energy prices. Like Dr. Geller, PacifiCorp holds out optimism for the effectiveness of pricing programs, however expects that retail prices will need to dramatically increase and programs may have to become mandatory before they will produce reliable enough results to be considered in utility resource plans.

6. SWEEP feels there are a few methodological flaws in the study worth noting. Specifically the way the study treats benefits from natural gas savings or water savings that result from certain measures such as building envelope efficiency improvements or Energy Star clothes washers and dishwashers. SWEEP also states that the study makes no effort to estimate the maximum achievable savings potential in five years or ten years.

Company Response: PacifiCorp doesn't believe Quantec's treatment of benefits from natural gas savings or water savings in the calculation of resource benefits is relevant in the use of the information by PacifiCorp. As stated in prior company responses, the study is intended to be a foundational document to be used to assist PacifiCorp with program development and resource planning. The latitude given by state regulatory bodies in considering these secondary energy benefits varies greatly across PacifiCorp's service territory. As the economic screen performed in the study was a proxy screen only, with the actual economic screening to occur in resource planning models and the analysis work conducted in preparation for program regulatory filings, the treatment of these benefits in the study seems reasonable for its intended purpose. In addition, for the few measures where these benefits existed, all were cost effective without the consideration of these added benefits, so the resulting treatment was immaterial.

In regards to Quantec not having produced a maximum achievable savings potential estimate within the study results showing what may be achievable in the near-term, the next five to ten years, PacifiCorp doesn't feel this would have provided the Company any additional value. The averaging approach Quantec took was intended to be indicative-not conclusive-of how much resource exists and by when. For resource planning purposes, PacifiCorp has already accounted for any possible value this type of estimate would have had by increasing the achievable potential from 55% to 85% of the technical. In the end, the actual rate of acquisition will be determined by other factors including customer interest.