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PACIFIC POWER PLANNING PROCESS

ROCKY MOUNTAIN POWER PLANNING PROCESS

PLANNING PROCESS

Integrated Resource Plan

The Company develops a biennial integrated resource plan (“IRP”) as a means of balancing cost, risk, uncertainty, supply reliability/deliverability and long-run public policy goals.¹ The plan presents a framework of future actions to ensure the company continues to provide reliable, reasonably priced service to customers. Energy efficiency and peak management opportunities are incorporated into the IRP based on their availability, characteristics, and costs.

PacifiCorp divides energy efficiency and peak management resources into four general classes:

- **Class 1 DSM—Resources from fully dispatchable or scheduled firm capacity product offerings/programs**—Class 1 DSM programs are those for which capacity savings occur because of active company control or advanced scheduling. Once customers agree to participate in a Class 1 DSM program, the timing and persistence of the load reduction is involuntary on their part within the agreed upon limits and parameters of the program. Program examples include residential and small commercial central air conditioner load control programs that are dispatchable, and irrigation load management and interruptible or curtailment programs (which may be dispatchable or scheduled firm, depending on the program design or event noticing requirements).
- **Class 2 DSM—Resources from non-dispatchable, firm energy and capacity product offerings/programs**—Class 2 DSM programs are those for which sustainable energy and related capacity savings are achieved through facilitation of technological advancements in equipment, appliances, lighting and structures, or repeatable and predictable voluntary actions on a customer’s part to manage the energy use at their facility or home. Class 2 DSM programs generally provide financial or service incentives to customers to improve

¹ Information on the company’s integrated resource planning process can be found at the following web address:
<https://www.pacificorp.com/energy/integrated-resource-plan.html>

the efficiency of existing or new customer-owned facilities through: (1) the installation of more efficient equipment, such as lighting, motors, air conditioners, or appliances; (2) upgrading building efficiency through improved insulation levels, windows, etc.; or (3) behavioral modifications, such as energy management efforts at business facilities and home energy reports for residential customers. The savings endure (are considered firm) over the life of the improvement or customer action. Program examples include comprehensive commercial and industrial new and retrofit energy efficiency programs, comprehensive home improvement retrofit programs, energy management and home energy reports.

- **Class 3 DSM—Resources from price responsive energy and capacity product offerings/programs**—Class 3 DSM programs seek to achieve short-duration (hour by hour) energy and capacity savings from actions taken by customers voluntarily, based on a financial incentive or pricing signal. As a result of their voluntary nature, participation tends to be low and savings are less predictable, making Class 3 DSM resources less suitable to incorporate into resource planning, at least until their size and customer behavior profile provide sufficient information for a reliable diversity result (predictable impact) for modeling and planning purposes. Savings typically only endure for the duration of the incentive offering and, in many cases, loads tend to be shifted rather than being avoided. The impacts of Class 3 DSM resources may not be explicitly considered in the resource planning process; however, they are captured naturally in long-term load growth patterns and forecasts. Program examples include time-of-use pricing plans, critical peak pricing plans, and inverted block tariff designs.
- **Class 4 DSM—Non-incented behavioral-based savings achieved through broad energy education and communication efforts**—Class 4 DSM programs promote reductions in energy or capacity usage through broad-based energy education and communication efforts. The program objectives are to help customers better understand how to manage their energy usage through no-cost actions such as conservative thermostat settings and turning off appliances, equipment, and lights when not in use. The programs are also used to increase customer awareness of additional actions they might take to save energy and the service and financial tools available to assist them. Class 4 DSM programs help foster an understanding and appreciation of why utilities seek customer participation in Classes 1, 2 and 3 DSM programs. Like Class 3 DSM resources, the impacts of Class 4 DSM programs may not be explicitly considered in the resource planning process; however, they are captured naturally in long-term load growth patterns and forecasts. Program examples include company brochures with energy savings tips, customer newsletters focusing on energy efficiency, case studies of customer energy efficiency projects, and public education and awareness programs.

Class 1 and 2 DSM resources are included as resource options in the resource planning process. Class 3 and 4 DSM actions are not considered explicitly in the resource planning process; however, the impacts are captured naturally in long-term load growth patterns and forecasts.

To represent DSM resource opportunities in the IRP, the company engages a third-party consultant to conduct a DSM Potential Assessment. This study primarily seeks to develop reliable estimates of the magnitude, timing and cost of DSM resources likely to be available to PacifiCorp over the 20-year planning horizon of the IRP. The focus of the Potential Assessment is on resources with sufficient reliability characteristics that are anticipated to be technically feasible and considered achievable during the IRP's 20-year planning horizon. The estimated achievable technical potential is the energy efficiency and demand response potential that may be achievable to acquire during the 20-year planning horizon prior to cost-effectiveness screening.

Demand-side resources vary in their reliability, load reduction and persistence over time. Based on the significant number of measures and resource options reviewed and evaluated in the Potential Assessment, it is impractical to incorporate each as a stand-alone resource in the IRP. To address this issue, Class 2 DSM measures and Class 1 DSM programs are bundled by cost for modeling against competing supply-side resource options reducing the number of discrete resource options the IRP must consider to a more manageable number.

Cost Effectiveness

The company evaluates program implementation cost effectiveness (both prospectively and retrospectively) under a variety of tests to identify the relative impact and/or value (*e.g.*, near-term rate impact, program value to participants, etc.) to customers and the company.

Program cost effectiveness is performed using a company-specific modeling tool, created by a third-party consultant. The tool is designed to incorporate PacifiCorp data and values and generally follows the methodology specified in California's Standard Practice Manual. Avoided costs inputs into the tool are derived using PacifiCorp inputs in the California Avoided Cost Calculator. Subsequent cost-effectiveness analysis assesses the costs and benefits of DSM resource programs from different stakeholder perspectives, including participants and non-participants, based on four traditional tests described in the Standard Practice Manual² (TRC, UCT, PCT and RIM) as well as an additional fifth test, PTRC³.

² For more information visit <https://www.nationalenergyscreeningproject.org/national-standard-practice-manual/>

³ The PTRC is the TRC test with a 10% benefit adder for energy efficiency.