STATE OF CALIFORNIA GAVIN NEWSOM, *Governor*

PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

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Ratesetting

TO PARTIES OF RECORD IN APPLICATION 25-09-016:

This is the proposed decision of Administrative Law Judge Valerie U. Kao. Until and unless the Commission hears the item and votes to approve it, the proposed decision has no legal effect. This item may be heard, at the earliest, at the Commission's December 3, 2026 Business Meeting. To confirm when the item will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.

Parties of record may file comments on the proposed decision as provided in Rule 14.3 of the Commission's Rules of Practice and Procedure.

The Commission may hold a Ratesetting Deliberative Meeting to consider this item in closed session in advance of the Business Meeting at which the item will be heard. In such event, notice of the Ratesetting Deliberative Meeting will appear in the Daily Calendar, which is posted on the Commission's website. If a Ratesetting Deliberative Meeting is scheduled, *ex parte* communications are prohibited pursuant to Rule 8.2(c)(4).

/s/ MICHELLE COOKE
Michelle Cooke
Chief Administrative Law Judge

MLC: vj4
Attachment

Decision **PROPOSED DECISION OF ALJ KAO (Mailed 10/29/2026)**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PacifiCorp (U901E) to Continue its Energy Efficiency Programs, the Surcharge to Fund Public Purpose Programs, and Bridge Funding For Program Year 2027.	Application 25-09-016

DECISION ADDRESSING APPLICATION OF PACIFICORP TO ADMINISTER ENERGY EFFICIENCY PROGRAMS FROM 2027 THROUGH 2030

Summary

This decision addresses the application of PacifiCorp to administer energy efficiency programs from 2027 through 2030 and to continue its Public Purpose Programs surcharge. The decision approves an all-party settlement whereby PacifiCorp agrees to suspend its energy efficiency programs beginning January 1, 2027, and to conduct marketing, education, and outreach to provide information about other energy efficiency opportunities available to its California customers. PacifiCorp must report periodically on its evaluation of cost-effective, achievable energy efficiency savings potential for its California territory.

This proceeding is closed.

1. Background

PacifiCorp is a multi-jurisdictional utility providing electric retail service to customers in California, Idaho, Oregon, Utah, Washington and Wyoming.[1]

[1] In California, PacifiCorp does business as Pacific Power.

PacifiCorp's California territory spans 11,292 square miles in Del Norte, Modoc, Shasta, and Siskiyou Counties in northern California. PacifiCorp serves approximately 45,000 customers in California.[2]

The California Public Utilities Commission (Commission) initially authorized PacifiCorp's energy efficiency programs in Decision (D.) 08-01-041. PacifiCorp has since administered three energy efficiency programs with offerings to residential, commercial, industrial, and irrigation customers, with its most recent set of programs approved through 2026 in D.21-12-034:

> Wattsmart Homes: Offers incentives to customers residing in single-family, multifamily, and manufactured homes. Incentivized measures include kits, small appliances, appliances, and heating, ventilation, and cooling (HVAC) upgrades. Program delivery channels include trade allies, kits, coupons, retail partnerships, and limited-time offers.
>
> Home Energy Reports: Designed to help residential tribal and hard-to-reach customers by providing comparisons of their household energy usage to similar residences. The program offers recommendations for no- and low-cost changes to save energy.
>
> Wattsmart Business: Serves non-residential customers with prescriptive and custom incentives for commercial, industrial, and agricultural measures that are delivered through a variety of traditional program models.

On September 30, 2025, PacifiCorp filed the instant application to continue its energy efficiency programs and public purpose programs surcharge. PacifiCorp requests:

[2] *Application of PacifiCorp (U 901-E) to Continue its Energy Efficiency Programs, the Surcharge to Fund Public Purpose Programs, and Bridge Funding for Program Year 2027, filed September 30, 2025* (Application) at 7.

1. Authorization to redesign and continue operating PacifiCorp's energy efficiency programs from 2027 through 2030 with a budget of $7.18 million;
2. Authorization to continue the Surcharge to Fund Public Purpose Programs (Surcharge) to continue operation and funding of existing programs through 2027;
3. Authorization to continue to request adjustments to the Surcharge collection rates via the Tier 2 advice letter process; and
4. Authorization of bridge funding for program year 2027.

With respect to its proposed redesign of existing programs, PacifiCorp proposes several significant changes:

- Administer both Wattsmart Homes and Wattsmart Business as a single equity program focusing on measures selected for having the greatest impact on customer energy usage.
- Limit commercial service to small commercial customers for HVAC measures while maintaining lighting measure availability to all commercial customers. This change would also remove irrigation pumping measures and the rate schedule applicable to agricultural customers.
- Expand Home Energy Reports to all residential customers and introduce Business Energy Reports for small business customers. PacifiCorp also proposes not to quantify savings from these reports, but to instead measure email open rates, click-through rates, and customer satisfaction levels through surveys.
- Revise the measure mix to focus on larger, high-energy consumption systems and shift incentives away from small measures to more impactful measures that also align with California's electrification goals.
- Utilize a direct-install delivery model supported by a network of trade allies operating in the company's territory. Compared to the current portfolio's approach, this is intended to reduce implementation costs and

streamline the commercial and residential programs through a unified delivery channel.

- Set incentives at levels that remove financial barriers to adopting higher-cost efficiency measures for residential and small commercial customers. Residential customers would be eligible for no-cost duct sealing and commercial customers would be eligible for light emitting diode (LED) lighting.

By proposing to operate a single equity program, PacifiCorp effectively seeks an exemption from energy efficiency portfolio segmentation and cost-effectiveness requirements. Specifically, D.21-12-034 directs PacifiCorp to ensure that budgets classified as market support or equity programs do not exceed 30 percent of the entire portfolio budget, and resource acquisition programs are required to collectively meet a Total Resource Cost threshold of 1.0. PacifiCorp cites declining cost-effectiveness as a major reason for its request to operate a single equity program.[3]

Notice of the application appeared in the Commission's Daily Calendar on October 8, 2025.

The Public Advocates Office at the California Public Utilities Commission (Cal Advocates) timely filed a protest to the application. Cal Advocates protested the application on the basis that the projected low cost-effectiveness outcomes of the proposed programs would result in an unreasonable use of ratepayer funds, and asked the Commission to examine whether the application provides reasonable value to ratepayers, ensures reasonable accountability on the use of ratepayer funds, and complies with statewide energy efficiency policy and Executive Order N-5-24.[4]

[3] Application at 3, 8-9 and 11.

[4] *Protest of the Public Advocates Office*, filed November 7, 2025 at 4.

On November 24, 2025, assigned Administrative Law Judge (ALJ) Kao held a prehearing conference to address the issues, schedule, and other matters relevant to the management of the proceeding.

On January 27, 2026, the assigned Commissioner issued a scoping memo and ruling identifying the following issues in this proceeding:

1. Should the Commission approve the proposed portfolio and associated budget for 2028 – 2030 energy efficiency programs?
    a. Is the proposed exemption of the portfolio from cost-effectiveness requirements appropriate? Is the proposed portfolio appropriately aligned with Commission policy on equity segment programs, per guidance adopted in D.21-12-034, D.21-05-031, and other relevant directives listed in prior Commission decisions and rulings and applicable statutes?
    b. Are the proposed budget and expenditure allocation just and reasonable?
    c. Do the proposed portfolio and budget negatively or positively impact achievement of the Commission's Environmental and Social Justice (ESJ) Action Plan, and how?
2. Is the proposed bridge year funding for 2027 just and reasonable?
3. Should the Commission approve the proposal to continue making future changes to the Public Purpose Programs Surcharge using a Tier 2 advice letter process as outlined in General Order 96-B?

On April 17, 2026, Cal Advocates served intervenor testimony. On May 11, 2026, PacifiCorp served rebuttal testimony. Neither party requested evidentiary hearings. On June 12, 2026, Cal Advocates and PacifiCorp each filed a motion to admit documentary evidence into the record; the assigned ALJ granted each unopposed motion.

Both parties timely filed opening briefs.

On July 28, 2026, the parties filed a joint motion requesting to amend the proceeding schedule because the parties were engaged in discussions over a possible settlement. The joint motion requested to set a final date for the parties to file a motion proposing a settlement agreement, to provide for comments and reply comments to the settlement motion, and to defer the final date to file reply briefs to ten days after a Commission determination on the proposed settlement agreement. By procedural email dated August 3, 2026, the assigned ALJ provided notice that the proceeding schedule would be amended to provide a final date to file a settlement motion, as requested by the joint motion, but not to defer the final date to file reply briefs. The amended schedule would also set final dates to file comments and reply comments to the settlement motion earlier than requested by the joint motion.

On August 3, 2026, Cal Advocates timely filed a reply brief.

On August 7, 2026, the assigned Commissioner issued a ruling confirming the amended schedule. On August 21, 2026, the parties timely filed a joint motion for adoption of a settlement agreement resolving all issues in the proceeding, and to waive the period for comments to the settlement motion.

1.1. Submission Date

This matter was submitted on August 21, 2026 upon receipt of the joint motion for adoption of a settlement agreement resolving all issues in this proceeding.

2. Party Positions on the Application

PacifiCorp requests authorization to operate a single equity program, which it acknowledges is a departure from the Commission's current framework for approval of energy efficiency portfolios. Specifically, the application proposes

to use a unified, measure-based direct-install delivery model that consolidates residential and small commercial offerings. The application states this approach is designed to streamline operations, reduce implementation costs, and increase the proportion of funds directed toward customer incentives.

2.1. Cal Advocates

Cal Advocates recommends rejecting PacifiCorp's application, and directing PacifiCorp to either file a new application with a revised spending plan that better aligns projected savings improvements with cost-effectiveness and targeted equity outcomes, or to submit a Tier 3 advice letter proposing targeted budget and program modifications.

Cal Advocates asserts that elimination of resource acquisition programs contradicts past Commission decisions that directed PacifiCorp to divide its portfolio into resource acquisition, market support, and equity segments, consistent with the budget framework established for all investor-owned utilities (IOU).[5] Cal Advocates further asserts the proposal fails to address declining portfolio performance, and that declining savings warrant program redesign or budget reductions rather than elimination of cost-effectiveness requirements.[6] Cal Advocates argues the proposal improperly removes cost-effectiveness accountability, and points out that programs can be targeted at equity customers while still maintaining cost controls, performance metrics, and reasonable benefit expectations.[7]

[5] Exhibit CA-01 at 2-1 to 2-3.

[6] Exhibit CA-01 at 2-3 to 2-5.

[7] Exhibit CA-01 at 2-5.

2.2. PacifiCorp

PacifiCorp's application would, if approved, require the Commission to exempt PacifiCorp from energy efficiency portfolio segmentation and cost-effectiveness requirements. PacifiCorp asserts it conducted multiple iterations of program modeling with a variety of measure mixes, incentive levels, and participation rates, and was unable to identify a delivery model that achieved cost-effective results. In response to Cal Advocates' opening testimony, PacifiCorp states that additional incremental analysis confirmed that the portfolio proposal in its application provides the greatest system benefits, with incentive level adjustments having little effect on cost-effectiveness.[8] PacifiCorp explains that the application was developed as a potential solution to address the ongoing challenge of offering programs that are unable to meet standard cost-effectiveness thresholds.[9]

2.3. Discussion

PacifiCorp cites declining cost-effectiveness as a major reason for its request to operate an all-equity program portfolio.[10] Declining cost-effectiveness is not a valid justification to classify and operate a resource program as an equity program. D.21-05-031 explains that equity programs are those with a primary purpose of providing energy efficiency to hard-to-reach or underserved customers and disadvantaged communities in advancement of the Commission's ESJ Action Plan. This decision does not find adequate rationale for PacifiCorp to operate the proposed program as an equity program, and thereby be exempted

[8] Exhibit PAC/100 at 7-8.

[9] Exhibit PAC/100 at 12.

[10] Application at 3, 8-9 and 11.

from energy efficiency portfolio segmentation and cost-effectiveness requirements.

PacifiCorp asserts that all of its California customers meet the geographic criterion of hard-to-reach and that 40 to 41 percent fall into the extremely low to low-income category. However, the application offers little explanation of how its proposed program will specifically target hard-to-reach or underserved customers and disadvantaged communities. Meeting a geographic criterion alone is insufficient to classify a customer as hard-to-reach.[11] Moreover, the application proposes reliance on geographic mapping instead of participant applications for identifying hard-to-reach and tribal customers, which may not provide verifiable participant information.[12] Although the application states that PacifiCorp's objective is to achieve greater alignment with the Commission's ESJ Action Plan, its proposed program redesign is insufficiently substantiated. This decision also agrees with Cal Advocates that equity and accountability are not mutually exclusive, and that exempting PacifiCorp from cost-effectiveness requirements, in effect, would remove the incentive for PacifiCorp to seek cost-effective opportunities in the future. For these reasons, this decision concludes that the application should not be approved.

3. All-Party Settlement

PacifiCorp and Cal Advocates jointly request Commission approval of a settlement that would resolve all disputed issues in this proceeding.[13]

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[11] D.23-06-055 at 52-53.

[12] Application at 12. PacifiCorp proposes that standard applications would be phased out with the direct-install delivery model, and hard-to-reach and Tribal data would be captured using "geographic mapping and defined census tract data for reporting purposes."

[13] *Joint Motion of PacifiCorp (U 901 E) and the Public Advocates Office for Adoption of Settlement Agreement and to Waive Comment Period*, filed August 21, 2026 (Settlement Motion) at 1.

3.1. Settlement Terms

The terms of the settlement agreement provide that, effective January 1, 2027, PacifiCorp would suspend administration of all energy efficiency programs in its California service territory, except for existing and pending incentive offers given to customers prior to the issuance of a Commission order adopting the settlement.[14] PacifiCorp would submit a Tier 1 advice letter modifying its tariffs for Wattsmart Homes (Schedule D-118) and Wattsmart Business (Schedule A-140) to indicate that the programs are suspended.[15] PacifiCorp would also not be required to provide energy efficiency reporting to the Commission for Calendar Year 2027 and any subsequent years in which it is not administering energy efficiency programs.[16]

From January 1, 2027 through December 31, 2027, PacifiCorp would make all reasonable efforts to provide its customers with information on all known applicable energy efficiency programs, including non-ratepayer funded state- or federally funded programs, available in its California service territory; such programs include but are not limited to the Energy Savings Assistance Program, the Low Income Home Energy Assistance Program, the California Energy Commission's Equitable Building Decarbonization Program, the High-Efficiency Electric Home Rebate Act Program, and/or other Inflation Reduction Act-funded rebate programs, as applicable.[17] PacifiCorp would be authorized to spend up to $15,000 to provide its California customers with information relating to non-IOU

[14] Settlement Motion, Attachment A (Settlement Agreement) Term 2.1(A).

[15] Settlement Agreement Term 2.4(D).

[16] Settlement Agreement Term 2.4(E).

[17] Settlement Agreement Terms 2.2(A) and 2.2(B).

funded energy efficiency programs.[18] PacifiCorp would reduce its California Schedule 191 (Schedule 191) tariffed rate to reflect the discontinuation of its energy efficiency portfolio, and to be set at a level to implement the above-described marketing, education, and outreach efforts by first exhausting existing funds within the Schedule 191 balancing account and taking into account any pending incentive offers.[19]

The terms of the settlement make clear that suspension of PacifiCorp's California energy efficiency programs does not constitute a permanent relinquishment of its authority or ability to administer Commission-authorized energy efficiency programs.[20] PacifiCorp agrees to notify Cal Advocates as soon as practicable if it identifies opportunities for cost-effective program offerings, and the parties agree to work in good faith to seek Commission approval if the parties mutually agree the programs are projected to be cost-effective.[21] PacifiCorp and Cal Advocates also agree, in the event there is a change in the methods used by the Commission to determine cost-effectiveness or in the input values utilized by the Avoided Cost Calculator that render previously non-cost-effective programs cost-effective, to meet and confer to determine if prior and/or current energy efficiency programs should be reinstated.[22]

[18] Settlement Agreement Term 2.2(D).

[19] Settlement Agreement Term 2.1(B).

[20] Settlement Agreement Term 2.3(A).

[21] Settlement Agreement Term 2.3(B).

[22] Settlement Agreement Term 2.3(C).

3.2. Discussion

When evaluating proposed settlement agreements, the Commission's standards are to consider whether the settlement is consistent with the law, reasonable in light of the whole record, and in the public interest.

On the first criterion of consistency with the law, the Commission has the authority to approve or deny PacifiCorp's application. Denial of the application would result in an outcome akin to what the settlement agreement proposes: PacifiCorp would not administer energy efficiency programs beginning in 2027, but it could propose to resume administering energy efficiency programs in the future by filing a new application. Thus, approval of the settlement agreement would not be inconsistent with the law.

On the second criterion, this decision finds the settlement agreement reasonable in light of the whole record of this proceeding. The settlement agreement, by which PacifiCorp would suspend its energy efficiency programs unless and until it identifies potentially cost-effective offerings, is reflective of Cal Advocates' primary contention that the projected cost-effectiveness results do not justify the ratepayer expense for the proposed program. At the same time, the settlement agreement's provision for PacifiCorp to conduct marketing, education, and outreach regarding other energy efficiency opportunities to its customers, as well as the parties' agreement to work together to bring forward a new application if they mutually agree on future cost-effective offerings, are reflective of PacifiCorp's proposal to continue delivering energy efficiency benefits to its California customers. We clarify here that while mutual agreement on program cost-effectiveness savings is desirable, it should not be interpreted as a prerequisite or a limit on PacifiCorp filing a future application with the Commission.

Finally, this decision determines that the settlement agreement is in the public interest. Importantly, as previously discussed, PacifiCorp will conduct marketing, education, and outreach to inform its California customers of other energy efficiency opportunities that could help reduce their energy bills. Further, the parties agree to work together toward, and seek Commission approval of, a future application if they mutually agree the programs are projected to be cost-effective. This agreement could make for a less contentious and more efficient adjudication of that future application.

For transparency, and consistent with Public Utilities Code Section 454.5(b)(9)(C)(i),[23] this decision directs PacifiCorp to submit a Tier 2 advice letter biennially, with a research study that estimates the cost-effective, achievable energy efficiency savings potential for PacifiCorp's California territory. In the event that the Commission conducts this type of assessment for PacifiCorp's California territory in the future as part of its energy efficiency Potential and Goals activities, PacifiCorp may submit that study in its advice letter instead. PacifiCorp must consult with Energy Division staff at least twice during the development of each biennial cost-effectiveness assessment. At minimum, each biennial study shall include:

- Description of methodology, data, inputs and assumptions used;
- Description of relevant new developments in technologies, policy, market conditions, and other relevant factors; and
- Assessment of cost-effective and feasible savings, along with cost-effectiveness test results and a potential program design.

[23] Public Utilities Code Section 454.5(b)(9)(C)(i): The electrical corporation shall first meet its unmet resource needs through all available energy efficiency and demand reduction resources that are cost-effective, reliable, and feasible.

The advice letter requirement will remain in place until changed by the Commission through a future decision. We also confirm that PacifiCorp may propose an equity program as part of a future portfolio application, but any such proposal must demonstrate how the program is targeted to serve hard-to-reach or underserved customers and disadvantaged communities.

4. Summary of Public Comment

Rule 1.18 allows any member of the public to submit written comment in any Commission proceeding using the "Public Comment" tab of the online Docket Card for that proceeding on the Commission's website. Rule 1.18(a) requires that all written public comment submitted prior to the submission of the proceeding are part of the administrative record of the proceeding. Rule 1.18(b) requires that relevant written comment submitted in a proceeding be summarized in the final decision issued in that proceeding.

5. Procedural Matters

This decision affirms all rulings made by the ALJ and assigned Commissioner in this proceeding. All motions not ruled on are deemed denied.

6. Comments on Proposed Decision

The proposed decision of ALJ Valerie U. Kao in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on _____, and reply comments were filed on _____ by _____.

7. Assignment of Proceeding

Darcie L. Houck is the assigned Commissioner and Valerie U. Kao is the assigned ALJ in this proceeding.

Findings of Fact

1. The application lacks adequate rationale for the proposed single equity program.
2. The application, if approved, requires a Commission waiver of energy efficiency portfolio segmentation, budget, and cost-effectiveness requirements.
3. Exempting PacifiCorp from cost-effectiveness requirements would, in effect, remove the incentive for PacifiCorp to seek cost-effective opportunities in the future.
4. Approval of the settlement agreement would result in an outcome similar to the denial of the application.
5. The settlement agreement reflects Cal Advocates' position that the projected cost-effectiveness results do not justify the ratepayer expense for the proposed program.
6. The settlement agreement reflects PacifiCorp's proposal to continue delivering energy efficiency benefits to its California customers.
7. The settlement agreement provides that PacifiCorp and Cal Advocates will work together and seek Commission approval of a future application if they mutually agree the programs are projected to be cost-effective, which may facilitate more efficient adjudication of that application.

Conclusions of Law

1. The Commission should not approve PacifiCorp's application.
2. The Commission should grant the settlement agreement as consistent with the law, reasonable in light of the whole record, and in the public interest.
3. For transparency, and consistent with Public Utilities Code Section 454.5(b)(9)(C)(i), PacifiCorp should report periodically on its evaluation of potentially cost-effective offerings for its California customers.

O R D E R

IT IS ORDERED that:

1. Application 25-09-016 is denied.
2. The August 21, 2026 *Joint Motion of PacifiCorp (U 901 E) and the Public Advocates Office for Adoption of Settlement Agreement and to Waive Comment Period* is granted.
3. Within two years after the issue date of this decision and every two years thereafter, PacifiCorp must submit a Tier 2 advice letter providing a research study that estimates the cost-effective, achievable energy efficiency savings potential for PacifiCorp's California territory, as described in Section 3.2 of this decision.
4. Application 25-09-016 is closed.

This order is effective today.

Dated _____, at Sacramento, California.