

[Service Date March 22, 2013]

March 22, 2013

**NOTICE OF OPPORTUNITY TO FILE WRITTEN COMMENTS
(By Monday, April 8, 2013)
And
NOTICE OF OPEN MEETING
(To be held Thursday, April 11, 2013, at 9:30 a.m.)**

RE: Commission Investigation into Natural Gas Conservation Programs
Docket UG-121207

TO ALL INTERESTED PERSONS:

On July 26, 2012, the Washington Utilities and Transportation Commission (Commission) filed with the Code Reviser a Preproposal Statement of Inquiry (CR-101) to consider the need to provide guidance to jurisdictional natural gas companies in planning and implementing natural gas conservation programs.

On July 31, 2012, the Commission issued a notice of opportunity of to file written comments and reply comments and a stakeholder workshop was held on November 16, 2012.

The Commission is considering issuing a policy statement to guide the development, cost-effectiveness evaluation, and potential stopping and restarting of natural gas conservation programs. At its April 11, 2013, open meeting the Commission will discuss this docket, and will allow time for stakeholders to provide feedback on the following issues and ideas.

1. Should Commission continue to use the Total Resource Cost (TRC), or switch to using the Utility Cost Test (UCT), to evaluate the cost-effectiveness of the portfolio of natural gas conservation programs?

2. What criteria should be met before stopping a portfolio of programs?

Stopping and restarting conservation programs can have a variety of unintended consequences. Therefore, a utility should fully consider all the consequences of discontinuation and have criterion for determining when to restart the program. A filing that proposes the discontinuation of a utility's conservation program should document that the utility completed a comprehensive analysis, including:

A. Communication with other utilities.

- i. Communicate and compare cost test inputs with other utilities in the state and region by publishing technical workbooks for conservation program achievement in NEEA's ConduitNW.org website. This includes examining the assumptions and methodology used to determine measure lives, savings values, non-energy benefits, start/stop costs, and other information used in the calculation of the cost test. This will facilitate communication among the utilities regarding how utilities make these calculations, and provide Commission staff the opportunity to understand why values are different across utilities.
- ii. Additionally, the utility should discuss its administrative and non-incentive costs to determine if it is administering its conservation programs in a least cost manner, and the costs of using different contractors in the region.

B. Consultation with advisory group. Consult with the utility's advisory group regarding the future of the conservation program.

C. Issue a request for proposals (RFP) for a conservation services provider. After consultation with the advisory group, issue a RFP for the acquisition of conservation services at a cost-effective price. For example, a utility would invite proposals for programs or portfolios of conservation to be acquired at a certain cost per therm of savings. Any proposal to discontinue conservation programs should include documentation that no responses to the RFP were received, or discuss of why the proposals received by the utility were rejected.

D. Restart plan. A plan for re-starting the conservation program, including at a minimum:

- i. The avoided cost at which the company will restart its program, and the anticipated portfolio of programs at that avoided cost.
- ii. The frequency at which the company will recalculate its avoided cost and make a proposal to restart its program if applicable.

E. A request to discontinue conservation programs should be presented in an Annual Conservation Plan or Biennial Conservation Plan. Evaluation of the cost-effectiveness of conservation programs takes place in the context of a utility's conservation plan, thus any proposals to discontinue conservation programs should be presented in such a plan.

3. Accounting for program start and stop costs in the cost effectiveness test.

Utilities should quantify and include stopping and starting costs in the cost-effectiveness test. Utilities should work collaboratively to determine a basic methodology and set of assumptions for quantifying these costs. The costs of stopping and/or restarting will be inputs to the benefit side of each utility's cost-effectiveness test calculation:

- When utilities consider stopping conservation programs, all costs of stopping programs and restarting programs should be considered as avoided costs in the current year. This treatment is reasonable as both stopping and restarting costs are avoided if programs continue.
- When utilities consider restarting conservation programs, cost effectiveness calculations will levelize the restart costs over the average measure life of the portfolio under consideration. This will ensure that the benefits of restarting (i.e. the installation of new conservation measures) will match the costs of reintroducing such offerings.

Specifically, utilities must consider all quantifiable costs of starting and stopping, including, but not limited to:

- Effects on conservation program delivery infrastructure.
- Effects on trade ally networks.
- Effects on workforce skills related to installing energy efficiency measures.
- Administrative costs.
- Advertising expenses.

4. Market transformation programs / Northwest Energy Efficiency Alliance (NEEA).

Gas market transformation program may yield cost effective conservation that would not be achievable by each utility individually. Accordingly, utilities should financially support NEEA's effort to establish a pilot market transformation program for natural gas conservation.

5. Apply the savings-to-investment ratio test for low-income programs.

The provision of energy-efficiency services to low-income customers is in the public interest, even when such measures do not meet the commission's primary cost-effectiveness test. Low-income service providers traditionally evaluate each property to ensure it meets the savings-to-investment ratio test, also known as the participant cost test. Utilities should remove low-income programs from their portfolio-level cost-test analysis, and instead analyze such programs using savings-to-investment ratios.

WRITTEN RESPONSES

The Commission will accept written responses to the issues and ideas listed above in addition to oral comments made at the April 11, 2013, open meeting. Written comments must be filed with the Commission no later than **5:00 p.m., Monday, April 8, 2013**. The Commission requests that the responses be provided in electronic format to enhance public access, reduce the need for paper copies, and facilitate quotations from the submissions. You may submit responses via the Commission's Web portal at www.utc.wa.gov/e-filing or by electronic mail to the Commission's Records Center at records@utc.wa.gov. You must include:

- The docket number of this proceeding (UG-121207).
- The commenting party's name.
- The title and date of the comment or comments.

An alternative method for submitting comments is by mailing or delivering an electronic copy to the Commission's Records Center on a 3 ½ inch, IBM-formatted, high-density disk, in .pdf Adobe Acrobat format or in Word 2010 or later. Include all of the information requested above. The Commission will post on its web site all comments that are provided in electronic format. The web site is located at www.utc.wa.gov.

If you are unable to file your comments electronically or to submit them on a disk, the Commission will accept a paper document.

OPEN MEETING

The Commission will discuss this docket, and will allow time for interested persons and stakeholders to provide feedback on the issues and ideas listed above at its regularly scheduled open meeting on **April 11, 2013, at 9:30 a.m.** The open meeting will be held

at the Commission's headquarters, Room 206, Richard Hemstad Building, 1300 S. Evergreen Park Drive S.W., Olympia, Washington.

If you have questions regarding this Notice, you may contact Deborah Reynolds, by email at dreynold@utc.wa.gov or by calling (360) 664-1255.

STEVEN V. KING
Acting Executive Director and Secretary