

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

**In the Matter of Puget Sound Energy  
2020-2021 Biennial Conservation Report**

**DOCKET UE-190905**

**In the Matter of Avista Corporation 2020-  
2021 Biennial Conservation Report**

**DOCKET UE-190912**

**In the Matter of Pacific Power and Light  
Company 2020-2021 Biennial Conservation  
Report**

**DOCKET UE-190908**

**COMMISSION STAFF COMMENTS REGARDING  
ELECTRIC UTILITY CONSERVATION ACHIEVEMENTS UNDER THE ENERGY  
INDEPENDENCE ACT,  
RCW 19.285 and WAC 480-109-120  
(2020-2021 BIENNIAL CONSERVATION REPORTS)**

**July 1, 2022**

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## **Introduction**

The Energy Independence Act (EIA), codified in RCW 19.285 and Chapter 480-109 WAC, states that electric utilities — those with at least 25,000 customers in Washington — are mandated to set and meet energy conservation targets.<sup>1</sup> In December 2019, the Washington Utilities and Transportation Commission (Commission) approved the 2020-2029 conservation potentials and 2020-2021 biennial conservation targets, subject to conditions, for Puget Sound Energy (PSE) in Docket UE-190905, for Avista Corporation d/b/a Avista Utilities (Avista) in Docket UE-190912, and for PacifiCorp d/b/a Pacific Power & Light Company (PacifiCorp) in Docket UE-190908.

On June 1, 2022, PSE, Avista, and PacifiCorp, filed their respective Biennial Conservation Reports, regarding their 2020-2021 conservation target acquisition, with the Commission, in the same dockets in which the targets were filed and approved. The Commission must determine whether electric utilities have acquired enough conservation resources to comply with their conservation targets established in their biennial conservation plans.<sup>2</sup>

The Clean Energy Transformation Act (CETA) became law in May 2019, with the final rules promulgated in December 2020. Among other things, the rules state that electric utilities must pursue all cost-effective, reliable and feasible conservation and efficiency resources, and demand response; maintain safe, reliable, balanced systems; and ensure that all customers are benefiting from the transition to clean energy through equitable distribution of energy and nonenergy benefits.<sup>3</sup> Given the law passed in 2019, it was the utilities' responsibility to begin to incorporate considerations of the law into their programmatic work throughout 2020 and 2021.

Staff will use the following terms, defined in Table 1, in these comments.

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<sup>1</sup> RCW 19.285.040(1)(b) (requiring biennial conservation targets).

<sup>2</sup> WAC 480-109-120(5).

<sup>3</sup> WAC 480-100-610.

**Table 1: Definitions of Terms Used**

Total Local Biennium Target	EIA penalty threshold plus decoupling penalty threshold.
Total Local Conservation Achievement	Conservation achieved by each utility that is liable to EIA penalty. Includes excess savings applied per WAC 480-109-100(3)(c). <sup>4</sup>
Total Reported Savings	Total Local Conservation Achievement plus the company's share of regional savings from the Northwest Energy Efficiency Alliance (NEEA).
EIA Target	All cost-effective conservation potential as required by RCW 19.285. Includes the conservation potential assessment (CPA) Pro-Rata Share <sup>5</sup> plus other programs/measures with confident savings omitted from the CPA subject to the EIA, such as distribution-level efficiency, pilots with uncertain savings, and additional portfolio buildout.
EIA Penalty Threshold	As approved by the Commission, which may rely on standard practice to set IOU conservation targets. Generally, this is the EIA target without regional NEEA savings.
Decoupling Penalty Threshold	Five percent of the EIA target, as originally defined in PSE, Docket UE-121697, Order 07; Avista, Docket UE-140188, Order 05; PacifiCorp, Docket UE-152253, Order 12.
Total Utility Conservation Goal	EIA target plus decoupling target and any additional identified outside of the EIA target.

<sup>4</sup> The local conservation does not include NEEA savings.

<sup>5</sup> See WAC 480-109-100(2), including all types described in WAC 480-109-100(1)(b).

Table 2 summarizes the conservation targets and achievements for all three utilities.

**Table 2: 2020-2021 Electric Conservation Targets and Achievements (MWh)**

<b>Company</b>	<b>Total Local Biennium Target</b>	<b>Excess Savings Applied</b>	<b>Total Local Conservation Achievement</b>	<b>% of Total Local Biennium Target Achieved<sup>6</sup></b>
PSE	432,342	58,509	411,998	95.3%
Avista	63,590	8,781	63,590	100%
Pacific Power	91,639	4,622	64,897	71%

### **Extenuating Circumstances**

In July 2021, to address extenuating circumstances, a new law was passed prohibiting a utility from being assessed a penalty for not meeting its biennial acquisition target for cost-effective conservation in special circumstances outside the utility's control. Subsection 1(e) of RCW 19.285.040 states that a utility can be considered in compliance with its biennial conservation target if there were events beyond the reasonable control of the utility, that could not have been anticipated, even if a utility has not achieved its target.

Utilities faced significant challenges outside their control connected to the pandemic in the 2020-2021 biennium. Staff highlights some examples, such as the shutdown of utility offices and customer businesses, customer financial challenges, the drop in customer demand, and significant labor and supply chain shortages.

For Commission Staff to recommend the Commission issue an order finding a utility has complied with the requirements for Biennial Conservation Reports, the company must comply per rule. For extenuating circumstances, Staff needs to see evidence of two items: 1) an identification of extenuating circumstances, and 2) demonstration of adaptive management as discussed in WAC 480-109-100(1)(a)(iv) (namely, continuous review and updates to adapt to changing conditions and technologies).

### **Other Challenges and Adaptive Management**

Beyond unexpected challenges tied to the pandemic, utilities experienced other challenges to accomplishing their targets in the last biennium, such as consumer demand shifts, the depletion of previously already acquired, easier buckets of energy efficiency (e.g., non-residential lighting), the advancement of codes and standards that drive utilities to eliminate program

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<sup>6</sup> Includes excess savings applied.

offerings, and substantial new laws signifying larger-than-usual uncertainty for utility operations.<sup>7</sup>

In the company-specific sections, Staff explains how each company experienced challenges and extenuating circumstances and adaptively managed its programs during the biennium. Staff will use this information to make a recommendation regarding each company's total local conservation, use of excess savings, and ultimately target achievement.

### **Use of Excess Savings**

WAC 480-109-100(3)(c) and RCW 19.285.040(1)(c)(i)-(ii) provide that a utility may meet no more than 25 percent of its target with excess savings achieved on top of the target from the two previous biennia—5 percent from excess at a single large facility, and 20 percent from all other excess conservation.

As shown in Table 2, all three utilities have applied excess savings per the rule, though only Avista has achieved its total local biennium target as a result of the rule. Please also see company-specific sections for further details.

### **Equitable Distribution of Benefits in Washington for Named Communities**

Staff agrees with Low Income Housing Institute Executive Director Sharon Lee's opinion that "energy efficiency is the best renewable energy resource, but we hear the least about it."<sup>8</sup> As such, Staff intends to highlight this energy resource and how the electric utilities are actively ensuring that all customers are benefiting from the transition to clean energy, in part through the equitable distribution of energy and nonenergy benefits and reduction of burdens to vulnerable populations and highly impacted communities,<sup>9</sup> also known as named communities (NCs).

Conservation has many health, affordability, wealth- and community-building nonenergy benefits, among others, and as such is one of the key actions utilities can and should undertake to comply with CETA. The companies should also be exploring ways to partner with NCs to overcome education, outreach, and affordability gaps that they face when seeking out conservation opportunities. In future biennia, Staff will look for increased efforts to ensure equitable distribution of conservation for NCs. Finally, Staff discusses each company's attempt to equitably distribute energy and nonenergy benefits to NCs in each company-specific section.

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<sup>7</sup> Staff also believes the passage of CETA and new statutes requiring Multiyear Rate Plans in RCW 80.28.425 required significant internal and external shifts for utilities, adding to the complexity of pandemic-related challenges.

<sup>8</sup> Puget Sound Sage: Powering the Transition, p. 48.

<sup>9</sup> See WAC 480-100-610 and WAC 480-100-605.

**PSE’s Conservation Target and Achievement**

**Table 3: PSE Company-specific Targets and Savings (MWh)**

A	Total Utility Conservation Goal	526,044
B	Decoupling Penalty Threshold <sup>10</sup>	21,710
C	Total Reported Savings	447,001
D	% of Total Utility Conservation Goal Achieved (C/A X 100%)	85.0%
E	EIA Penalty Threshold	410,633
F	Total Local Biennium Target (B + E)	432,342
G	Total Local Conservation Achievement	411,998
H	Excess Savings Applied <sup>11</sup>	58,509
I	% of EIA Penalty Threshold Achieved (G/E X 100%)	100.3%
J	% of Total Local Biennium Target Achieved (G/F X 100%)	95.3%

In Order 02 in Docket UE-190905, the Commission established PSE’s 2020-2021 EIA penalty threshold at 410,633 MWh, with a corresponding decoupling penalty threshold of 21,710 MWh. PSE applied 58,509 MWh of excess savings from previous biennia to this year’s conservation achievement. When including all savings achieved locally by the utility, PSE’s share of regional savings and other non-local savings, and excess from the previous biennia, PSE’s total reported savings was 447,001 MWh. Per the original decoupling agreement in Order 07, Docket UE-121697, PSE has a decoupling penalty threshold of 5 percent of its EIA target, or 21,710 MWh.

PSE reports that it did not meet its Total Utility Conservation Goal, Total Local Biennium Target, nor its EIA Penalty Threshold with savings from the 2020-2021 biennium. After all excess savings from the previous two biennia were applied, the company met its EIA Penalty Threshold, but still fell short of its Total Local Biennium Target by about 5 percent. PSE’s total reported savings includes 22,951 MWh of achieved NEEA savings, 613 MWh less than PSE’s NEEA goal in the biennium.

PSE used adaptive management techniques to compensate for the challenges posed by the COVID-19 pandemic, which included disrupted supply chains, customer access restrictions, changing usage patterns, and business closures. The company moved what it could to the virtual environment, including: recording training modules to communicate programmatic changes to residential HVAC contractors, creating a new virtual verification process for residential weatherization, and adjusting small business direct install program contracts to allow implementers to use virtual assessments. PSE also increased measure incentives, extended

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<sup>10</sup> Included in Row A total.

<sup>11</sup> Included in row G total.



limited time offers, held virtual outreach events, and increased email and social media marketing to adapt to changing circumstances this biennium.

Though the pandemic forced many of the adaptations this biennium, PSE also worked to continuously improve its programs to meet changing circumstances. This included conducting research and adjusting its retail lighting program in response to House Bill 1444, limiting rebate confusion in its water heater program by emphasizing mid-stream and retail over downstream incentives, and increased incentives to business lighting program participants to complete projects during a slow-down in the lighting retrofit market.

### Avista’s Conservation Target and Achievement

**Table 4: Avista Company-specific Targets and Savings (MWh)**

A	Total Utility Conservation Goal	76,486
B	Decoupling Penalty Threshold <sup>12</sup>	3,642
C	Total Reported Savings	80,210
D	% of Total Utility Conservation Goal Achieved (C/A X 100%)	104.9%
E	EIA Penalty Threshold	59,948
F	Total Local Biennium Target (B + E)	63,590
G	Total Local Conservation Achievement	63,590
H	Excess Savings Applied <sup>13</sup>	8,781
I	% of EIA Penalty Threshold Achieved (G/E X 100%)	106.7%
J	% of Total Local Biennium Target Achieved (G/F X 100%)	100%

In Order 01 of Docket UE-190912, the Commission established Avista’s 2020-2021 EIA penalty threshold at 59,948 MWh, with a corresponding decoupling penalty threshold of 3,642 MWh. Avista applied 8,781 MWh of excess savings from previous biennia to this year’s conservation achievement. When including all savings achieved locally by the utility, Avista’s share of regional savings and other non-local savings, and excess from the previous biennia, Avista’s total reported savings was 63,590 MWh. Per the original decoupling agreement in Order 05, Docket UE-140188, Avista has a decoupling penalty threshold of 5 percent of its EIA target, or 3,642 MWh. Avista reports that it met all three of its targets: its Total Utility Conservation Goal, Total Local Biennium Target, and EIA Penalty Threshold. Their total reported savings also includes 16,620 MWh of achieved NEEA savings, 3,724 more than their NEEA goal in the biennium.

<sup>12</sup> Included in Row A total.

<sup>13</sup> Included in row G total.

In addition to the challenges described in the introduction and discussed in the PSE section, Avista also referenced continued challenges in addressing conservation knowledge and access barriers, especially for low-income and named communities

Avista used some interesting approaches to adapt, including increased incentive levels for non-industrial lighting, and extending completion timelines. Avista shifted to video chats and photographs as social-distancing-tools to safely verify installment and use of incented equipment. The company’s multifamily direct install program was particularly challenging, so Avista worked to develop a program for socially distant drop-off of old equipment, and pick-up of new equipment, rather than entering multifamily homes. In place of events, many of which were canceled due to the pandemic, Avista developed outreach kits with low-cost energy-saving items. Avista has also begun a pilot that will target Eastern Washington and Idaho with region-specific market transformation, which is intended to complement NEEA’s efforts.

The company also began its efforts toward an equitable distribution during the 2020-2021 biennium. It chose two locations within NCs for which it waived income eligibility and conducted comprehensive energy-saving assessments. Staff will look for increased efforts to reach NCs in the new biennium.

**PacifiCorp’s Conservation Target and Achievement**

**Table 5: PacifiCorp Company-specific Targets and Savings (MWh)**

A	Total Utility Conservation Goal	97,849
B	Decoupling Penalty Threshold <sup>14</sup>	4,660
C	Total Reported Savings	73,964
D	% of Total Utility Conservation Goal Achieved (C/A X 100%)	75.6%
E	EIA Penalty Threshold	86,978
F	Total Local Biennium Target (B + E)	91,639
G	Total Local Conservation Achievement	64,897
H	Excess Savings Applied <sup>15</sup>	4,622
H	% of EIA Penalty Threshold Achieved (G/E X 100%)	74.6%
I	% of Total Local Biennium Target Achieved (G/F X 100%)	70.8%

In Order 01 in Docket UE-190908, the Commission established PacifiCorp’s 2020-2021 EIA penalty threshold at 86,979 MWh, with a corresponding decoupling penalty threshold of 4,660

<sup>14</sup> Included in Row A total.

<sup>15</sup> Included in row G total.

MWh. PacifiCorp applied 4,622 MWh of excess savings from previous biennia to its 2020-21 conservation achievement.

PacifiCorp requested feedback from its demand-side management (DSM) advisory group on whether it should apply all available excess conservation to the 2020-21 target or bank some for the next biennium.<sup>16</sup> Staff originally recommended PacifiCorp apply its expiring conservation and bank the rest for the subsequent biennium, as the company would miss its 2020-21 target either way. However, upon further discussion and analysis, Staff changed its recommendation to encourage the application of all available excess conservation and provided this information in an email to the company. PacifiCorp ultimately missed this feedback, and its initial filing reflected Staff's original recommendation. Staff brought this issue to PacifiCorp's attention, and the company refiled its biennial report on June 21, 2022, applying all available excess conservation to the 2020-21 target. PacifiCorp notified its DSM advisory group of the refile and the changes made to the report.

When including all savings achieved locally by the utility, PacifiCorp's share of regional savings and other non-local savings, and excess from the previous biennia, PacifiCorp's total reported savings was 73,964 MWh. Per Order 12 in Docket UE-152253, PacifiCorp has a decoupling penalty threshold of 5 percent of its EIA target, or 4,660 MWh. PacifiCorp reports that it did not meet its Total Utility Conservation Goal, Total Local Biennium Target, or EIA Penalty Threshold. NEEA savings exceeded their target by 32 percent, contributing 9,067 MWh of savings during the biennium.

PacifiCorp faced a number of challenges related to the pandemic during this biennium. Costs for raw materials rose across multiple sectors, causing manufacturers to pass the increased prices on to consumers. Supply chain and labor shortages limited the ability of vendors to sell and install upgrades. In-person opportunities for vendors to meet with customers and sell projects were also reduced and new construction projects were slowed due to pandemic related restrictions and the supply chain shortages mentioned above.

In addition to the challenges posed by the COVID-19 pandemic, PacifiCorp had to adapt to non-COVID impacts such as decreasing RTF baselines in 2021, the shifting nature of the lighting market, and a reduction in new residential construction participants partially due to a stricter Washington State energy code.

PacifiCorp implemented several adaptive management strategies during this biennium, beginning with COVID-19 safety protocols for in-person assessments, inspections, and installations, which allowed the company to safely launch a new direct install lighting program focused on

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<sup>16</sup> Reference 19.285.040(c)(i) regarding excess conservation being eligible for application to the subsequent two biennial targets.

multifamily and manufactured homes. PacifiCorp expanded and promoted an online instant coupon offer to include more products and retailers, enabling residential customers to take advantage of more offers virtually rather than in-store. The company increased both residential and non-residential incentives by approximately 25 percent, began practicing virtual inspections where possible, and expanded an online portal to include Wattsmart Business customers, previously only in place for the residential Home Energy Savings program customers.

PacifiCorp's adaptations included efforts towards an equitable distribution of benefits during the 2020-21 biennium. PacifiCorp's outsourced delivery implementation team hired a Diversity and Community Outreach Coordinator to provide in-person outreach to NC customers and vendors. The company also reached out to non-participating and minority-owned vendors to share program opportunities and encourage program participation.

### **Summary**

Like their customers, utilities faced extraordinary challenges in the 2020-2021 biennium. Each utility adaptively managed their portfolios to address economic upheaval and limitations on in-person activities. As a result of the excess savings, which all three companies applied, Avista met its Total Local Biennium Target and Avista and PSE met their EIA Penalty Threshold. As a next step, Staff will review stakeholder comments and provide a recommendation at the July 26, 2022, recessed open meeting.