

Agenda Date: July 26, 2022  
Item Numbers: D1-D7

**Dockets: UE-190905, UG-190913, UE-190912, UG-190920, UE-190908, UG-200964, UG-210838**

Companies: Avista Corporation d/b/a Avista Utilities  
Cascade Natural Gas Corporation  
Northwest Natural Gas Company d/b/a NW Natural  
PacifiCorp d/b/a Pacific Power & Light Company  
Puget Sound Energy

Staff: Heather Moline, Joel Nightingale, and Jade Jarvis, Regulatory Analysts

### **Recommendation**

Staff makes the following recommendations to the Commission:

#### *Puget Sound Energy (PSE)*

Issue an order in Docket UE-190905 finding that Puget Sound Energy:

- 1) Has complied with the reporting requirements of WAC 480-109-120 and RCW 19.285.070; and
- 2) Is considered in compliance with its biennial electric conservation target as provided in RCW 19.285.040(1)(e).

Take no action in Docket UG-190913, thus acknowledging Puget Sound Energy's compliance with the requirements contained within the settlement agreement in Docket UG-011571.

#### *Avista Corporation (Avista)*

Issue an order in Docket UE-190912 finding that Avista Corporation:

- 1) Has complied with the reporting requirements of WAC 480-109-120 and RCW 19.285.070;
- 2) Has 4,841 megawatt-hours of excess conservation remaining for use in 2022-2023; and
- 3) Has met its electric biennial conservation target of 63,590 MWh.

Issue an order in Docket UG-190920 finding that Avista Corporation:

- 1) Has complied with Order 05 in Dockets UE-110876 and UG-110877; and
- 2) Take no further action concerning prudence of Avista's demand-side management resources.

*PacifiCorp d/b/a Pacific Power & Light Company (PacifiCorp)*

Issue an order in Docket UE-190908 finding that PacifiCorp d/b/a Pacific Power & Light Company (PacifiCorp):

- 1) Has complied with the reporting requirements of WAC 480-109-120 and RCW 19.285.070; and
- 2) Is considered in compliance with its biennial electric conservation target as provided in RCW 19.285.040(1)(e).

*NW Natural Gas Company (NW Natural)*

Take no action in Docket UG-200964, thus acknowledging NW Natural's compliance with the reporting requirements of the Settlement Agreement in Docket UG-181053.

*Cascade Natural Gas Corporation (Cascade)*

Take no action in Docket UG-210838, thus acknowledging Cascade's compliance with the reporting requirements of the Settlement Agreement in UG-152286.

**Background**

The Energy Independence Act (EIA)<sup>1</sup> requires Washington's electric utilities to "pursue all available conservation" that is cost-effective, reliable, and feasible. Electric utilities are required to acquire this conservation by setting (and achieving) biennial conservation targets.<sup>2</sup> 2021 marks the second half of the 2020-2021 biennium, and as such, electric utilities are held accountable for the achievement of their biennial targets at the conclusion of the 2021 year.

While new laws that require gas companies to identify and acquire all available and cost-effective conservation went into effect in 2019, they only apply to targets starting with the 2022-2023 biennium.<sup>3</sup> Thus, the gas conservation reports discussed here are the result of conservation programs as ordered by the Commission in previous dockets.<sup>4</sup>

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<sup>1</sup> RCW 19.285.040.

<sup>2</sup> WAC 480-109-100(3).

<sup>3</sup> The Laws of 2019, Chapter 285, created new sections, including RCW 80.28.380, requiring each gas utility to identify and acquire all conservation measures that are available and cost effective.

<sup>4</sup> *WUTC v. Cascade Natural Gas, Corp.*, Docket UG-152286, Joint Settlement Agreement (May 13, 2016); *WUTC v. Northwest Natural Gas Co.*, Docket UG-181053, Order 06 (October 21, 2019); *WUTC v. Puget Sound Energy, Inc.*, Docket UG-011571, Exhibit F—Settlement Terms for Conservation, Settlement Stipulation (June 6, 2002); *In the matter of petition of Avista Corp., d/b/a Avista Utilities*, Dockets UE-110876 and UG-110877 (consolidated), Order 09 (June 10, 2020).

In July 2021, to address extenuating circumstances, a new law was passed allowing an electric utility to be considered in compliance even when failing to meet its biennial acquisition target for cost-effective conservation, in certain circumstances. Subsection 1(e) of RCW 19.285.040 states that even if a utility has not achieved its target, it can be “considered in compliance” with its biennial acquisition target if there were “events beyond the reasonable control of the utility that could not have been reasonably anticipated or ameliorated prevented it from meeting the conservation target.”<sup>5</sup>

As stated in Commission staff’s (Staff) comments on electric biennial conservation reports, 2020-2021 were difficult years for conservation achievement.<sup>6</sup> The pandemic initiated an overflow of challenges, such as closures of utility offices and customer businesses; customer financial challenges; changes in customer demand; and labor and supply chain shortages. These elements added to the already significant challenges utilities face in achieving the remaining conservation in the region.

Tables 1 and 2 summarize the companies’ electric and gas conservation target achievements as outlined in the companies’ biennial and annual conservation reports.

**Table 1: 2020-2021 Electric Conservation Targets and Achievements (MWh)**

<b>Company</b>	<b>Electric Conservation Target<sup>7</sup></b>	<b>Electric Conservation Target<sup>8</sup></b>	<b>% of Electric Target Achieved</b>
PSE	432,342	411,998	95.3%
Avista	63,590	63,590	100%
PacifiCorp	91,639	64,897	71%

<sup>5</sup> RCW 19.285.040(1)(e) goes on to state: “Events that a qualifying utility may demonstrate were beyond its reasonable control, that could not have reasonably been anticipated or ameliorated, and that prevented it from meeting the conservation target include: (i) Natural disasters resulting in the issuance of extended emergency declarations; (ii) the cancellation of significant conservation projects; and (iii) actions of a governmental authority that adversely affects the acquisition of cost-effective conservation by the qualifying utility.”

<sup>6</sup> Dockets UE-190905, UE-190912 & UE-190908, Commission Staff Comments Regarding Electric Utility Conservation Achievements Under the Energy Independence Act (Staff Comments) (July 1, 2022).

<sup>7</sup> This is the utility’s total local biennium target, which is equal to the EIA penalty threshold plus the decoupling threshold and does not include regional savings.

<sup>8</sup> Application of excess savings from previous biennia is included in this target, also called total local conservation achievement, which is defined as conservation achieved by each utility that is liable to EIA penalty. Avista has 4,841 MWh of excess savings remaining that could be applied to the 2022-2023 biennium; the other two companies have applied all their excess savings to the 2020-2021 biennium and have no remaining excess savings to carry over to future biennia.

**Table 2: Natural Gas Conservation Goals and Achievements (Therms)**

<b>Company<sup>9</sup></b>	<b>Year</b>	<b>Natural Gas Conservation Goal</b>	<b>Natural Gas Conservation Achievement</b>	<b>% of Gas Goal Achieved</b>
PSE <sup>10</sup>	2020-2021	6,468,000	6,773,578	104.7%
Avista	2021	781,459	792,955	101.5%
NW Natural	2021	386,680	345,322	89%
Cascade	2021	1,061,827	1,243,222	117.1%

**Discussion**

Commission Staff reviewed the conservation reports for compliance with relevant rules or orders. If a company did not meet its conservation target(s), Staff looked for evidence of the following two items: (1) circumstances that would allow a company to be “considered in compliance” under RCW 19.285.040(1)(e);<sup>11</sup> 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). The following discussion underscores some of the key dynamics underlying each company’s achievement, as well as highlights of adaptive management techniques employed by the utilities as they reacted to this biennium’s challenges. These highlights are explored further in Staff comments on electric reports,<sup>12</sup> and the companies’ electric and gas reports filed to the respective dockets.

*PSE*

On June 1, 2022, PSE filed its Biennial Conservation Report in Dockets UE-190905 and UG-190913, as required by rule for electric,<sup>13</sup> and Settlement Stipulation for gas.<sup>14</sup> During the 2020-2021 biennium, PSE made efforts to adapt to the challenges of the COVID-19 pandemic that

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<sup>9</sup> Note the gas companies have different approaches to claiming NEEA savings as part of their achievements. Avista accounted for NEEA savings in its CPA, and so claims NEEA savings as part of its total achievement in this table. PSE, NW Natural, and Cascade do not count NEEA savings as part of their achievement in this table.

<sup>10</sup> PSE’s gas conservation goal and achievement excludes both savings attributed to NEEA market transformation and savings attributed to pilots with uncertain savings.

<sup>11</sup> RCW 19.285.040(1)(e) provides circumstances where a qualifying electric utility can be “considered in compliance” with the biennial acquisition targets.

<sup>12</sup> Staff Comments, p. 8-12.

<sup>13</sup> WAC 480-109-120; PSE’s electric biennial conservation target is contained with its 2020-21 Biennial Conservation Plan, which was approved in Order 01 in Docket UE-190905. In Order 02, the Commission granted PSE’s petition to modify the conservation target.

<sup>14</sup> PSE’s gas biennial conservation targets were filed in Docket UG-190913, consistent with Exhibit F of the Stipulation Agreement in Docket UG-011571.

included: moving activities like measure verification and contractor trainings to the virtual environment, increasing measure incentives and limited time offers, and emphasizing online outreach channels through email and virtual events. These efforts helped PSE exceed its gas savings target even as it fell shy of its electric savings target. Despite PSE's efforts in adaptive management, Staff agrees with PSE's assertion that the COVID-19 pandemic and its related challenges constitute events beyond the reasonable control of the utility that prevented it from meeting its electric conservation target. Staff therefore believes that PSE should be "considered in compliance" with its biennial acquisition target for cost-effective conservation per RCW 19.285.040(1)(e) and does not believe a penalty is appropriate at this time.<sup>15</sup>

### *Avista*

On May 31, 2022, Avista filed its Biennial Conservation Report in Docket UE-190912<sup>16</sup> as required by rule for electric, and its Annual Conservation Report in Docket UG-190920 as required by Order 05 in consolidated Dockets UE-110876 and UG-110877 for gas. Avista remained in a "critical" stage of its emergency operating plan throughout 2021, which limited all meetings to virtual, all public interactions to "critical only," and all employee work to remote.<sup>17</sup> Avista's capacity to acquire energy efficiency was severely limited in 2020-2021, as was customers' ability to seek out and pay for energy efficiency. Avista responded with incentive revisions, no-touch equipment drop-offs/pick-ups, and enhanced virtual programming, such as remote virtual audits. Thanks to Avista's efforts, it achieved both its gas and electric targets. Staff has reviewed Avista's demand-side management programs and expenditures, as required by Order 05, and does not recommend adjudication.<sup>18</sup>

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<sup>15</sup> RCW 19.285.040(1)(e) provides circumstances where a qualifying electric utility can be "considered in compliance" with the biennial acquisition targets.

<sup>16</sup> Avista's electric biennial conservation target is contained with its 2020-21 Biennial Conservation Plan, which was approved in Order 01 in Docket UE-190912.

<sup>17</sup> *In the matter of petition of Avista Corporation, d/b/a Avista Utilities*, Dockets UE-190912 and UG-190920, Annual Conservation Report at pages 5-6 (May 31, 2022).

<sup>18</sup> The Commission has stated that "Order 05 does not require the Commission to make a finding of prudence, or lack thereof, if no person requests an adjudication." *In the matter of petition of Avista Corporation, d/b/a Avista Utilities*, Dockets UE-110876 and UG-110877, Order 09 at ¶ 4 (June 10, 2020); see also *In the matter of petition of Avista Corporation, d/b/a Avista Utilities*, Docket UG-171909, Order 01 at ¶ 18 (Sept 10, 2020) (finding Avista's Annual Conservation Report in compliance with Order 05 in Dockets UE-110976 and UG-110877).

### *PacifiCorp*

On June 1, 2022, PacifiCorp filed its Biennial Conservation Report in Docket UE-190908, as required by rule.<sup>19</sup> PacifiCorp used several adaptive management strategies during this challenging biennium. PacifiCorp increased both residential and non-residential incentives, expanded online offerings, and began practicing virtual inspections where possible, among other actions. Despite these efforts, PacifiCorp did not meet its electric savings target for the 2020-2021 biennium. Staff agrees with PacifiCorp's assertion that the COVID-19 pandemic and its related challenges constitute events beyond the reasonable control of the utility that prevented it from meeting its conservation target. Staff therefore believes that PacifiCorp should be "considered in compliance" with its biennial acquisition target for cost-effective conservation per RCW 19.285.040(1)(e) and does not believe a penalty is appropriate at this time.

### *NW Natural*

On June 1, 2022, NW Natural filed its Annual Conservation Report in Docket UG-200964, as required by Order 06 in Docket UG-181053.<sup>20</sup> NW Natural was impacted by many of the same pandemic-related challenges as the other four utilities. Supply chain issues, material cost increases and labor shortages caused several large projects to be delayed into 2022, drastically reducing NW Natural's commercial savings for 2021. NW Natural's residential programs achieved 146 percent of their annual goal, driven by strong participation in the Energy Performance Scoring (EPS) New Construction program, heating system upgrades, and window and thermostat offerings. The promotion of bonus incentives for gas boilers and furnaces drove strong savings in both the residential and commercial sectors.

In addition to the excellent performance of NW Natural's residential programs, NW Natural saw a notable portfolio benefit-cost ratio increase from 2020 of 12 percent and 19 percent for the utility cost test and total resource cost test respectively. Despite these program highlights, NW Natural did not meet its 2021 annual savings goal.<sup>21</sup> The Settlement Agreement approved by Order 06 of Docket UG-181053 requires NW Natural to file an annual conservation report in which it describes the demand-side management program's targets and gas savings achieved and compares actual expenses and forecasted expenses for the previous calendar year. Staff believes NW Natural has met these reporting requirements. While there is currently no equivalent of

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<sup>19</sup> WAC 480-109-120; PacifiCorp's electric biennial conservation target is contained within its 2020-21 Biennial Conservation Plan, which was approved in Order 01 in Docket UE-190908. On June 21, 2022, PacifiCorp filed a revised Biennial Conservation Report to incorporate feedback from Staff which PacifiCorp missed prior to the initial filing. *In the matter of PacifiCorp*, Docket UE-190908, Revised 2020-2021 Biennial Conservation Report (June 21, 2022).

<sup>20</sup> *WUTC v. Northwest Natural Gas, d/b/a NW Natural*, Order 06 at ¶¶ 74, 78 (October 21, 2019) (approving settlement requiring NW Natural to make "an annual conservation report, by June 1 of each year, describing the [demand side management] program's targets and gas savings achieved, and comparing actual expenses and forecasted expenses for the previous calendar year.").

<sup>21</sup> NW Natural's 2021 Energy Efficient Plan was filed on December 1, 2021, in Docket UG-200964.

RCW 19.285.040(1)(e) for gas companies, Staff recommends the Commission take no action with regard to NW Natural's failure to meet its conservation target, considering the unprecedented challenges of the COVID-19 pandemic.

### *Cascade*

On June 1, 2022, Cascade filed its Annual Conservation Report in Docket UG-210838, as required by the Joint Settlement Agreement in Docket UG-152286.<sup>22</sup> Despite significant challenges in 2021, Cascade met its conservation target,<sup>23</sup> largely thanks to its biggest project of all time, a regenerative thermal oxidizer in its commercial/industrial program, which delivered 510,000 therms of savings, or 41 percent of its total conservation achievement. Staff notes that Cascade did not meet its residential or low-income targets and would not have met its overall target if not for this single large project.

Cascade employed many innovative strategies to cope with the challenges of this biennium. Cascade launched a survey to understand the challenges and decisions of builders when considering natural gas. In 2021 Cascade also continued its Re-COV-ery initiative, launched in 2020, to target small businesses suffering from pandemic-related economic challenges, with higher incentives and increased support. Cascade also expanded virtual outreach, outreach to Spanish-speaking and remote markets, and updated many incentives and measure offerings. Staff recommends the Commission take no action with regard to Cascade in Docket UG-210838.

### **Conclusion**

In summary, Staff concludes that the companies have faced unique challenges in 2020 and 2021 that they have used appropriate adaptive management techniques to mitigate. As a result, Avista met its electric target, and Avista, Cascade, and PSE met their gas targets. On the other hand, PSE and PacifiCorp did *not* meet their electric target; and NW Natural did *not* meet its gas target. Staff does not believe administering a fine is appropriate given the extenuating circumstances of the biennium and recommends the Commission issue orders as described in the recommendation section of this memo.

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<sup>22</sup> *WUTC v. Cascade Natural Gas Corp*, Docket UG-152286, Order 04 (approving settlement requiring Cascade to make an annual conservation report filing by June 1 of each year).

<sup>23</sup> Cascade's conservation plan was filed on November 3, 2021, in Docket UG-210838.