

Agenda Date: August 8, 2019

Item Numbers: A1, A2 & A3

Dockets: UE-171087, UE-171091, & UE-171092

Company: **Puget Sound Energy,
Avista Corporation d/b/a Avista Utilities, &
Pacific Power & Light Company**

Staff: Jennifer Snyder, Regulatory Analyst

Recommendation

Take no action, acknowledging compliance with Order 01 in Dockets UE-171087, UE-171091, and UE-171092.

Background

Puget Sound Energy (PSE), Avista Corporation d/b/a Avista Utilities (Avista), and Pacific Power and Light Company (Pacific Power) filed their 2018-2019 Biennial Conservation Plans (BCPs) with the Washington Utilities and Transportation Commission (commission) on November 1, 2017. The commission approved all three plans and instructed each company to participate in a special joint advisory group to discuss remaining issues in a comprehensive and collaborative manner.¹

In compliance, a Statewide Advisory Group (SWAG) composed of members of the advisory groups of all Washington electric and natural gas IOUs convened beginning March 30, 2018. The results of seven meetings were compiled in the Report on 2018 Washington State Investor Owned Utility Energy Efficiency Joint Advisory Group Activities and Outcomes (SWAG report) filed in dockets UE-171087 by PSE on June 11, UE-171091 by Avista on June 19, and UE-171092, by Pacific Power on July 30, 2019.

Discussion

The SWAG charter identified three key issues for discussion based on the commission order and stakeholder comments on the BCPs: treatment of NEEA savings, utility performance incentive, and review of cost-effectiveness methodologies.

Treatment of NEEA Savings. The discussions addressed whether to include the various subsets of NEEA savings, whether the EIA requires that NEEA savings be included in target calculations, consistency with target setting requirements for consumer-owned utilities, and the degree of control the Companies have over NEEA's execution of its programs.

¹ UE-171087 Order 01; UE-171091 Order 01 at 29; & UE-171092 Order 01.

Ultimately the SWAG found a solution for the treatment of NEEA savings that satisfied all stakeholders. To accomplish this the SWAG developed two important definitions:

EIA Target- set by the Commission and includes NEEA savings in accordance with RCW 19.285.040 (1)(a) and (b).

EIA Penalty Threshold- also set by the Commission, and may exclude NEEA savings as part of the Commission's standard practices.

Both the EIA Target and EIA Penalty Threshold will be set by the commission and identified in the BCP order in upcoming biennium. The EIA Target will be used in calculating decoupling commitments and for reporting outside of the commission but penalties will be issued only when a utility does not achieve the EIA Penalty Threshold.

Most SWAG members agreed that the EIA Penalty Threshold would be equal to the EIA Target (include NEEA savings) if a utility were to propose and receive an incentive mechanism but that if no incentive mechanism was granted the EIA Penalty Threshold would exclude NEEA savings.

This solution ensures ratepayers' investment in NEEA savings are recognized and valued in a way that commission staff (staff) finds acceptable while not penalizing a utility if NEEA underperforms compared to the biennial forecast. Staff does not agree that the risk IOUs face by including NEEA savings in the EIA Penalty Threshold is significant, however, staff will not oppose a conservation plan that excludes NEEA savings from the EIA Penalty Threshold if the savings are included in the EIA Target.

Incentive Mechanism Staff believes that a properly designed incentive mechanism would encourage utility achievement beyond the biennial conservation target. During the SWAG process the IOU's researched the types of efficiency incentive mechanisms offered nationwide and teed up a thorough discussion of preferred incentive mechanism design parameters. While the SWAG made significant headway towards an incentive mechanism framework, no consensus could be reached on this topic. Currently there are no plans for a utility to propose an incentive mechanism in the 2020-2021 BCP.

Review of Cost-effectiveness Methodology The SWAG endeavored to evaluate areas of improvement in cost-effectiveness testing. The group began by producing an updated matrix to directly compare the elements of the total resource cost (TRC) test and avoided costs used by each utility and the Northwest Power and Conservation Council (NWPCC). At this high level each utility was similar enough to be considered consistent with the method used by NWPCC.²

² As required by RCW 19.285.040 (1)(a) and WAC 480-109-100 (8).

Staff facilitated discussion of the Resource Value Framework as described in the National Standard Practice Manual (NSPM) to determine if a Washington specific Resource Value Test (RVT) would differ from the permutation of the TRC currently in use.³

The SWAG made progress through Step 4 of the framework and staff had intended to present a proposal to the group detailing costs and benefits to include in a Washington RVT based on the applicable policy goals that had been identified in Step 1 of the framework. As a result of significant legislation passed during the 2019 session, staff expects that changes must be made to the policy goals identified at the beginning of the process. At this time an RVT proposal is on hold as we determine the implementation of the new laws.

SWAG Process Staff found the joint advisory group process valuable and efficient. In addition to six in-person meetings, hosted by PSE at the Smart Building Center, there was meaningful work accomplished in conference calls and via emails with the entire group. 40 participants from 15 organizations spent considerable time and effort to move these important topics forward.⁴

Conclusion

Staff recommends the commission take no action at this time, acknowledging compliance with Order 01 in Dockets UE-171087, UE-171091, and UE-171092. Staff recommends the commission, in the 2020-2021 BCP order, affirmatively state that it is the commission's standard practice to remove forecasted savings from previously undertaken market transformation activities when calculating the penalty threshold. Staff further recommends that the commission recognize language agreed upon with the SWAG recognizing that the penalty threshold may diverge from the EIA target. The EIA target will be calculated in accordance with RCW 19.285.040 (1)(a) and (b) and be used when reporting to Commerce and when calculating decoupling commitments.

³ National Standard Practice Manual by National Efficiency Screening Project, May 2017.

⁴ See Page IV of the SWAG report for a complete list of participants.