

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

Commission Investigation Into  
Natural Gas Conservation Programs

DOCKET NO. UG-121207

**THIRD COMMENTS OF PUBLIC COUNSEL**

**April 8, 2013**

1. Pursuant to the Commission's March 22, 2013, Notice of Opportunity to Comment (Notice), the Public Counsel Section of the Washington State Attorney General's Office (Public Counsel) respectfully submits these additional comments regarding natural gas conservation programs. The Notice invited comments on several questions and proposed policies regarding natural gas conservation programs.
2. It is noteworthy that there are a number of new proposals included in this Notice. Of the five topics addressed, only the first issue, whether the Commission should continue to use the Total Resource Cost (TRC) test, has been subject to significant previous discussion and consideration. Our comments on some topics below are fairly brief because there has been little or no information provided prior to inclusion in the Notice. We therefore believe that if a policy statement is going to address all of the areas included in the March 22 Notice, it would be

appropriate for the Commission to convene a workshop and allow for additional opportunities to comment in order to facilitate further discussion and exploration of these topics, particularly the newly-raised issues and ideas.

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

3. The Commission should continue to use the TRC test. As discussed in Public Counsel's previous comments in this docket, there are numerous reasons why the TRC, and not Utility Cost Test (UCT), is the appropriate test to evaluate portfolio cost-effectiveness.<sup>1</sup> While the UCT might be useful in some context of the portfolio to provide certain information, it does not consider ratepayer costs, and therefore is not the appropriate test for analysis from a regulatory perspective. Moreover, as previously mentioned in previous comments, in order to correctly apply the UCT, portfolios would need to measure and report conservation savings on a net basis rather than a gross basis. Making the necessary net-to-gross adjustment would likely reduce the savings attributable to these programs and it is questionable as to whether the portfolio would fare any better under the UCT after any such reduction in reported savings.

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

4. **A. Communication with other utilities.** Public Counsel agrees that sharing this type of information among utilities may be informative and useful. At this time we are not familiar with NEEA's ConduitNW.org website. We suggest that as a part of a future workshop in this docket, these ideas could be further discussed. In some cases, there may be legitimate reasons for variation in savings values and assumptions across the utilities.

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<sup>1</sup> Public Counsel previously submitted comments in this docket on August 30, 2012, and October 5, 2012.

5. **B. Consultation with advisory group.** Public Counsel’s expectation is that every utility should consult with its advisory group on an ongoing basis regarding its conservation achievement, implementation, and cost-effectiveness. This would include consulting with the advisory group regarding potential modifications to the portfolio and/or possible discontinuation.
6. **C. Issue a request for proposals (RFP) for a conservation services provider.** This is an interesting idea. Public Counsel is not aware that it has been discussed previously. We are interested to hear stakeholder comments on this topic, particularly whether the companies believe this is feasible.
7. **D. Restart Plan.** While we understand the Commission’s interest in this type of plan, we believe that it poses practical challenges and limitations. For example, with respect to subpart (i), in order to provide analysis of the “avoided cost at which the company will restart its program, and the anticipated portfolio of programs at that avoided cost” the company would need to make a series of assumptions around costs, savings, available measures, etc. for some unknown future period. Implementation and oversight of conservation programs is by its very nature dynamic as costs, codes, and technology, among other factors, continue to evolve over time. To that end, any Restart Plan would be highly speculative, and will undoubtedly look different depending on the time frame in which it is reviewed.
8. Therefore, instead of requiring companies to develop and file a speculative Restart Plan, Public Counsel believes that the Commission should establish guidelines regarding the level of analysis companies should undertake related to their ongoing review of avoided costs and the potential for cost-effective programs. We would expect those guidelines to include direction regarding the frequency of the analysis.

9. **E. A request to discontinue conservation programs should be presented in an Annual Conservation Plan or Biennial Conservation Plan.** The Commission does not currently have consistent policies and requirements for reporting and oversight of the gas utilities' conservation programs. While the electric utilities are required to file annual conservation plans with the Commission in conjunction with EIA implementation, we do not currently have corresponding comprehensive set of requirements and guidelines for the gas utilities. Therefore, Public Counsel recommends that the Commission establish consistent planning, evaluation, and reporting requirements as part of this proceeding.

10. In general, we believe that a proposal to discontinue conservation programs should be presented at the time an annual or biennial conservation plan is filed. However, there may be some reasonable exceptions to this general expectation, for example, if updated and significantly different avoided cost analysis becomes available.

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

11. Public Counsel is reluctant to modify the inputs of these well-know cost-effectiveness tests for this proposed purpose. The Commission certainly has the discretion on a case-by-case basis to consider a utility's cost for stopping and/or restarting its programs at a time such a program faces that concern. However, to rely upon any inputs and assumptions associated with the costs and benefits of restarting conservation programs at some unknown date in the future would be speculative, at best. While a "Restart Plan" was proposed in Section 2 of the March 22 Notice, as we mention in our discussion of that item, we do not believe that a such a plan could provide adequate projections of future costs and benefits.

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

12. Similar to some of the other new issues and ideas presented in the March 22 Notice, at this time there is not sufficient information and evidence in the record to support or reject this idea. This topic would benefit from further discussion at workshop, to provide stakeholders with information regarding the scope, timeframe, cost, and other relevant components of the proposed pilot program. In light of the limited information in the record on this idea, we think it is premature to include a requirement in the policy statement that would require utilities to financially support this program.

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

13. Public Counsel agrees that low-income energy efficiency programs should be analyzed separately from the portfolio level cost-test analysis. Low-income energy efficiency programs raise unique policy issues and have objectives and benefits beyond traditional energy efficiency programs that are not easily quantified. These benefits include not only energy savings, but non-energy benefits such as a more comfortable and safer home, as well as reduced reliance on bill assistance and possibly reduced uncollectible expenses. As the objectives of these programs are broader than traditional energy efficiency programs, we agree that low income weatherization programs should be removed from portfolio TRC cost-effectiveness analysis, and may not need to be strictly viewed through the lens of whether the program meets the TRC test. At this time, Public Counsel is not familiar with the savings-to-investment ratio used by service providers so we are unable to comment as to whether that is the most appropriate test.

**Additional Issues:**

14. While the March 22 Notice states that 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, the topics and ideas covered in the Notice do not address any proposed Commission policy that would establish overarching guidance and common requirements for the development of programs or any topics associated with evaluation, measurement, and verification (EM&V) requirements for the programs and portfolios. As noted earlier in our comments, there is not currently a comprehensive set of requirements and guidelines for conservation for the gas utilities like there are for the electric utilities. If the Commission is going to issue a policy statement that provides guidance on natural gas conservation programs, it would be useful to include a common overarching framework that will allow for common treatment and analysis between companies. Public Counsel recommends that the Commission establish consistent planning, evaluation, and reporting requirements as part of this proceeding.
15. Public Counsel will participate at the Open Meeting scheduled for April 11, 2013 to discuss this docket.