

DRAFT Meeting Notes

AGENDA

I-937 Washington Conservation Working Group

Thurs. February 17, 2011, 9:30 AM – 5:00 PM

WUTC Room 206 and via conference call (360) 664-3846

- 9:30 – 9:40 Welcome
 Introductions
 Review and Finalize Agenda
- 9:40 – 9:45 Finalize Notes from February 2, 2011 Steering Committee Meeting
- 9:45 – 10:15 Discuss and Agree Upon Structure of Process
 Facilitator’s Strawman
 Other Ideas
 Setting Agendas/Meeting Notes
 Resources
- 10:15 – Noon Discuss and Agree Upon Substance of Process
 Discussion and Categorization of Issues (including Candidate List and Others)
 Identification of Issues as Technical, Technical/Policy, Policy, or Legal
 Identification of Issues that are Utility Specific
 Identification of Items that are Already Well Established
 Are there any issues that should be off the table?
 Prioritization
 Targeted Work Product
 Work Plan
- Noon – 1:00 Lunch (on your own)
- 1:00 – 2:00 Building the Foundation
 Matrix of Existing Technical Facts or Protocols¹
 Identify Items for Matrix
 Other Sources of Known Information

¹ Avista suggested this matrix to establish a baseline of known information (definitions and methods). It could have a list of relevant items on the left column, and entries describing how the three electric jurisdictional utilities implement these items. A weighting of “how similar” (with deltas) could be applied, together with a description of differing system circumstances that underlie differing approaches.

Purpose and Use of Foundational Information

- 2:00 – 3:00 Candidate Topic²
“Avoided Costs” and “Total Resource Costs”
Discuss Companies’ Current Methodologies
Identify Approach/Assignments
- 3:00 – 3:45 Candidate Topic (Will Depend upon Decisions re Substance of Process)
“Achieving the Biennial Target”
Discuss Comparison of Acquired Conservation Resources to Approved Biennial Conservation Targets
Discuss Impact of Changed Circumstances During Biennium
Identify Approach/Assignments
- 3:45 – 4:45 Candidate Topic
“All Achievable Cost-Effective Conservation” within the Meaning of I-937
Exploratory Discussion
What Items Would Support/Prove Compliance with Requirement
Are these Items Clearly Established or is Clarity Needed?
Identify Approach/Assignments
- 4:45 – 5:00 Next Steps
March 16th Meeting Agenda

² While it is probable that these three topics will be discussed, if the group determines in the earlier discussion to remove them from the issue list we will substitute other topics

Washington Utilities and Transportation Commission
I-937 Washington Conservation Working Group Steering Committee
February 17, 2011 Meeting
Notes

Agenda: See Above.

Participants:

In person: Dave Nightingale (Staff); Deborah Reynolds (Staff); Bruce Folsom (Avista); Lea Daeschel (Public Counsel); Mary Kimball (Public Counsel); Chuck Murray(Commerce); Michael Karp (The Energy Project) ; Terry Morlan (NWPCC); Danielle Dixon (NWECC); Bob Stolarski (PSE); Jon Powell (Avista); Jeff Harris (NEEA); Don Jones (PacifiCorp); Jeff Bumgarner (PacifiCorp); Jon Christensen (PacifiCorp); Tom Bernard (State Auditor); Jasen McEathron (State Auditor); Roger Kouchi (Staff- Consumer Protection); Liz Klumpp (BPA) ; Mike Parvinen (Staff)

By telephone: Michael Early (ICNU); Chuck Eberdt (The Energy Project); Aaron Lively (PacifiCorp); Jan Borstein (Global Energy Partners, Avista); Eric Englert (PSE)

1. Welcome/Introductions/Review and Finalize Agenda/Notes

- a. Group attendance taken.
- b. The participants reviewed the draft notes from the prior meeting and accepted the document without changes.
- c. The group accepted the day's agenda.
- d. Kristi Wallis presented her "straw man" document. She composed the document based on discussion from the prior steering committee meeting and separate conversations with group participants.
- e. During the prior steering committee meeting, the participants discussed procedural matters and did not talk about the substance of any issues.

2. Discuss and Agree Upon Structure of Process. The group discussed the process portion of the "straw man" document and considered the following issues:

- a. What does a group "decision" mean?
 - i. In general, a "decision" or agreement will guide and inform later decisions.
 - ii. The participants recognize that they have limited authority to make binding decisions.

- b. How will the workgroup memorialize its work?
- i. A staff report will be prepared and presented to the Commission after the end of this staff investigation. Individuals may request a response from the commission following completion of this process. However, the commission may require additional process, such as the initiation of a formal rulemaking proceeding.
 - ii. The participants recognized that the group should memorialize areas of disagreement along with areas of agreement.
 - iii. Staff will take notes at each meeting and present a draft to Kristi Wallis. She will circulate the draft among the group's participants and edit the document as requested. She will then file the document with the Commission Records Center in Docket Number UE-110001.
 - iv. At the June 2nd meeting, the group will recommend which documents, if any, should enter the docket in addition to the meeting notes.
- c. What additional resources should the group contribute to this process?
- i. People to work on subgroups, as well as logistical support.
 - ii. Staff proposed requesting expert assistance from the Lawrence Berkeley National Labs to assist Working group discussions. The participants recognized that it may be helpful to receive technical assistance on some issues.
- d. How we will use the candidate issue list. The participants referred to the candidate issue list and identified the following possible considerations:
- i. The group may classify items as technical, technical/policy, and policy. The group may streamline its work by using this classification system because it may allow for a technical subgroup to address the issues that are purely technical, for example.
 - ii. The group may consider these issues in a matrix where each utility's position appears specifically. The matrix would help identify differences among the utilities and decide discussion priorities. The matrix could also include the Council's approach and provide definitions for important terms. The parties identified several interests relevant to the matrix:
 1. Non-participating natural gas utilities;
 2. Local advisory groups; and
 3. The Regional Technical Forum.

- e. The parties acknowledged the desirability of defining important terms but also recognized the limitations of defining legal terms. Staff strongly urged the discussion of foundational definitions at the next meeting.
3. Building the Foundation (Not discussed until the end of the meeting.)
4. All Available Conservation.³ The workgroup discussed the phrase achievable cost effective conservation and identified the following concerns:
- a. When using quoted terms such as all available conservation, the workgroup should provide citations and avoid paraphrasing the underlying statutes.
 - b. All available conservation implicates other important terms, including the following:
 - i. Reliable;
 - ii. Feasible;
 - iii. Potential;
 - iv. Technical; and,
 - v. TRC
 - c. All available cost effective conservation entails two processes, goal setting and achievement. The group may consider addressing these processes separately.
 - d. The parties contemplated its work product related to all available cost effective conservation but did not decide on an appropriate result.
 - e. The participants identified concerns with respect to the treatment of conservation outside of a utility's service territory.
5. Group Discussion on Candidate Issues List – (After Lunch the group went through the “Facilitator’s Candidate Issue List” discussing the contents)
- a. “All Available Conservation” within the Meaning of I-937.

³ This topic was originally titled all achievable cost-effective conservation. It has been changed to reflect the statutory language.

- i. Questions related to how companies may demonstrate achievement of all available conservation:
 - 1. Should the treatment of conservation vary depending on method of achievement, for example, savings achieved through building standard changes?
 - 2. May utilities claim conservation that occurs outside of the utilities' respective service territories?
 - 3. To what extent should issues of timing affect the achievable determination?
 - 4. What consideration should different geographic markets receive, such as rural markets where NEAA does not actively engage?
- ii. Questions related to how the utilities should set targets for all cost effective conservation:
 - 1. Should IRP and I-937 targets match?
 - 2. What relationship should exist between a utility's target and the Council's plan?
- iii. Need to clarify how behavioral savings should be treated when savings occur after the 1st year.
- iv. Need to clarify the methodology of counting savings at the meter vs. at bus-bar (which allows for T & D savings opportunities).
- v. Incentive Levels - The establishing of appropriate incentive levels may be a policy question.
 - 1. Some incentive levels have been set at 1/3 of the cost effective levels on the belief that additional incentives would not significantly increase consumer adoption rate.
 - a. Does this meet the cost effective standard?
 - b. Is this cost effective from the ratepayer's perspective?
 - 2. Staff believes it is important to discuss and if possible develop a conceptual approach to what incentive level coincides with "pursuing all" –
 - 3. Complete consistency between measures and programs and companies may not be possible but there needs to be a common understanding of how this applies under the law.

4. Incentive levels are part of the larger issue of program design and should be a separate subject in the issues list
- vi. The issue of conservation achieved through changes in building standards presents the issue of whether utilities should be held responsible for pursuing conservation in arenas that they do not control.
 1. The utilities generally agree that they should not be held accountable for conservation achieved through measures outside of their control.
 2. Staff is concerned that this is not appropriate, in part because the Council includes regional conservation in either its methods or its assumptions, meaning it may not be legal.
 3. The Council only includes the benefits on implemented code changes.
- b. Avoided Costs
- i. It would be helpful to consolidate this issue with TRC and approach the topic of cost-effectiveness in its entirety.
 - ii. Issues include where and how different adders are assessed (ie. 10% council adder, risk premiums)
- c. Total Resource Cost
- i. TRC calculations are already documented in I-937 filings
 - ii. The group needs a better idea of what the differences are in how companies calculate the TRC.
- d. Conservation Targets
- i. Do target and achievement timeframes create incentives for utilities to have periods of over and underachievement?
 - a. The rollover of savings achievement would allow utilities to avoid penalties for the early acquisition of conservation. However, the rollover of savings achievement could also adversely affect the 10-year target.
 - b. Early achievement can be addressed by re-evaluating 10-year targets at the end of each biennium. Rollover incentives may not be necessary to address early achievement.
 - ii. The issue of how to treat savings that companies get as a result of “over-achieving” or acquiring early is a complex issue.

- iii. The methodology of setting 10-year projections needs more clarity to determine if the current methods are consistent.
 - iv. Discussion about early achievement needs to be included in the conservation potential discussion.
 - v. This may also be an area where there is a disconnect between the council and the rule that may need to be vetted.
- e. EM&V
- i. Commission orders have provided guidance on EM&V, such as requirements for third party verification and timelines for EM&V completion.
 - ii. The Recent Avista EM&V collaborative was thought to have set the standard for this topic: the results of that process address many of the concerns in the issues list and is worth further discussion in this context. Moreover, EM&V is addressed specifically in each of the companies' conditions lists.
 - iii. Questions still remain on how to incorporate EM&V results that call for adjustments to programs during the biennium. Need to discuss this as soon as possible to see if we can resolve this issue because it might be useful in the current biennium.
 - iv. This ties into the prudence determination when approving programs and whether EM&V was sufficient. Doesn't need to be its own topic but should be included under another (prudence?). – A subgroup may be needed to address this issue specifically.
- f. Prudence
- i. A standard of "Prudence" could be proposed by the group as a recommendation.
 - ii. This concept of prudence has implications in the context of Rate Cases and may be difficult to discuss in this venue.
 - iii. Staff would be interested in discussing parallels with standards already established similar in prudence reviews applied to conventional supply-side resources
 - iv. Specific issues under this topic include incentive levels, and the results of program and impact evaluations.
- g. Council Methodology
- i. This issue is relevant to many of the other main issues and should instead be incorporated into those discussions.
- h. Reporting

- i. This issue is more about Documentation, (ie. Plans, tariffs, reports, annual updates) and what is necessary and should be made standard and required.
 - i. Differences in Service Territory
 - i. This and the Council Methodology issues should be folded into the Consistency issue
 - j. Utility-Specific Issues
 - i. Billing analysis is a primary concern and should be included in the EM&V process discussions
 - k. Consistency
 - i. This Topic will be addressed through the other individual issues.
6. All Available Conservation. The workgroup turned its attention back to the big discussion of all available conservation.

“All Available Conservation...”

- a. This also must be available, reliable, and feasible.
- b. The Council’s current 10-year Plan will be less and less relevant in as we look to the next biennium because the 6th Plan assumptions rely on assumptions and technologies available at the beginning of the council’s five-year plan.
 - a. As the plan becomes less relevant, the utilities should rely more on their IRPs for accurate 10-year targets.
 - b. Assess conservation availability every biennium (update each company’s conservation potential assessments).
- c. Changing codes and standards play a big role; do these count towards I-937 targets? (See item (d) under “Feasible” topic below.)
- d. NEEA is tracking at the state level and informing utilities about savings, however, many things cannot be tracked at the state level because the actual service territories often vary.
- e. The big issue is what if there is a big change to codes and standards during a biennium, and how to account for that. (Same fundamental issue as in 5(e)(iii) above.)
- f. How do we account for measures that are not tracked by NEEA? What is necessary from a documentation basis to show the effects of the change?
- g. How do we address non-programmatic conservation in an IRP?

“Feasible”

- a. The Council's methodology assumes that 85% of the population will adopt cost effect conservation technology over the long run.
 - a. 85% achievability assumed in aggregate over the long run but short term variations will result from the introduction of new measures.
 - b. Ramp rate variability
- b. Possible approaches to determining pro rata shares for the first two years of the 10-year conservation potential.
 - a. The utilities determine the pro rata shares.
 - b. OR, Pro ratta shares should be determined consistently with the Council's methodology.
- c. Utilities want to be held responsible for what they can be shown to control.
- d. Others believe utilities should be given the benefit of counting codes and standards changes in the biennium which they took place. – then deduct the codes and standards from the next biennium target.

There is a need to maintain some involvement of the utilities in market transformational activities at the regional level.

7. Next Steps

- a. A subgroup will be formed and tasked with compiling a matrix on the Cost-effectiveness methodologies of the three companies and the Council. The results will be used in building a factual report that will be brought back to the rest of the group for discussion at the next Working Group Meeting.----- PSE will organize this subgroup which will consist of the three companies, the Council, Staff and PC.
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