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December 17, 2021

VIA UTC WEB PORTAL
Amanda Maxwell
Executive Director and Secretary
Washington Utilities & Transportation Commission
PO Box 47250
Olympia WA 98504-7250

Re: 2022-2023 Electric Biennial Conservation Plans

Avista Corporation d/b/a Avista Utilities, Docket UE-210826
PacifiCorp d/b/a Pacific Power and Light Company, Docket UE-210830
Puget Sound Energy, Docket UE-210822

Dear Ms. Maxwell:

The Energy Project is submitting this letter in response to the Notice of Opportunity To Comment issued in the above docketed matters on November 10, 2021. Please file a copy of this letter in each of the above dockets.

The Energy Project has been actively engaged in reviewing the Biennial Conservation Plans (BCPs) of Avista, PSE, and PacifiCorp. Our engagement has included participation in advisory group meetings, as well as additional meetings with the companies and stakeholders as issues arise. Each of the IOUs shared draft versions of the BCP with their conservation advisory groups. Subsequent to TEP's review of the draft BCPs, we submitted questions to each of the IOUs regarding those drafts. We appreciate that all of the companies responded to our questions. As a general matter, these advisory group discussions and further review and feedback have been helpful, and The Energy Project does not have significant remaining concerns with the BCPs as filed for the 2022-2023 period.

Our comments today highlight a number of areas of interest to TEP raised in the BCPs. First, we briefly discuss plans of Avista and PacifiCorp to launch on-bill repayment programs. Next, we discuss the research efforts undertaken by the IOUs to better understand the energy burden of low-income customers in their Washington service territory. We also discuss recent research analysis of non-energy impacts (NEIs), conducted by the consulting firm DNV, for each of the three IOUs. These issues are germane to the electric BCPs, as well as to implementation of CETA requirements. Finally, we briefly touch on our involvement with Staff concerning the draft conditions being crafted in response to the BCPs.

The Energy Project

Shawn Collins
Director

3406 Redwood Ave.
Bellingham, WA 98225

shawnc@oppco.org

(360) 389-2410

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On-Bill Repayment Programs

The Avista and PacifiCorp BCPs both discuss plans to implement On-Bill Repayment (OBR) programs for owner-occupied premises, whereby customers can repay a loan for energy efficiency upgrades. Avista's program is a partnership with Puget Sound Credit Union to offer low interest loans to residential and commercial customers, and was developed with consultation from the Energy Efficiency Advisory Group.[1] PacifiCorp is planning for an expansion of its existing program with Craft3, to also include owned manufactured homes located on rented space and homes on tribal trust lands. This expansion is contingent upon Craft3 receiving funding from the Washington Department of Commerce.[2]

The Energy Project has been engaged with the utilities regarding the structure and design of these OBR programs. One area of concern for TEP is to ensure that these programs have sufficient safeguards so that customers who qualify for the utility's low-income energy efficiency program at no charge are appropriately directed to that program. TEP inquired about this issue with both companies as part of our review of the draft BCPs. Both companies responded that marketing materials, training, and screening protocols would be in place with all partners to ensure eligible low-income customers are directed to community action agencies. We appreciate those efforts and will continue to engage with both companies on this issue. However, TEP does have some concern with Avista's statement in the 2022 Annual Conservation Plan that income-eligible customers may apply for and participate in the OBR program "if they choose."[3] It is paramount that customers eligible for energy efficiency upgrades at no cost, and with potential additional health and safety upgrades at no cost, are fully aware of those program benefits, and are not unwitting participants in an OBR program. TEP will continue to monitor this issue with both companies, to help ensure that no customers eligible for the low-income program are enrolled in an OBR program.

Another issue of concern with respect to OBR programs more broadly is that it is important for customers to have clear and accurate information regarding estimated energy savings from any efficiency upgrades, and whether the bill impact from those estimated energy savings is likely to result in cost savings for the customer even after the loan payment amount is taken into account. Ultimately this is a consumer protection issue that potentially affects all residential customers, and TEP has raised this concern during advisory group discussions. Our recommendation is for the utility to play a critical role in the oversight of the program through ensuring that estimated and actual energy savings from upgrades are incorporated in the program structure and evaluation. This would be accomplished through energy audits that occur

The Energy Project

Shawn Collins
Director

3406 Redwood Ave.
Bellingham, WA 98225

shawnc@oppco.org

(360) 389-2410

a program of:
opportunity council

[1] Avista BCP, Appendix B, 2022 Electric Energy Efficiency Annual Conservation Plan (ACP), pp. 41-43.
[2] PacifiCorp BCP, Appendix 2, Demand Side Management Business Plan for 2022-2023, November 1, 2021, p. 8.
[3] Avista BCP, Appendix B, 2022 Electric ACP, p. 43.

prior to the loan being secured that accurately model potential energy savings and compares those savings to estimated project costs. Additionally, pre- and post-project bill analysis would verify any actual savings achieved through the project. While renters are not specifically identified as a target audience in the program design at this time, TEP is especially sensitive to the position that renters would be in for this type of program. Specifically, renters who have building owners enrolling in an OBR program are at risk of paying increased utility bills through the financing mechanism without realizing any actual reduction in energy bills. This plausible scenario could create significant negative impacts to renters unless proper safeguards are put in place to ensure that only needed and verified energy savings measures are installed in buildings.

As always, TEP will continue to work with the utilities and stakeholders to refine OBR program design as needed.

Research Regarding Energy Burden of Low-income Customers

Looking ahead to implementation of the Clean Energy Transformation Act (CETA), one of the Commission's conditions for approval of the electric BCPs for 2020-2021 required that each company conduct research regarding the energy burden of its low-income customers.[4] This issue is mentioned in the BCPs and has been discussed at some of the utility advisory groups, and is an issue TEP has been monitoring.

The three electric companies have taken different approaches to analyze the energy burden of their low-income customers. Avista retained the firm Empower Dataworks to conduct research on energy burden for customers in its service territory.[5] The resulting report is included in the BCP, and was presented to the Energy Efficiency Advisory Group in October, 2021. This report estimates that of Avista's 225,000 residential customer households in Washington, about 42% are low income, and approximately 42,000 customers (19%) have high energy burden, meaning greater than 6% of household income is spent on energy consumption.[6] PSE's market research team conducted research on energy burden, with draft results presented to the Low-income Advisory Group in June, 2021. PSE's preliminary analysis estimates 40% of PSE's customers are low income, and that about 15% of customers have high energy burden.[7]

[4] *See, e.g.* UE-190912, *In the Matter of Avista Corp. d/b/a Avista Utilities 2020-2029 Ten-Year Achievable Electric Conservation Potential and 2020-2021 Biennial Conservation Target Under RCW 19.285.040 and WAC 480-109-010*, Order 01, Attachment A at Section 9a (December 17, 2019).
[5] Avista BCP, Appendix B, 2022 Electric ACP, pp. 9-10. The Empower Dataworks report is included as Appendix F to the 2022 Electric Annual Conservation Plan.
[6] Avista BCP, Appendix B (2022 Electric ACP), at Appendix F (Empower Dataworks report), p. 15 (42% households with income lower than 80% of Area Median Income), and p. 17 (Energy burden estimate).
[7] PSE BCP Overview, p. 3 (references market research analysis); PSE Energy Burden Draft Results, Presentation to Low-income Advisory Group and Equity Advisory Group, June 16-17,

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Shawn Collins
Director

3406 Redwood Ave.
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shawnc@oppco.org

(360) 389-2410

a program of:
opportunity council

TEP appreciates that Avista and PSE shared these initial findings with their advisory groups. TEP has a concern that the information used for this analysis is not based on verified income data and utilizes estimates. In our opinion this likely under-estimates the true number of high energy burden households. Reasons for data inaccuracy include households in energy deprivation situations (energy consumed is severely limited by lack of income to pay utility bills), and data blind spots resulting from the large percentage of "unbanked" households who are therefore "invisible" to the credit bureau data used to calculate the high energy burden percentages.

PacifiCorp's BCP mentions condition 9a from the 2020-2021 biennium, but does not include any explicit discussion of research undertaken to examine the energy burden of its low-income customers.[8] After reviewing PacifiCorp's Draft BCP, TEP asked whether the company had conducted, or had future plans to conduct any research regarding energy burden for its low-income customers. PacifiCorp responded that the company was in the process of evaluating additional energy burden research, and that options would be provided to the low-income advisory committee.[9] The Energy Project is hopeful that PacifiCorp will undertake this research and engage with its conservation and low-income advisory groups for advice and consultation.

Utility research on energy burden, along with consultation with advisory groups, can help inform and guide programmatic efforts to meet CETA requirements. For example, further insight into the range of low-income customers, including those with high energy burden, as well as the scope of energy assistance need in the utility's service territory, can help inform potential new efforts to reach customers with the greatest need. We look forward to continued advisory group discussions on this issue and further refinement of research efforts related to energy burden.

Non-Energy Impacts Study

Each of the electric IOUs were also required by the Commission to study non-energy impacts (NEIs) during the 2020-2021 BCP cycle. The companies were required to "demonstrate progress towards identifying, researching, and developing a plan to properly value non-energy impacts that have not

The Energy Project
Shawn Collins
Director

3406 Redwood Ave.
Bellingham, WA 98225

shawnc@oppco.org

(360) 389-2410

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opportunity council

2021, at slide 5. PSE anticipates that the size of the low-income population estimate will likely increase as PSE's "methodology becomes more sophisticated." *Id.*

[8] PacifiCorp BCP, Plan Compliance Information, p. 25. This compliance table references recent modifications to PacifiCorp's Low-income Bill Assistance (LIBA) program to expand eligibility requirements to be consistent with CETA, and remove the annual enrollment cap, in Docket UE-210533. *Id.*

[9] PacifiCorp responses to TEP's Questions re: Draft BCP, sent by e-mail from Don Jones, October 29, 2021.

previously been quantified."[10] These impacts were then to be included in the 2022-2023 BCPs. All three of the electric IOUs retained the consulting firm DNV to study NEIs, and the methodological approach undertaken by DNV was the same for all of the companies. This issue is of critical importance for The Energy Project, because the current lack of comprehensive consideration of non-energy impacts has resulted in inherent bias in the cost-effectiveness evaluations, especially for low-income programs.

The Energy Project appreciates the attention given by the companies to this important requirement. As a general matter, however, we note that the methodology utilized by DNV does seem fairly conservative. In particular, DNV's methodology applied "plausibility factors" (including the age of the study) and "confidence factors" (including measure specificity and rigor of study) as adjustments to the studied NEIs.[11] A third and final adjustment applied to the NEIs was an economic adjustment, based upon economic factors of each utility's Washington service territory. In this regard, the particular NEI recommendations made by DNV are unique and specific for each company.[12]

As an indication of the conservative nature of the methodology used, in virtually all instances, the "confidence factor" and "plausibility factor" adjustments result in downward adjustments (reductions) to studied NEI values. For example, of the 34 studies reviewed, only one had a "confidence factor" score of 1 or 100%.[13] Similarly, PSE's study shows that of 60 various plausibility scores, only one had a score of 100%.[14]

Again, The Energy Project appreciates the IOU research effort on this issue. Greater consideration of non-energy impacts is especially critical for low-income DER programs, and is required under CETA. TEP also understands that in many regards this research is somewhat preliminary and efforts toward greater incorporation of NEIs in cost-effectiveness analyses are ongoing. As work on this issue continues, it would be helpful for the companies to engage their advisory groups earlier in the process, as much as possible, to allow for feedback on study design and approach, for example. Consultation regarding these NEI studies was very limited prior to their completion. In addition, we anticipate that these issues will be further reviewed and considered as part of

[10] UE-190912, Order 01, Attachment A at Section 10a (December 17, 2019). This citation pertains to Avista, but the same condition also applied to PSE and PacifiCorp.
[11] The "confidence factor" included scores on five metrics, including whether the study was measure specific, segmented by sector, had samples drawn with statistical sampling, incorporated identifiable economic factors, and consideration of double-counting and open-ended questions. The "plausibility factor" considered the age of the study and other issues. (*See, e.g*. PSE BCP, Exhibit 2, Supplement 3, NEI Report, pp. 6-10).
[12] The NEI calculation for a PSE NEI would be as follows, for example:
Study NEI (original jurisdiction) * CF * PF * EF (pse) = PSE NEI. PSE BCP, Exhibit 2, Supplement 3, NEI Report, p. 30.
[13] *Id.,* pp. 45-46.
[14] *Id*., pp. 49-50.

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Shawn Collins
Director

3406 Redwood Ave.
Bellingham, WA 98225

shawnc@oppco.org

(360) 389-2410

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the UTC's Staff Investigation related to Cost Effectiveness of Distributed Energy Resources (DER) in Docket UE-210804.

Staff Draft Conditions

One final matter relating to the BCP process that TEP has been engaged in concerns Staff's BCP draft conditions. Although these are not yet on file in the dockets, TEP and Staff have been engaged in productive and in-depth discussions during the creation of their draft proposed conditions. TEP has appreciated the willingness of Staff to engage in discussions on a number of matters concerning programs and services focused on vulnerable populations and highly impacted communities, including low-income customers. We look forward to continuing these discussions with Staff and other stakeholders as the BCP process continues. Once Staff's recommendations are final, The Energy Project may wish to file additional comments in response, prior to the Commission's January 18, 2022, Open Meeting.

Conclusion

The Energy Project appreciates the work and engagement of the utilities and stakeholders related to the development of the BCPs, as well as the responsiveness of the companies to our questions concerning the draft BCPs. We will continue to be actively engaged as the BCP process continues and will plan to attend the Commission's January 18, 2022 Open Meeting.

Sincerely,

The Energy Project

Shawn Collins
Director

3406 Redwood Ave.
Bellingham, WA 98225

shawnc@oppco.org

(360) 389-2410

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opportunity council