

Agenda Date: October 14, 2021  
Item Numbers: A1-A4

**Dockets:** UG-210773, UG-210450, UG-210461, and UG-210462  
**Companies:** Northwest Natural Gas Company  
Cascade Natural Gas Corporation  
Puget Sound Energy  
Avista Corporation d/b/a/ Avista Utilities

**Staff:** Jennifer Snyder, Regulatory Analyst  
Andrew Rector, Regulatory Analyst  
Jade Jarvis, Regulatory Analyst

### **Recommendation**

Issue orders in Dockets UG-210773, UG-210450, UG-210461, and UG-210462 approving the conservation potential assessments for the 2022-2023 biennium subject to the conditions in Attachment A.

### **Background**

Between June 15, 2021, and August 2, 2021, Cascade Natural Gas Corporation (Cascade), Puget Sound Energy (PSE), Avista Corporation d/b/a/ Avista Utilities (Avista), and Northwest Natural Gas Company (NW Natural)<sup>1</sup> filed their Conservation Potential Assessments (CPAs) for approval with the Washington Utilities and Transportation Commission (Commission) pursuant to RCW 80.28.380.<sup>2</sup> CPAs have long been used, in conjunction with integrated resource plans (IRPs), to identify the amount of energy efficiency to be acquired in a lowest reasonable cost plan. For the first time in 2021, the Commission is charged with approving the CPA of each gas utility that will be used to construct an acquisition target that will result in acquisition of all conservation measures that are available and cost-effective.

On September 14, the Commission posted a Notice of Opportunity to Comment regarding specific questions of law and policy. Staff posed three questions in this Notice probing stakeholders on issues related to how the inclusion of social costs impact cost-effectiveness, what

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<sup>1</sup> NW Natural's CPA was originally filed in docket UG-210094 alongside the IRP workplan but is now considered in docket UG-210773.

<sup>2</sup> RCW 80.28.380 states that "Each gas company must identify and acquire all conservation measures that are available and cost-effective. Each company must establish an acquisition target every two years and must demonstrate that the target will result in the acquisition of all resources identified as available and cost-effective. The cost-effectiveness analysis required by this section must include the costs of greenhouse gas emissions established in RCW 80.28.395. The targets must be based on a conservation potential assessment prepared by an independent third party and approved by the commission. Conservation targets must be approved by order by the commission. The initial conservation target must take effect by 2022."

considerations the analysis of availability should include, and whether the potential assessment should include gas transportation customer measures. Comments from Staff, Cascade, PSE, Avista, NW Natural, the Alliance of Western Energy Consumers (AWEC), and the Public Counsel Unit of the Attorney General's Office (Public Counsel) are filed in the dockets.

## **Discussion**

### Conservation Potential of Transportation Customers

As described in staff comments filed in this docket on September 27, Staff believes that because the statute states that each gas company “must identify and acquire **all** conservation measures that are available and cost effective,” an IOU should identify gas conservation measures related to gas transportation customers. Given the plain language of the statute and the legislative intent of that language, there does not appear to be any compelling rationale for *excluding* gas transportation services from the conservation analysis. Comments from stakeholders including AWEC, Public Counsel, and the utilities, considering the same language, conclude that there is no explicit requirement for *including* these customers.

In light of this uncertainty, Staff recommends approval of the current gas CPAs that do not include savings from transportation customers with an explicit condition described in Attachment A allowing these potential gas transportation customer savings to be investigated over the next biennium. No compelling evidence has been provided at this time to suggest that there are zero transportation customer savings available. Claims by AWEC and the utilities that there can be no *cost-effective* transportation customer savings rely on the use of a cost-effectiveness test limited to the costs incurred by the utility.<sup>3</sup>

A typical CPA does not include large industrial scale users of natural gas like the gas transportation customers; instead, conservation potential for these kinds of customers would be investigated on a case-by-case basis. Staff recommends that each utility offer to evaluate the available and cost-effective savings potential of interested transportation customers through energy audits as a customer service. However, if transportation customers do not participate, the conservation may, therefore, be unavailable. The utility should provide outreach that describes the benefit of a potential energy savings audit to the customer.

Staff recognizes that gas transportation customers do not pay for current energy efficiency programs and do not participate in such programs. With the passage of the new law, the potential should be evaluated fully and fairly, not dismissed out of hand. Staff recommends that any additional costs associated with this analysis of potential should be collected through general rates paid by transportation customers as described in Attachment A. This approach is consistent with the comments from PSE, Cascade, and Public Counsel. AWEC did not directly address this

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<sup>3</sup> In performing the cost-effectiveness analyses in the potential assessments, all four utilities included the social cost of greenhouse gases as a cost adder to the utility costs. See Staff's comments of September 27 for additional explanation.

issue in its written comments. If any conservation savings are found to be available and cost-effective, the design of a program should be specific to the opportunities found.

### Utility CPAs

Overall, Staff believes the CPAs, all conducted by independent third parties, followed the NWPCC methodology and past standard practice to identify conservation potential.<sup>4</sup> During the review process Staff worked closely with utility representatives and their third-party contractors to understand each model and the inputs used. In future biennia, Staff believes standardizing the process to provide the model, in confidential and redacted form, will provide benefit to all parties. Staff recommends subsequent CPA filing requirements in Attachment A.

### Conclusion

Staff recommends the Commission approve the conservation potential assessments for the 2022-2023 biennium subject to the conditions in Attachment A.

Attachment A

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<sup>4</sup> Includes CPAs from Cascade, PSE, Avista, and NW Natural.