BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of Puget Sound Energy 2018-2019 Biennial Conservation Plan	**DOCKET UE-171087**
In the Matter of Avista Corporation 2018-2019 Biennial Conservation Plan	**DOCKET UE-171091**
In the Matter of Pacific Power and Light Company 2018-2019 Biennial Conservation Plan	**DOCKET UE-171092**

COMMISSION STAFF COMMENTS REGARDING ELECTRIC UTILITY CONSERVATION PLANS UNDER THE ENERGY INDEPENDENCE ACT, RCW 19.285 and WAC 480-109 (2018-2019 BIENNIAL CONSERVATION PLANS)

December 1, 2017

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Introduction

In 2006, Washington voters approved Initiative 937, also known as the Energy Independence Act (EIA). Now codified in RCW 19.285 and Chapter 480-109 WAC, "qualifying" electric utilities — those with at least 25,000 customers in Washington — are mandated to set and meet energy conservation targets.[1]

On November 1, 2017, Puget Sound Energy (PSE), Avista Corporation (Avista), and Pacific Power & Light Company (Pacific Power) timely filed their respective Biennial Conservation Plans (BCPs or Plans), regarding their 2018-2019 conservation targets with the Commission as required by law.[2]

Commission Staff (Staff) participated in the development of the Plans through advisory groups for all three companies, and conducted a thorough review of the Plans as filed. Staff's review focused on verifying that the companies used methodologies consistent with the Northwest Power and Conservation Council's (Council) most recent final Power Plan,[3] that proposed program changes are appropriate, and that each Plan complies with the statutory requirement to "pursue all available conservation that is cost-effective, reliable and feasible."[4] Staff also recommends targets different from those proposed by the companies, summarized in Table 1.

Table 1: Summary of 2018-2019 Staff-proposed Savings Targets[5]

	Total Planned Savings (MWh)	EIA Penalty Target (MWh)	Decoupling Penalty Target (MWh)
PSE	519,994	448,109	23,658
Avista	94,260	89,771	4,489
Pacific Power	91,596	81,500	4,075

Staff's review of the BCPs has focused on evaluating whether the companies met the reporting requirements outlined in RCW 19.285.070, WAC 480-109-120.

In these comments, Staff summarizes the target setting process, highlights key pieces of information, and identifies lingering issues. Staff also discusses some recent and anticipated changes in the rules, policies, and technologies affecting energy conservation in Washington. After reviewing the comments filed by other parties in this matter, Staff intends to present final

[1] RCW 19.285.030(19) (definition of "qualifying utility"); RCW 19.285.040(1)(b) (biennial conservation targets).
[2] RCW 19.285.070; WAC 480-109-120; *See* dockets UE-171087, UE-171091, and UE-171092.
[3] RCW 19.285.040(1)(a).
[4] RCW 19.285.040(1).
[5] It is likely that the EIA penalty target and the decoupling penalty target will be reflected separately in the Commission's orders. The companies will be expected to achieve the combined sum of these two amounts.

recommendations and proposed conditions for approval at the Commission's December 20, 2017, Recessed Open Meeting.

Target Setting and Implementation Plans

The target setting process begins with the development of Conservation Potential Assessments (CPA), which establish the savings potential in a utility's service territory over twenty-, ten- and two-year periods. Once the potential is set, the utilities may make necessary adjustments to derive their biennial conservation target. Examples of the changes that might be made include updating savings estimates based on new information, adding savings associated with measures not captured in the CPA (such as behavioral efficiency), calculating additional targets required by the Commission for decoupling, and removing savings that will be achieved through regional programs, such as the market transformation work done by the Northwest Energy Efficiency Alliance (NEEA).

NEEA

All three utilities fund and actively collaborate with NEEA, a regional market transformation organization. NEEA continues to improve the cost-effectiveness of companies' overall portfolios by leveraging regional market power and creating economies of scale to achieve co-created energy efficiency savings.[6]

PSE, Avista, and Pacific Power collaborated to develop a consistent approach for the treatment of NEEA savings beginning in the 2014-2015 biennium.[7] As a result of that collaboration, the companies agreed to fund NEEA and report the amount of savings achieved to the Commission separately from the biennial conservation target. NEEA savings are neither used when utilities are setting their target nor applied toward meeting their target.

To be consistent with public utilities, investor-owned utilities report a full target in the conservation reports they submit to the Washington Department of Commerce (Commerce), without any excluded potential and the total savings achieved from all sources.[8]

Beginning January 1, 2014, a statutory change means that conservation achieved above a utility's electric conservation target can be claimed as excess savings to meet shortfalls in subsequent biennia. In comments on the backward-looking 2014-15 biennial conservation reports (BCRs), Staff recommended excess savings be calculated using a target that includes all potential savings, as the decoupling commitment, and an achieved savings amount that includes all savings achieved by the utility, no matter the path to achievement.[9] This method would recognize all savings that were purchased by ratepayers during the biennium, would accurately reflect the

[6] Formerly known as net market effects.
[7] *See* Dockets UE-100170, UE-100176, and UE-100177 Joint Proposal for Consistent Approach to Northwest Energy Efficiency Alliance (NEEA) Claimed Conservation Savings (October 31, 2012).
[8] WAC 480-109-120(3)(c)
[9] *See* Dockets UE-132043, UE-132045, UE-132047 Staff Comments on 2014-2015 Biennial Conservation Reports (July 21, 2016).

achievement reported on a statewide basis, and would increase consistency between investor-owned and consumer-owned utilities.

However, Staff ultimately agreed with stakeholders that excluding NEEA savings is consistent with our standard practice for the 2014-2015 biennium and recommended that excess savings be calculated based on the stated UTC target and the stated UTC achievement, continuing to exclude NEEA for the 2014-2015 BCR.[10]

Staff has several concerns about continuing the practice of excluding NEEA savings from the EIA target.

- The risk of missing a target has been all but eliminated
- Consistency with public utilities
- Shortchanging ratepayers in carbon regulation
- Support for NEEA

Low risk to miss target: Originally, NEEA savings were removed from the EIA target (which has an associated penalty for failure to achieve the target) to avoid the risk of a third party reporting less than anticipated savings too late in the biennium for a utility to make up for it by achieving additional savings elsewhere. Staff has always believed that this risk was real but low.[11] But the risk of a utility not meeting their target because of last-minute underperformance by NEEA has been even more drastically reduced by the recently-allowed ability to carry over excess savings from the previous biennium. During the 2014-15 biennium PSE banked 38,906 MWh, Avista banked 2,389 MWh, and Pacific Power banked 24,178 MWh of excess savings.[12] These amounts are available to cover any shortfall a utility might experience in the upcoming biennium. Additionally, NEEA has improved the timing of their reported savings and works transparently with stakeholders to allow a utility sufficient early warning if initiatives appear in danger of falling short on savings.

Consistency with public utilities: The EIA covers both investor-owned and publicly-owned utilities. Allowing investor-owned utilities to remove the market transformation savings goals from the EIA target while publicly-owned utilities are required to meet market transformation targets is confusing to any outside entity attempting to determine the amount of conservation accomplished by each utility.

Shortchanging ratepayers in carbon regulation: There is a high likelihood that carbon regulation in Washington will interact with EIA targets and achievement.[13] Staff believes that including NEEA savings in the target would allow any excess NEEA savings to be treated as excess under

[10] It is likely that NEEA savings will continue to be excluded for the 2016-17 biennial achievement as well.
[11] Staff Comments on 2016-2017 Biennial Conservation Plans, Dockets UE-152058, UE-152072, UE-152076
[12] PSE - Docket UE-132043, Order 05, ¶19; Avista - Docket UE-132045, Order 03, ¶21; Pacific Power - Docket UE-132047, Order 03, ¶17.
[13] The Washington state Department of Ecology adopted the Clean Air Rule, found in WAC Chapter 173-442-160(5), on Sep. 15, 2016, establishing emission reduction units (ERUs) as a tool for measuring compliance with industry-specific emission reduction targets. Energy efficiency is one type of program that may generate ERUs. Ecology is also currently amending its air quality standards, found in WAC 173-407. Under these rules, energy efficiency is one type of carbon dioxide mitigation project that may be used to offset carbon dioxide emissions. See proposed WAC 173-407-020 "Mitigation project."

WAC 480-109-100(c).[14] If this bankable excess savings is allowed to be used for compliance with carbon regulation, then it has additional value to the ratepayer. Staff is concerned that a utility target that excludes NEEA savings could, therefore, result in greater costs to ratepayers for compliance with carbon regulation.

Support for NEEA: Additionally, NEEA is a collaborative organization. Washington's three investor-owned electric utilities represent a significant source of funding and stakeholder involvement. The success of NEEA rests largely on the amount of support it receives from utilities; utilities that may prefer to run such programs themselves. For the 2016-2017 biennium, Staff's primary concern with excluding NEEA savings from targets "was that utilities would waver in their commitments to and funding of NEEA."[15] Staff hoped that this concern was fully addressed when the Commission adopted rules that defined market transformation as part of a utility's statutory obligation to "pursue all" available conservation. Unfortunately, Staff believes that utilities have not been consistently providing NEEA the type of support needed to make the organization as successful at providing regional market transformation savings as it could potentially be. Thus, the responsibility for NEEA's failure to achieve its potential should also be shared by the utilities.

Staff recommends that for the 2018-2019 biennium, NEEA savings be included in the EIA target and any excess be treated the same as other excess savings. In each company-specific section below, Staff will provide a recommended target that includes NEEA savings.

Decoupling Calculation

As part of agreements made to implement decoupling mechanisms, all three utilities have committed to exceeding their EIA biennial target by 5 percent.[16] Since it has been standard practice to omit NEEA savings from the EIA target, both Avista and Pacific Power have chosen to calculate the 5 percent without NEEA savings. PSE chose to calculate the additional 5 percent commitment prior to subtracting NEEA savings. Confusion over the correct order of operations in performing these calculations is reasonable.

Staff hopes its recommendation, explained above, to include NEEA savings in the EIA target for the upcoming 2018-2019 biennium will dispel this confusion. If the Commission agrees and orders NEEA savings to be included, the confusion over the decoupling calculation will be a non-issue. However, if the Commission determines that NEEA savings continue to be held outside of the EIA target, Staff recommends that the 5 percent commitment be calculated from the conservation target before the removal of any NEEA savings as a matter of consistency. Table 2, below, illustrates the effect of Staff's recommendation for the decoupling target calculation.

[14] Savings are treated symmetrically, if they are in the target they will count towards excess. If the savings are held out of the target, additional savings do not count towards excess savings roll-over and the value of these additional savings are forfeit.
[15] *See* Dockets UE-152058, UE-152072, UE-152076, Staff Comments on 2016-2017 Biennial Conservation Plans (Dec. 3, 2015)
[16] PSE see Docket UE-121697, Order 07, ¶ 108; Avista see Docket UE-140188, Order 5, ¶ 26; Pacific Power see Docket UE-152253, Order 12.

Table 2: 2018-2019 Utility Decoupling Targets

	Utility Proposed Decoupling Target (MWh)	Staff Recommended Decoupling Target (MWh)
PSE	23,658	23,658
Avista	3,989	4,489
Pacific Power	3,715	4,075

Rebate Incentive Level

Staff notes that the cost-effectiveness of the portfolio is essential for determining whether an energy efficiency program's costs are prudent, but simply because a measure is cost-effective does not automatically mean that the costs incurred are all prudent. A well-run program will pursue conservation resources that are cost effective, and will attempt to achieve these savings at the *lowest reasonable cost*. With technological improvements quickly driving down the costs of some measures, particularly LED lights, it is imperative that utilities actively manage programs to ensure they are not overpaying for savings. Generally speaking, a utility should pursue a measure when it passes the total resource cost test (TRC) and set incentive levels using the utility cost test (UCT). This will determine if a measure is cost-effective. Utilities should not stop their program design at this point, however. Staff expects utilities to adaptively manage their programs by following market trends and researching options to lower incentives as appropriate. Money saved by not over-incenting popular measures that would be adopted by customers at a lower incentive amount could be used to implement less popular measures, or to reach underserved markets, thereby maximizing the acquisition of savings.

Hard to Reach Markets

The Council's 7th Power Plan identified hard-to-reach markets as action plan item MCS-1.[17] PSE and Pacific Power are participating in the regional work group that, as a result of item MCS-1, is helping to determine which segments are underserved in the region. Staff encourages Avista to join this effort.

PSE has provided several updates to their advisory group on current programs designed to reach segments traditionally thought of as hard-to-reach. In order to reach segments the Company believes may be proportionately underserved, PSE has adjusted the cost-effectiveness thresholds for low income programs, enhanced multifamily offerings, provided incentives specific to manufactured homes, and is exploring a pilot program for single family rentals.

[17] Northwest Power and Conservation Council, *7th Power Plan*, Chapter 4: Action Plan at 4-10 (May 26, 2016) *available at* https://www.nwcouncil.org/media/ 7149934/7thplanfinal_chap04_actionplan.pdf.

Avista is proposing several pilot programs designed to target potentially underserved markets such as multifamily, limited-income customers, and rental properties.

Pacific Power has identified a higher-than-average percentage of manufactured homes in their territory and is working with NEEA to obtain more useful data about the segment. The company is planning programs to reach manufactured homes in the upcoming biennium including targeted delivery measures and on-bill-financing specific to manufactured home parks.

Staff eagerly anticipates the findings of the MCS-1 working group. Once underserved segments are identified in each service territory, the utilities should work closely with their advisory groups to design appropriate programs and develop outreach strategies to capture these savings. Proper implementation of these programs will increase equitable distribution of conservation's benefits, and will help utilities meet their obligation to pursue all cost-effective conservation.

Additional Areas of Interest

The ongoing conservation planning, reporting, and reviewing process developed for each utility's portfolio is effectively an ongoing prudency review. Throughout a biennial cycle, Staff ensures prudency related to conservation by reviewing several elements, including the proper establishment of conservation potential, whether programs are cost effective, reliable, and feasible, whether all reasonable measures were pursued, if appropriate public and stakeholder involvement was included in the process (advisory group review), and verification that programs were administered efficiently.

Details about each Companies' programs will be discussed in following sections. Here, Staff provides a discussion of some of the areas of interest that Staff focused on during its review of each utility's BCP, including:

- Non-energy impacts,
- On-bill repayment,
- Resource value test,
- Performance incentives,
- Research,
- Pilot programs, and
- Electric-to-natural-gas fuel conversions.

Non Energy Impacts

The EIA requires the inclusion of quantifiable environmental costs and benefits when calculating cost-effective conservation.[18] The Commission has made clear that it prefers a properly balanced

[18] RCW 19.285.030(6). Cost-effectiveness is defined at RCW 80.52.030 and include system costs and quantifiable environmental costs and benefits.

TRC.[19] As such, when a benefit is identified as quantifiable, it should be quantified and included in a utility's calculations of cost-effective conservation.

In its December 18, 2015, comments on the Council's Draft 7th Power Plan, the Commission recognized that there are proven health benefits associated with reduced emissions, and stated that the EIA calls for including the financial value of positive health impacts brought about by reducing particulate matter emissions ($PM_{2.5}$) emissions.[20] In 2017, Washington's electric IOUs enlisted the consulting firm Abt Associates to analyze and quantify the benefit of reduced $PM_{2.5}$ emissions provided by installation of ductless heat pumps. Heat pumps can lower $PM_{2.5}$ emissions by reducing or replacing wood combustion as an energy source. Staff applauds this step towards quantifying a non-energy benefit.

Energy efficiency measures can reduce particulate emissions not just by displacing dirtier fuels, but also by lowering system-wide load, which reduces emissions from the system of utility-scale combustion-based electric generators. To properly account for all the non-energy benefits of $PM_{2.5}$, utilities should analyze the reduction of $PM_{2.5}$ from generation resources as a result of load reduction from all types of energy efficiency measures.

In June 2017, the Bonneville Power Administration (BPA) initiated a regional working group, which aimed to design a co-funded regional study to quantify non-energy impacts of energy efficiency. Unfortunately, due to cost management efforts at BPA, the agency was unable to commit to funding a study. Since state utilities have an obligation to include all quantifiable environmental costs and benefits in cost-effectiveness tests, they should take on leadership roles to ensure this effort is advanced.

On-bill repayment

During the last year, Staff asked all three companies to evaluate the possibility of adding an on bill repayment option to their energy efficiency programs. Interest in providing additional avenues for customers to finance energy efficiency measures was piqued by the proceedings in Docket UE-151871, when PSE proposed a new leasing service for hot water heaters and HVAC equipment.[21] In addition, over the last several years the gas utility NW Natural has demonstrated to Staff the success of its conservation-focused on-bill repayment program.

As a result, Pacific Power also began offering an optional concierge financing service for business customers in 2017 and, in 2018, plans to pilot an on-bill financing program for residential customers.

PSE utilized their Request for Information (RFI) process to identify service options for on-bill repayment/financing, financing concierge service, and a revolving fund with deferred repayment. Ultimately, the Company found that the significant costs involved, including upgrading PSE's billing and accounting systems to integrate with a third party provider, were not worth the incremental amount of customer participation expected from implementing such a program.

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[19] UG-121207, Policy Statement on the Evaluation of the Cost-Effectiveness of Natural Gas Conservation Programs.
[20] Commission comment for the Draft 7th Power Plan, December 18, 2015, available at https://www.nwcouncil.org/energy/powerplan/7/draftplan/comments/view?id=1862.
[21] *See* Docket UE-151872, Order 06, 37 ¶ 131(Nov. 16, 2016).

In 2017, Avista researched the feasibility of providing customers with a financing option to assist in obtaining new energy efficient equipment. Staff suggests the Company explore new avenues to make obtaining energy efficient equipment available to customers, including interest rate buy down programs. Staff looks forward to additional discussion in the advisory group on this issue.

Resource Value Test

In the spring of 2017, the National Efficiency Screening Project published the National Standard Practice Manual for Assessing Cost-Effectiveness of Energy Efficiency Resources (NSPM). The NSPM presents a cost-effectiveness test that is designed to incorporate a jurisdiction's applicable policy objectives, called the Resource Value Test (RVT). By following six universal principles, the manual develops a framework which can be followed step-by-step to develop a jurisdiction specific RVT.

Currently, the UTC uses a modified TRC test as the primary test to evaluate conservation programs. This test has been tweaked numerous times over the years, and Staff is unsure whether all policies are accounted for correctly, or whether companies are applying the test in a manner commensurate with one another. Staff believes that working through the framework outlined in the NSPM collaboratively with stakeholders would allow the Commission more certainty that the cost-effectiveness of energy efficiency is being properly evaluated.

PSE, Avista, and Pacific Power all recommend a collaborative process to discuss cost-effectiveness calculation policy goals, implementation of any potential revisions, and applicability to other resources.

Staff strongly agrees that the NSPM should be followed in a collaborative process to identify areas of improvement to UTC cost-effectiveness methodology. Staff suggests that any such comprehensive process commence after the conclusion of the Commission's current integrated resource plan (IRP) rulemaking in Docket U-161024.

Performance Incentive

As described in WAC 480-109-100(9), a utility may propose a positive incentive to encourage achievement exceeding the biennial conservation target. Properly designed, Staff believes this type of incentive could be beneficial to both utilities and ratepayers. PSE chose not to propose an incentive in this biennium's conservation plan; however, the Company suggests conducting a workshop in a statewide collaborative setting. This may be a useful exercise and Staff proposes a joint advisory group meeting halfway through the biennium to discuss this, as well as any other common issues.

Pilot Programs

An integral part of pursuing all conservation is the ongoing research and evaluation of technologies and programs.[22] These efforts often take the form of pilot programs. By law,

[22] WAC 480-109-060(21).

utilities "must implement pilot projects when appropriate and [are] expected to produce cost-effective savings within the current or immediately subsequent biennium."[23] In past biennia, Staff has noted the limited number of pilot programs implemented by Washington's investor-owned utilities.

In their 2018-2019 BCPs, all three utilities have meaningfully expanded their pilot offerings. Staff looks forward to seeing each of these programs thoughtfully implemented. Utilities should solicit input from their respective advisory groups concerning the goals of each program and the reporting of appropriate evaluation metrics that should be used to inform decisions about when to expand, modify, or end each program.

Research

Staff encourages utilities to undertake research needed to adaptively manage their programs. Currently, there are two particular studies which are important to the programs of all three utilities.

The first is a regional end-use load research study, which will update comprehensive data last collected on this scale in 1990. Among other utility planning purposes, accurate end-use load information is critical to correctly assessing the capacity value of energy efficiency measures. Staff has expressed its belief in the inherent value of this study to each company and hopes to see all utilities participating fully.

The second study, conducted by NEEA every four years, is a regional commercial building stock assessment (CBSA). For the upcoming CBSA, there is an opportunity for each utility to request oversampling in its particular service territory until approximately February 2018. Staff believes utilities should request this oversampling from NEEA to gain valuable data for more efficiently implementing programs.

Fuel Conversions

PSE has discontinued its electric-to-natural-gas fuel conversion program for the 2018-2019 biennium.

Avista has proposed increasing the size of its electric-to-natural-gas fuel conversion program and its multifamily natural gas market transformation program. A discussion of Staff's specific objections to Avista's programs can be found in the company-specific section of this document, infra at Pages 18-20.

[23] WAC 480-109-100(1)(c).

Company Targets and Plans

Puget Sound Energy (Docket UE-171087)

Company Recommended Target

For the 2018-2027 period, PSE estimates that its 10-year achievable conservation potential is 1,799,149 MWh (205.4 aMW), as measured at the customer meter. PSE's IRP-identified potential for the 2018-2019 biennium is 473,163 (54.0 aMW).[24] PSE calculated a 2018-2019 biennial EIA penalty conservation target of 448,109 MWh (51.2 aMW) and a decoupling commitment target of 23,658 MWh (2.7 aMW).[25]

PSE made several adjustments to derive its biennial conservation target. First, to find the portfolio total savings the company added to the IRP-identified potential:

- 18,693 MWh (Projected savings from retail wheeling customers),
- 4,480 MWh (Pilots with uncertain savings), and
- 23,658 MWh (The decoupling target of 5 percent, as calculated from the IRP-identified potential).

This resulted in a total 2018-2019 Total Portfolio Savings of 519,994 MWh (59.4 aMW). Next, to determine the EIA penalty target of 448,109 MWh. the company subtracted the following from the total portfolio savings:

- 25,054 MWh (NEEA savings from the Program Measures category that were included in the CPA),
- 18,693 MWh (Projected savings from retail wheeling customers),
- 4,480 MWh (Pilots with uncertain savings), and
- 23,658 MWh (The 5 percent decoupling target).

PSE plans to spend $180,706,838 to achieve the total portfolio savings of 519,994 MWh, which includes NEEA savings, the pilots with uncertain savings, savings from retail wheeling customers, and the decoupling commitment savings. The company also plans to spend $2,157,779 on net metering, whose revenue is collected through the electric conservation rider Schedule 120. The biennial budget is about 8 percent less than the previous biennial budget while the portfolio total savings is approximately 14 percent less than the previous biennial planned savings. This continues the trend of less achievable savings that costs more per MWh (on average) to procure. Among other influences, this is a result of increasing of conservation baselines and market saturation of lower-cost measures. The budget includes additional costs for:

- research ($200,000 for the CBSA and $700,000 for end use load research),
- additional commitments to low-income weatherization ($500,000 in funding as part of the decoupling commitment), and

[24] PSE used the two-year savings potential for 2018-2019, as it was larger than the pro rata share.
[25] PSE committed to achieve 5 percent above its biennial conservation target as part of an agreement for a decoupling mechanism in docket UE-121697.

- the highest spend year of the four year cycle for the Large Power Users/Self-directed program (2018 will have expenses approximately $12 million more than 2019).

The company expects its total portfolio to achieve a TRC ratio of 1.4 and a UCT ratio of 1.5, indicating that the portfolio is cost-effective.[26] Table 3 compares PSE's current and upcoming biennial proposed targets and budgets.

Table 3: PSE-proposed Conservation Savings and Budget

	2016-2017 Biennial EIA Target[27]	2016-2017 Portfolio Total[28]	2018-2027 10-year potential	2018-2019 Biennial EIA Target	2018-2019 Portfolio Total[29]
Savings (MWh)	537,078	605,194	1,799,149	448,109	519,994
Budget		$198,985,000			$182,864,61730

Staff finds that the company used a methodology consistent with the Council's 7th Northwest Power Plan, as required by WAC 480-109-100(2)(b) and WAC 480-109-999(1)(a), to develop its conservation potential assessment.

Staff Recommended Target

As discussed on Page 5 of these comments, Staff recommends NEEA savings no longer be removed from the EIA target. For PSE, this would simply change the EIA target to 473,163 MWh, the full amount of conservation potential found for 2018-2019 in the CPA. The decoupling target and total portfolio savings would remain as calculated by PSE.

[26] Excluding low-income programs.
[27] See docket UE-152058, Order 01.
[28] See docket UE-152058.
[29] Includes NEEA, decoupling commitment, and pilots with uncertain savings.
[30] Includes $2,157,779 for the net metering program.

Table 4: Staff-proposed PSE Conservation Savings

Category	Savings (MWh)
IRP-identified potential	473,163
EIA target	**473,163**
Decoupling commitment	**23,658**
Total target subject to penalty	496,821
Pilots with uncertain savings	4,480
Projected savings from retail wheeling customers	18,693
2018-2019 Portfolio Total	**519,994**

Low-Income Cost-Effectiveness

In order to maintain comprehensive offerings, PSE has revised the way it calculates cost-effectiveness for low-income programs. As an alternative to the minimum TRC requirement, measures identified as cost-effective in the Department of Commerce Weatherization Manual will automatically qualify for PSE low-income funding. [31] PSE estimates that this change will add more than 1 million kWh of savings for low-income customers.

For the upcoming biennium PSE will exclude low-income programs from the portfolio level cost-effectiveness calculations.[32]

Pilots

PSE has identified several innovative pilots for the upcoming biennium. Most notable is the company's commitment to a pay-for-performance initiative in their Business Energy Management division. This is the only pilot PSE identifies as having uncertain savings. As such, the company is not counting on this program to meet the EIA target, but is counting 4,480 MWh of estimated savings toward the Portfolio Total goal. The pay-for-performance pilot will engage several customers with large building footprints and savings potential. The program will incent capital, O&M, and behavior savings on an escalated performance basis.

PSE will pilot an initiative working with HVAC distributors to increase regional stocking of high-efficiency equipment. Included in the plan are pilot measures, such as the multifamily automatic tubspout diverter; and pilot delivery methods, such as direct install of advanced power strips and chick warmers.

[31] WAC 480-109-109(10)(a)
[32] WAC 480-109-109(10)(b)

An EM&V 2.0 (sometimes referred to as advanced evaluation, measurement & verification) pilot on several non-residential projects will help determine if PSE can shorten the M&V period for some projects based on the goodness-of-fit of daily energy consumption models. The Company has been working with Lawrence Berkley National Laboratory and DNV-GL on these efforts to leverage advanced analytics and data mining of conservation program data.

The Company is also exploring a single-family rental pilot that would target large rental portfolio property owners with bundled retrofit services. This program attempts to reach a segment of the populations that is notoriously difficult to engage in conservation programs. Staff encourages PSE to continue consistently innovating to find new ways of achieving cost-effective savings.

Stakeholder Engagement

Staff would like to recognize the outstanding manner in which PSE continues to utilize their advisory group. The company and the Conservation Resources Advisory Group (CRAG) have worked diligently to identify issues, concerns, and opportunities in the biennium. Staff appreciates the amount of time that the Company and the members of the CRAG have devoted to resolving these issues before the Company filed the BCP. PSE's commitment to ensuring that stakeholders have all of the information, background, and details needed brings maximum value to CRAG proceedings. The Company is consistently responsive to member questions and concerns. In 2018, PSE plans to resume its advisory group newsletter "CRAG Communications," which will allow an additional conduit of information between meetings.

Avista (Docket UE-171091)

Company Recommended Target

As required by rule, Avista's biennial target must be at least 20 percent of its 10-year target.[33] The Company's 2017 Conservation Potential Assessment (CPA), required as part of its 2017 Integrated Resource Plan (IRP), identified a 10-year conservation potential of 368,181 MWh for Washington.[34] Its 2015 IRP had built a higher baseline into the CPA and decreased avoided costs, which resulted in a higher 10-year target of 391,000 MWh. Staff is concerned that Avista's 10-year potential has decreased. Pacific Power's 2018-2019 BCP identifies a conservation forecast that is significantly greater than that identified in Avista's CPA despite Avista's higher electricity load. Staff will continue to investigate and communicate with Avista and Applied Energy Group (AEG), Avista's CPA consultant, why its 10-year potential has decreased.

Avista used a methodology consistent with the Council's 7th Northwest Power Plan to develop its CPA. In its 2017 IRP, Avista improved its conservation potential modeling techniques. Individual energy efficiency resources compete with supply and demand response options to meet resource deficits, where energy efficiency measures benefited by receiving 10 percent more value compared to the supply-side resources. The Company screened over 8,700 demand side

[33] WAC 480-109-100(3)(b)
[34] Docket UE-161036 Avista Corporation's 2017 Integrated Resource Plan, at 5-7. Avista retained AEG to conduct its 20-year Conservation Potential Assessment (CPA), which is included as an appendix in the 2017 IRP.

resources in its model as individual conservation measures, allowing the model to select cost-effective measures on a measure-by-measure basis—rather than by bundling.

For the 2018-2019 CPA, the two-year achievable potential is 69,899 MWh for Avista's Washington electric operations. However, the pro rata share of the utility's 10-year conservation potential is calculated as 73,636 MWh. Given that Avista's 2-year potential, as initially calculated is below the pro rata share of the 10-year potential, the pro rata share of Avista's 10-year potential will be the basis for the Company's target.[35] Thus, the starting point Avista estimates for its 10-year achievable conservation potential is 73,636 MWh. In addition, the Company also includes the following adjustments:

Additional Savings

- 15,386 MWh (behavioral program savings),
- 749 MWh (distribution efficiency), and

Less

- 9,986 MWh (NEEA pro rata savings identified within Avista's CPA).

Avista's CPA does not include behavioral savings. The Company added 15,386 MWh of projected savings, which was estimated from its existing Opower/Oracle forecast for the 2018-2019 biennium. Next, the Company adjusted its savings by subtracting 9,986 MWh of savings attributable to NEEA programs from the biennial conservation target. Staff disagrees with this calculation. For the 2018-2019 biennium, Staff contends *NEEA savings should be included in the EIA penalty target* and excess NEEA savings should be treated the same as other excess savings.

In addition, Avista has a decoupling mechanism, as outlined in Docket UE-140188 and UG-140189 (Order 05). The Company must achieve 5 percent above its biennial conservation target. In this biennium, Avista's proposed decoupling commitment is an additional 3,989 MWh, based on the Company's *exclusion* of NEEA savings in its decoupling commitment calculation. As noted earlier, Staff disagrees with the Company's calculation and has outlined an alternative, presented later in these comments. Avista projects its total portfolio savings as 93,760 MWh. This amount includes input values from the Company's conservation potential assessment, a commitment to additional savings derived from behavioral program estimates, distribution and street light efficiencies, and its decoupling commitment.

Table 5 compares Avista's current and upcoming biennial proposed targets and budgets.

[35] WAC 480-109-100(3)(b) The biennial conservation target must be no lower than a pro rata share of the utility's ten-year conservation potential.

Table 5: Avista-proposed Conservation Savings and Budgets

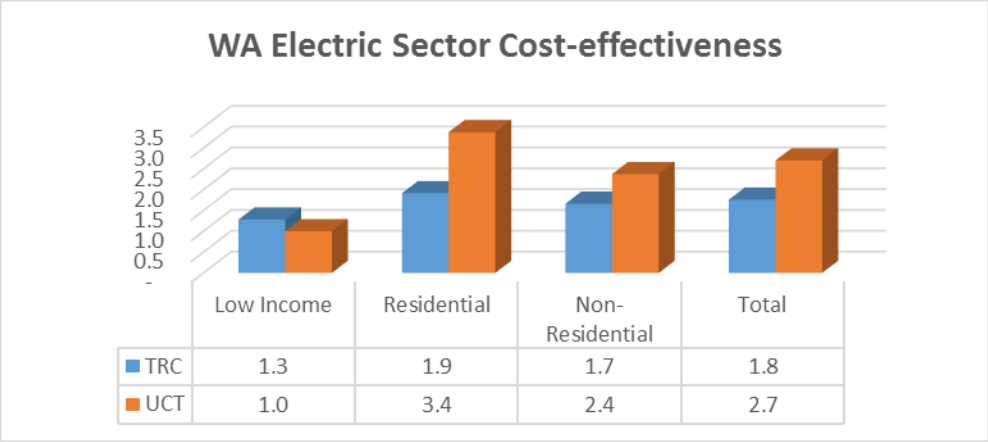
	2016-2017 Biennial EIA Target **excluding NEEA*	**2016-2017 Portfolio Total**	**2018-2027 10-year potential**	**2018-2019 Biennial EIA Target** **excluding NEEA*	**2018-2019 Portfolio Total**
Savings (MWh)	72,626	88,533	368,181	79,785[36]	93,760
Budget **excluding conversions*		$22,666,000			$22,500,000
Total Budget		$26,770,000			$31,537,000[37]

Avista plans to spend $31,537,000 to achieve a total savings of 93,760 MWh. The total portfolio budget also includes NEEA savings, new pilot programs, incentives for conversions from electric-to-natural-gas for residential and multi-family new construction, and decoupling commitment savings.

The 2018-2019 portfolio total biennial budget, *not including fuel conversions*, is similar to the previous biennium. Staff remains concerned that the Company plans to spend an additional $8,737,000, or approximately 28 percent of its total budget, on residential and multi-family construction unit electric-to-natural-gas fuel conversions.[38] Historically, Avista included these expenditures in the budget but held the savings outside of the biennial conservation target, as conversions are not considered conservation measures.[39] The Company also includes an increased budget for non-residential site-specific projects and interior prescriptive lighting incentives, which showed a significant increase in 2016.

[36] These savings *exclude* NEEA as part of its portion of the BCP target subject to penalty. Adding the Company's 5% decoupling commitment, the local biennium target equals 83,774 MWh.
[37] Avista's proposed budget includes expenditures related to NEEA, residential electric-to-natural-gas conversions, and electric-to-natural-gas conversions for multi-family new construction.
[38] Including the low-income budget, this figure totals $9,033,633.
[39] The Commission has approved non-conservation programs that can be temporarily recovered through utilities' conservation tariffs, including net metering, electric vehicle pilots, demand response pilots, and fuel conversion programs. Common themes among these programs are that they are small and have a minimal impact on the rate of the rider. See *Avista's 2017 General Rate Case*, Dockets UE-170485 and UG-170486; Snyder, Exh. JES-1T at pp. 18.

Figure 1: Avista's Washington Electric Sector Cost-Effectiveness



As shown in Figure 1, the Company will achieve cost-effectiveness above 1.0, indicating that the portfolio is cost-effective.[40] On a total portfolio level, the TRC ratio is 1.76 and UCT is 2.7.

Staff Recommended Target

As mentioned before, Staff disagrees with the Company's target calculations, specifically its *exclusion* of NEEA savings. By correctly including NEEA savings in the EIA penalty target and its decoupling commitment calculation, Staff calculates the Company's EIA and decoupling penalty targets as shown in Table 6, below:

Table 6: Staff-proposed Avista Conservation Savings

Category	Target (MWh)
Pro Rata Share of 10-year conservation potential[41]	73,636
Behavioral Program Savings	15,386
Distribution and Street Light Efficiency	749
EIA Target	**89,771**
Decoupling commitment	**4,489**
Total target subject to penalty	94,260
2018-2019 Portfolio Total	**94,260**

In addition to the NEEA savings calculations, which affect all three electric companies, three substantive issues remain. Those issues are:

1. **Discontinue recovery of electric-to-natural-gas fuel conversion incentive programs through Avista's conservation cost recovery tariff.** As described in Staff witness

[40] *Avista's 2018 Annual Conservation Plan*, at Page 32.
[41] The conservation potential includes 9,986 MWh of NEEA Pro Rata Savings (identified within CPA).

Jennifer Snyder's testimony in Avista's general rate case (UE-170485, UG-170486), and as a result of ongoing discussions in 2017 with the Company, Staff does not support including any electric-to-natural-gas fuel conversions for residential or multi-family new construction as part of the 2018-2019 Biennial Conservation Plan.[42] For 2018 and beyond, no electric-to-natural-gas fuel conversion expenditures should be allowed to be recovered through the Company's electric conservation cost recovery adjustment, as outlined in WAC 480-109-130.[43]

2. **Pilot programs reporting.** Staff is concerned that the Company has not incorporated adequate pilot development, implementation, or reporting information into its proposed programs. Avista should regularly consult with its advisory group, as required by rule, and develop and report on metrics to better determine pilot program success.[44]

3. **Decrease in residential offerings.** Staff and other advisory group members raised questions about why Avista's prescriptive residential offerings have decreased and do not more closely align with its most recent CPA. Staff suggests the Company include the residential offerings listed as its "top 20 measures" or provide a rationale as to why these offerings are not feasible and report back to the advisory group.

Discontinue recovery of electric-to-natural-gas fuel conversion costs through the conservation tariff rider

There is an increasing concern that Avista is using electric conservation funding not just to improve customers' access to natural gas, or to avoid building a future electric generation plant, but to actually expand its natural gas business. Staff recognizes the benefits of increasing access to natural gas for customers who choose to switch fuels and supports Avista's past development of the fuel conversion program.[45] But funds recovered through electric rates should not be devoted to expanding the Company's natural gas business.

Staff voiced concerns with the Company's growing fuel conversion program throughout 2017, issuing several data requests. Avista hosted several WebEx Company presentations with Staff, explaining their position for growing their electric-to-natural-gas fuel conversion programs. Along with other issues, fuel conversion programs were discussed on the following dates:

- April 25 (WebEx, Company & Staff),
- May 8 (WebEx, Company & Staff),
- August 23 (Advisory Group),
- September 25-26 (Two-day Fall Advisory Group Meeting),
- October 13 (Company & Staff),

[42] *Avista's 2017 General Rate Case*, Dockets UE-170485, UG-170486; Snyder, Exh. JES-11 at 36, Avista 2018 Draft ACP (indicating the Total 2018 Washington Electric Budget); Snyder, Exh. JES-11 at 71, Avista 2018 Draft ACP, Appendix F (regarding Fuel Efficiency Conversions). Snyder, Exh. JES-11 at 71, Avista 2018 Draft ACP, Appendix F (indicating a Multifamily Market Transformation budget of $2,509,562).
[43] WAC 480-109-130 Conservation cost recovery adjustment.
[44] WAC 480-109-100(1)(c) Pilots.
[45] *Avista's 2017 General Rate Case*, Dockets UE-170485 and UG-170486; Snyder, Exh. JES-1T at Pages 16-22.

- October 23 (Staff email recommending removal of fuel conversions programs from the Company's DSM Program/Tariff, effective January 1, 2018),
- October 24 (In Person Meeting, Company & Staff), and
- November 30 (WebEx, Advisory Group).

After review of the Company's Draft BCP, on October 23, 2017, Staff recommended discontinuation of the residential and multifamily "market transformation" electric-to-natural-gas fuel conversion incentive programs. These programs have continued to draw controversy each year, and Staff believes these programs, which represent one third of the Company's total BCP biennial budget, need to be completely removed from conservation programs. This includes cancelling any tariffs.

In its 2018-2019 BCP, the Company is proposing to substantially increase its fuel conversion budget. Avista's initial draft of its ACP included a budget of $4,942,900 for the residential fuel conversions program (including incentive costs, internal labor, and other non-incentive utility costs) out of a total electric residential budget of $8,156,832. In stark contrast, the residential conservation measure budget is overshadowed by these electric-to-natural-gas fuel conversions, where the Company allocated a mere $328,000 for residential prescriptive measures.[46] The Company's residential portfolio *without* fuel conversions achieves a TRC ratio of 2.2 and a UCT ratio of 3.1. Staff suspects more conservation measures could be included as part of the Company's portfolio for the residential sector. Staff views Avista's fuel conversion programs as duplicating the intent and purpose of Avista's existing natural gas Line Extension Allowance (LEAP) pilot program, which is recovered from natural gas ratepayers. LEAP is better suited for these purposes. For 2018 and beyond, increasing access to natural gas should be done with funding from the LEAP pilot program.

In its 2018-2019 BCP, Avista not only increases the budget and incentives for residential electric-to-natural-gas fuel conversions but also increases its budget for multifamily new construction electric-to-natural-gas. Since 2008, Avista's multifamily program has provided rebates to developers of new complexes who choose to install natural gas. The budget for this program has ballooned to $3,794,000 for this two-year planning cycle.

Staff questions why incentives for fuel conversion are still being offered. In Staff's data request sent to the Company in May 2017, Avista estimated that 28 percent of the eligible multifamily construction market chose natural gas, while during 2004-2008 less than 15 percent chose natural gas. Historically, incentives for the multifamily new construction have ranged from $900 per unit, in 2008, up to $3,500 per unit in 2017. Staff questions why the Company continued to increase incentives year-after-year for this program—apparently putting its metaphorical thumb on the side of gas over electricity by offering these increased incentives, paid for by electric ratepayers, which continue to further distort intra-fuel competition in the multifamily construction development market. Pacific Power and PSE do not offer these incentives.

Avista claims its fuel conversion program is a cost-effective method to achieve electric savings that also removes electric load from Avista's system. However, Staff notes that the electric-to-natural-gas fuel conversions are held outside the CPA and do not "compete" with other supply-

[46]Avista's Simple Steps, Smart Savings residential program is an upstream buy down program and includes residential lighting and showerheads. Avista has allocated $2,885,000 for this residential program over the biennium. CLEAResult is contracted by Avista to provide the manufacturer and retail coordination.

side resources in the IRP. Instead, they are embedded in the demand-side forecast in the IRP. Further, the Company's conversions are currently held outside of the conservation target—yet the prudency determination and costs of the program have historically been recovered through the Company's annual conservation cost recovery tariff.[47] Coupled with the sheer scale of the conversion program in comparison to the actual conservation program, it is readily apparent to Staff that *electric* customers should no longer fund any electric-to-natural-gas conversion programs through the electric conservation rider as they are not conservation savings. A customer choice program that increases access to natural gas is more properly funded through gas rates.

Staff believes that the prudency of proposed electric-to-natural-gas fuel conversion programs for the 2018-2019 biennium, which are similar to the LEAP pilot program, are more appropriately addressed in the context of the current Avista general rate case because of the inextricable link to electric rates. Regarding the approval of Avista's BCP, Staff does not believe that the Commission must withhold its approval of the BCP, as a whole, because of the fuel conversion issues. Instead, Staff recommends that the Commission include an additional condition in its 2018-2019 BCP order that excludes residential and multifamily new construction fuel conversion cost recovery from the conservation cost recovery adjustment (Schedule 91) pending resolution of these issues in Avista's current general rate case.

Staff notes one exception to fuel conversions: Avista's low-income weatherization program. This program allocates funds to seven Community Action Agencies (CAAs) in its territory and allows these agencies to spend the funds on either electric or natural gas measures at their discretion. Staff recommends allowing funding of low-income fuel conversions through Avista's Low Income Rate Assistance Program (LIRAP) tariff Schedules 92 and 192, (and not through its conservation program). At this time, Staff recognizes that natural gas prices are a market driver and sees no reason to prevent these agencies funding low-income fuel conversion in cases when they determine it is in the best interest of the low-income customer to do so. The projects should be funded at the budgeted amount in the low-income weatherization program, providing low-income rate assistance through these projects.

Pilots

Staff commends the Company on its willingness to sponsor pilot projects and evaluate new technologies for attaining energy conservation at a reasonable cost of $350,000.[48] In particular, Staff supports Avista's newly proposed residential behavioral pilot program, which will utilize advanced meter infrastructure (AMI) and Wi-Fi enabled residences. As a result of the newly proposed residential behavioral pilot, Avista proposes to end its home energy report (HER) program with Opower/Oracle in 2018. The Company has committed to replacing HER savings with this pilot and will carry-over its forecasted behavioral savings of 15,386 MWh in its biennial target.

Staff is concerned that the Company has committed to these savings—while details in the BCP are vague. It would be helpful if Avista could provide more information, including a quarterly

[47] WAC 480-109-130 Conservation cost recovery adjustment.
[48] *Avista's 2018-2019 BCP*, Docket UE-171091, Appendix B (2018 Annual Conservation Plan) at 19-22.

update with its advisory group members on the pilot scope, schedule and selection of its third-party vendor to implement the behavioral target savings. The Company should regularly update Staff on how (and at what cost) its committed 15,386 MWh of savings will be achieved.

Stakeholder Engagement

In 2017, Staff notes Avista has improved aspects of its advisory group communication and hosted a series of webinars on topics such as its LEAP program, multifamily fuel conversion program, and its draft targets and plans. The Company has engaged its conservation advisory group, and Staff appreciates the amount of time that the Company and the members of the advisory group have devoted to these issues. However, Staff remains concerned that the Company may view the function of the advisory group as merely a conduit for disseminating information rather than a forum for discussion and advice: the advisory group, is intended "to advise the utility on conservation issues."[49] Staff encourages the Company to revisit the rule and discuss the role and purpose of the advisory group with its members. Also, in an effort to increase transparency, Staff requests that budget, savings, and other tables containing data with calculations submitted to the Commission (through draft plans or informal data requests) be provided in Excel format.

Prescriptive residential conservation measures

Avista's prescriptive residential offerings do not appear to closely align with its most recent CPA. The Company should evaluate its offerings and refile its BCP to include the Company's CPA "top 20 measures" or provide a rationale as to why these offerings are not feasible and cannot be offered alongside its other residential programs.[50] The biennial potential for residential savings must be reconciled with current program offerings; the Company should discuss results in detail with its advisory group.

Pacific Power & Light Company (Docket UE-171092)

Company Recommended Target

For the 2018-2027 period analyzed in its CPA, Pacific Power estimates that its 10-year conservation potential is 394,473 MWh, measured at the generator.[51] Pacific Power hired the consultant AEG to develop a CPA for all of its states (except Oregon, for which the Company obtains conservation resources through the Energy Trust of Oregon). Staff finds that the Company used a methodology consistent with the Council's 7th Northwest Power Plan, as required by WAC 480-109-100(2)(b) and WAC 480-109-999(1)(a), to develop its CPA.

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[49] WAC 480-109-110 Conservation advisory group.
[50] *Avista's 2017 DSM Potential Study Report*, prepared by Applied Energy Group (AEG). Table 5-6 Residential Top Measures in 2019 (Annual Energy, MWh).
[51] Staff notes that there are some irregularities and mismatched figures in Pacific Power's original as-filed BCP. Pacific Power has informed Staff of its intent to file an updated plan with corrected figures. The details and analysis in Staff's comments are based on the Company's corrected figures.

With the CPA's data as an input, Pacific Power used its IRP resource selection tools to identify Washington's total technical, achievable and economic conservation potential. The Company adjusted the IRP's selected conservation resources to account for a number of factors, including existing behavioral programs (which were not included in AEG's assessment), cost-effective cogeneration, and updated unit energy savings assumptions for some measures based on newer information. After these adjustments, Pacific Power identified 81,500 MWh of cost-effective, reliable and feasible conservation for the 2018-2019 biennium.[52]

Pacific Power modified this target by first removing forecasted NEEA savings, then adding a 5 percent decoupling commitment, pursuant to the Company's interpretation of Order 12 in Docket UE-152253. Table 7 below compares Pacific Power's representation of its current and upcoming biennial targets and budgets.

Table 7: Pacific Power-proposed Conservation Savings and Budget

	2016-2017 Biennial EIA Target	2016-2017 Portfolio Total [53]	2018-2027 10-year potential	2018-2019 Biennial EIA Target	2018-2019 Portfolio Total [54]
Savings (MWh)	87,814 MWh	96,876 MWh	394,473 MWh	78,008 MWh	91,596 MWh
Budget		$24,560,530			$22,585,727

The Company and Staff agree that the 5 percent decoupling commitment should be calculated based on the Company's EIA target obligations. Staff disagrees with Pacific Power's interpretation that the Company's EIA obligation is net of NEEA's projected savings. Pacific Power's order of operations in calculating its EIA target is as follows:

1. Determine available cost-effective, reliable and feasible conservation — 81,500 MWh
2. Subtract forecasted NEEA savings of 7,207 MWh — 74,293 MWh
3. Calculate 5 percent decoupling commitment based on 74,293 MWh — 3,715 MWh
4. Add decoupling commitment to net-of-NEEA target — **78,008 MWh**

Pacific Power plans to spend $22,585,727 over the 2018-2019 biennium to achieve an estimated 91,596 MWh of savings (both figures including NEEA). The 2018-2019 biennial budget is about

[52] Pacific Power used the two-year savings potential for 2018-2019, as it was larger than its pro-rata share of 78,895 MWh.
[53] The 2016-2017 target excludes NEEA savings, and does not include a decoupling commitment. Pacific Power did not have a decoupling arrangement at the time of the 2016-2017 BCP filing.
[54] The proposed 2018-2019 target excludes NEEA and includes Pacific Power's calculation of its decoupling commitment.

9 percent less than the previous biennial budget. The Company expects its total portfolio to achieve a TRC ratio of 1.3 and a UCT ratio of 1.4, indicating that the portfolio is cost-effective.[55]

Pacific Power is planning to implement a number of pilot programs. The Company took an appropriately conservative approach to reporting the pilot program's costs and savings, including the costs in the Company's conservation budget, but not including any savings generated by the pilots in their total projected savings estimates.

The primary driver of the reduction in both the conservation target and the program's energy savings projections is the reduced cost of supply-side resources relative to demand-side resources in Pacific Power's IRP. Continued low gas prices have helped keep supply-side alternatives competitive, while improved building codes and updated unit energy savings for key energy efficiency measures provide upward pressure on the price of conservation resources. Nonetheless, Pacific Power estimates that its non-NEEA programs will achieve roughly 108 percent of its non-NEEA target.

Staff Recommended Target

As discussed on Page 5 of these comments, Staff recommends NEEA savings no longer be removed from the EIA target. For Pacific Power, this would simply change the EIA target to 81,500 MWh, as shown in Table 8, below:

Table 8: Staff-proposed Pacific Power Conservation Savings

Category	Savings (MWh)
2-year share of adjusted 10-year potential	81,500
EIA target	**81,500**
Decoupling commitment	**4,075**
Total target subject to penalty	85,575
2018-2019 Portfolio Total	**85,575**

If the Commission decides to continue the practice of removing forecasted NEEA savings from companies' targets, Staff recommends subtracting NEEA's forecasts *after* adding the decoupling commitment. Staff contends that the 5 percent commitment should be based off the conservation target before forecasted NEEA savings are removed, because a company's decoupling commitment should be based on the Company's core obligation. 81,500 MWh represents all cost-effective conservation; accordingly, the decoupling commitment should be 5 percent of this figure. This would result in a 2018-2019 biennial conservation target of 78,368 MWh.

This issue is rendered moot if the Commission adopts Staff's recommendation to include NEEA savings in each company's biennial conservation target.

[55] Tests include 10 percent NW Power Act credit, NEEA estimated costs and benefits, and non-energy impacts.

Stakeholder Engagement

Staff appreciates Pacific Power's continued efforts to engage with the advisory group. Staff would welcome any efforts on the part of Pacific Power to increase active participation from other members of the advisory group, though Staff recognizes that stakeholder engagement is not fully within the Company's control. Staff has not identified any issues within the advisory group that should be considered by the Commission at this time.

Summary

After reviewing the comments filed by other parties in this matter, Staff intends to present its final recommendations and proposed conditions for approval at the Commission's December 20, 2017, Recessed Open Meeting.