

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

**In the Matter of Puget Sound Energy  
2020-2021 Biennial Conservation Plan**

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**DOCKET UE-190905**

**In the Matter of Pacific Power and Light  
Company 2020-2021 Biennial  
Conservation Plan**

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**DOCKET UE-190908**

**In the Matter of Avista Corporation 2020-  
2021 Biennial Conservation Plan**

**DOCKET UE-190912**

**COMMISSION STAFF COMMENTS REGARDING  
ELECTRIC UTILITY CONSERVATION PLANS UNDER  
THE ENERGY INDEPENDENCE ACT,  
RCW 19.285 and WAC 480-109  
(2020-2021 BIENNIAL CONSERVATION PLANS)**

**December 5, 2019**

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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 — must set and meet energy conservation targets.<sup>1</sup>

On November 1, 2019, 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 2020-2021 conservation targets with the Commission as required by law.<sup>2</sup>

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,<sup>3</sup> 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.”<sup>4</sup> In reviewing the BCPs Staff found that the companies met the reporting requirements outlined in RCW 19.285.070, and WAC 480-109-120.

**Table 1: Summary of 2020-2021 Targets (MWh)<sup>5</sup>**

	EIA Target	EIA Penalty Threshold	Decoupling Threshold	Total Planned Savings
PSE	359,861	336,297	17,993	476,468
Pacific Power	101,899	95,108	5,095	107,123
Avista	72,844	59,948	3,642	97,178

In these comments, Staff summarizes the target setting process, discusses the effect of recent legislation on the BCPs, and describes Staff’s understanding of the advisory group position on treatment of Northwest Energy Efficiency Alliance (NEEA) savings. Staff also discusses additional areas of interest that we recommend utilities focus on in 2020-2021.

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<sup>1</sup> RCW 19.285.030(19) (definition of “qualifying utility”); RCW 19.285.040(1)(b) (biennial conservation targets).

<sup>2</sup> RCW 19.285.070; WAC 480-109-120; Dockets UE-190905, UG-190913, UE-190912, and UE-190908.

<sup>3</sup> RCW 19.285.040(1)(a).

<sup>4</sup> RCW 19.285.040(1).

<sup>5</sup> See Table 2: Definition of savings terms used in 2020-2021 BCPs.

After reviewing the comments filed by other parties in this matter, Staff intends to present final recommendations and proposed conditions for approval at the Commission's December 17, 2019, Recessed Open Meeting.

## **Target Setting and Implementation Plans**

The target setting process begins with the development of Conservation Potential Assessments (CPAs), which establish the achievable savings potential in a utility's service territory over twenty, ten, and two-year periods. This savings potential is an input to the integrated resource plan (IRP) model, which acts as an economic screen to determine the cost-effective potential.

Once the amount of cost-effective conservation is identified, the utilities may make necessary adjustments to derive their biennial EIA conservation target, penalty threshold, and total utility conservation goal. Examples of the modifications that might be made include updating savings estimates based on new information, adding savings associated with measures not captured in the CPA (such as distribution savings), and removing savings from the penalty threshold that will be achieved through programs without direct utility administration, such as the market transformation work done by the NEEA.

### *SWAG Agreement on Treatment of NEEA Savings*

In January 2018, the Commission approved the 2018-2019 BCPs with the condition that the utilities form a joint advisory group to discuss continued disagreement over the treatment of Northwest Energy Efficiency Alliance (NEEA) savings in conservation targets.<sup>6</sup>

Per the commission's requirement, a Statewide Advisory Group (SWAG) with contributing members including Washington electric and gas investor-owned utilities (IOUs) and their respective advisory groups met to discuss the Commission-ordered NEEA issue.

The SWAG identified a solution to the question of whether to include or exclude these savings from the conservation target. The agreement on the definitions below addressed all stakeholder concerns. NEEA savings are included in the EIA targets as reported to the Department of Commerce consistent with consumer-owned utilities and the IOUs are not penalized if NEEA does not meet forecasted savings. The EIA Target will be calculated in accordance with RCW 19.285.040 (1)(a) and (b) and used when reporting to Commerce and when calculating decoupling commitments, as described in Table 2.

Staff recommends the Commission affirmatively state that it is the Commission's standard practice to remove forecasted savings from previously undertaken market transformation activities when calculating the EIA penalty threshold. Staff further recommends that the

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<sup>6</sup> *In re Puget Sound Energy Report Identifying Its 2018-2019 Electric Biennial Conservation Target Under RCW 19.285.040 and WAC 480-109-120*, Docket UE-171087, Order 01, 7 ¶ 26 (Jan. 12, 2018) (PSE BCP 2018-19 Order); *In re Avista Corp. Report Identifying Its 2018-2019 Electric Biennial Conservation Target Under RCW 19.285.040 and WAC 480-109-120*, Docket UE-171091, Order 01, 8 ¶ 32 (Jan. 12, 2018) (Avista BCP 2018-19 Order); *In re Pacific Power & Light Co. Report Identifying Its 2018-2019 Electric Biennial Conservation Target Under RCW 19.285.040 and WAC 480-109-120*, Docket UE-171092, Order 01, 7 ¶ 26 (Jan. 12, 2018) (Pacific Power BCP 2018-19 Order).

Commission adopt the language agreed upon with the SWAG recognizing that the EIA Penalty Threshold may diverge from the EIA Target.

**Table 2: Definition of savings terms used in 2020-2021 BCPs**

EIA target	All cost-effective conservation potential as required by RCW 19.285. Includes the CPA Pro-Rata Share plus other programs/measures with confident savings omitted from CPA subject to the EIA.
Decoupling Penalty Threshold	Five percent of the EIA target.
Total Utility Conservation Goal	EIA target plus decoupling threshold and any additional savings identified outside of the EIA target.
EIA Penalty Threshold	As approved by the Commission, which may rely on standard practice to set IOU conservation targets. Generally, the EIA target minus NEEA savings from “program measures” and “codes and standards” not included in the CPA.

### *Implementation of new legislation*

Staff recognizes the unique uncertainties introduced into the biennial conservation planning process by the recent passage of major energy legislation. In particular, the Clean Energy Transformation Act (CETA) has created a number of open questions and areas of uncertainty. The statutory changes around energy planning and acquisition are in effect, but ongoing rulemakings have yet to provide necessary guidance to utilities. As a result, the current BCPs are based on out-of-date 2017 IRPs, with input from 2019 IRP progress reports. Below, Staff explores issues complicated by the ongoing statute implementation process:

- IRP timing and target setting, and
- Ensuring all customers are benefiting from the transition to clean energy.

Staff acknowledges that the utilities have not had time to address all of the complexities of CETA and other recently passed statutes in their current biennial conservation plans. However, utilities should be making best efforts to comply with the statute.

### *IRP timing and target setting*

In February 2019, all three electric utilities petitioned the Commission for extensions to their IRP filing deadlines.<sup>7</sup> The extensions, once granted, gave the utilities more time to include within their IRPs any relevant legislation enacted during the 2019 legislative session. One practical

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<sup>7</sup> See Dockets UE-180259, UE-180607, UG-180608, and UE-180738. PSE also petitioned to have the deadline for its natural gas IRP extended, which it completes in conjunction with its electric IRP.

impact of this delay was that not all of the relevant data normally produced through the IRP process and used in the BCP process was available in time to complete the BCPs. As a result, the Commission authorized PSE and Avista to use 2017 IRP guidance as a basis for its 2020-2021 BCP. To comply with the EIA, the utilities agreed with Staff to update their targets once their 2019 IRPs were finalized. Further delays in Pacific Power's IRP prompted a proposal to use an IRP scenario that incorporates the social cost of carbon to determine cost-effectiveness.

On October 28, 2019, Staff petitioned the Commission once again to waive the IRP rules for all three electric utilities. In these petitions, Staff acknowledged that the current IRPs might have diminished relevance as CETA is implemented. The Commission granted Staff's petitions on November 7, 2019. Utilities are now required to submit progress reports in lieu of the 2019 IRPs, and draft 2021 IRPs by January 4, 2021, with final versions due by April 1, 2021.

As of the date of these comments, Staff is actively working with the utilities and other interested stakeholders to determine appropriate dates for updating their 2020-2021 EIA targets to incorporate the use of updated data, which will more accurately reflect achievable cost-effective conservation potential in the new statutory environment. Of particular interest will be how each utility models greenhouse gas pollution costs in electric integrated resource planning when evaluating and selecting conservation policies, programs, and targets in accordance with RCW 19.280.030(3)(a). Staff appreciates the utilities' flexibility and cooperation during this ongoing process. Staff will include a detailed recommendation regarding this update in our forthcoming memos and proposed conditions.

### Ensuring all customers are benefiting from the transition to clean energy

The Council's 7th Power Plan identified hard-to-reach markets as action plan item MCS-1.<sup>8</sup> The Council's identification of this market segment as warranting extra attention proved prescient, as CETA has significantly expanded requirements related to highly impacted communities and vulnerable populations.

For at least the last two biennia, Staff and the utilities made hard-to-reach markets the topic of increased attention. For example, one utility has built pilot programs to ease financial hindrances to conservation by offering on-bill repayment. Utilities have also endeavored to increase the participation of customers in manufactured homes through special rebates and increased incentives, and created direct install programs for multifamily homes. In addition, utilities have stepped up to ensure that low-income weatherization funding will be available despite some uncertainty regarding matching funds.

These efforts form a solid foundation for developing a more robust suite of offerings to fulfill the requirement in CETA that "all customers are benefiting from the transition to clean energy."<sup>9</sup> The CETA rulemakings will provide more specificity around a utility's obligations to this subset of customers, and how those obligations interface with the utility's current conservation programs. Still, CETA is now in effect, and Staff expects the utilities to implement the requirements of CETA to the best of their abilities, even in the absence of the guidance and

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<sup>8</sup> 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](https://www.nwcouncil.org/media/7149934/7thplanfinal_chap04_actionplan.pdf).

<sup>9</sup> RCW 19.405.040(8).

clarity that a finalized rule will provide. Staff recommends that each utility take the first steps towards ensuring “equitable distribution of energy and nonenergy benefits and reduction of burdens to vulnerable populations and highly impacted communities” through conservation in this biennium.<sup>10</sup> Staff discusses nonenergy impacts below and will include a detailed recommendation regarding these steps in our forthcoming memos and proposed conditions.

## **Additional Areas of Interest**

The ongoing conservation planning, reporting, and reviewing process developed for each utility’s portfolio provides documentation of the utility’s decision making process. Throughout a biennial cycle, Staff monitors prudence 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 company’s program are discussed in subsequent 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 the following:

- Nonenergy impacts
- Distribution savings
- Coordination between utilities
- Public involvement
- Pilot programs

### *Nonenergy Impacts*

The EIA requires the inclusion of quantifiable environmental costs and benefits when calculating cost-effective conservation.<sup>11</sup> Historically, utilities in Washington have relied heavily on the Regional Technical Forum (RTF) to help quantify these impacts.<sup>12</sup> As described above, CETA puts a new emphasis on nonenergy impacts that requires utilities to ensure an equitable distribution of benefits, a policy that neither aligns with the RTF’s approach to nonenergy impacts nor falls under the RTF’s purview. While Staff recognizes that there are still many uncertainties concerning exactly how this equitable distribution will be measured, there are concrete steps toward compliance that the utilities must take without waiting until the completion of all the rulemakings.

Equitable distribution of something requires a reasonable count of what is to be distributed. Staff believes each utility must make a plan to identify and quantitatively value the nonenergy benefits

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<sup>10</sup> RCW 19.405.060(1)(c)(iii); similar language found in RCW 19.405.010(6) and elsewhere.

<sup>11</sup> See RCW 19.285.040(1). Cost-effectiveness is defined in RCW 80.52.030(7), and includes system costs and quantifiable environmental costs and benefits.

<sup>12</sup> The RTF is a formal committee of the Northwest Power and Conservation Council that develops assumptions and guidance around energy savings from efficiency measures.

provided by energy efficiency. This effort should include nonenergy benefits provided by demand response and distributed energy resources. As relying on the RTF will likely not be possible for many of these benefits, Staff strongly suggests that Washington utilities coordinate their efforts.

Additional guidance will be needed to identify which of these nonenergy impacts should properly be incorporated into a cost-effectiveness test. Staff anticipates convening a workshop during the biennium, possibly as part of an ongoing rulemaking, to address this and other issues around cost-effectiveness in relation to CETA.

### *Distribution savings*

WAC 480-109-100(1)(b) explicitly identifies distribution efficiency as one of the many types of conservation opportunities that must be analyzed and, if cost-effective, obtained. Each biennium, the utilities look for opportunities for energy savings along a utility's distribution system, which are often incredibly cost-effective, especially if obtained in the course of routine maintenance. In Staff's comments on the 2016-2017 biennial conservation reports (BCRs), Staff expressed disappointment in the rate at which PSE planned to complete conservation voltage reduction (CVR) projects, and recommended all three companies, in conjunction with their advisory groups, improve distribution efficiency planning and reporting.

In the 2020-2021 biennium, PSE intends to complete eight CVR projects. This number is an improvement over the achievements of the previous two biennia, but at that rate, it would still take many years for PSE to complete CVR projects on all eligible substations.

In its 2020-2021 BCP, PSE indicates that a significant acceleration to its CVR implementation is coming in future biennia. This expansion is tied to the company's advanced metering infrastructure (AMI) and substation automation rollouts, which will unlock new CVR capabilities. Similarly, Avista is anticipating increased distribution efficiencies once the rollout of AMI is completed. In light of the ongoing technology upgrade, Staff accepts the 2020-2021 distribution efficiency and CVR implementation plans, but expects to see the aforementioned expansion starting in the 2022-2023 biennium.

Staff understands that Pacific Power is completing its implementation of an advanced distribution system analysis software called CYME. Staff commends the company for investing in tools that allow a deeper understanding of its system operations, and for its commitment to begin analysis of feeders in Washington during this biennium.

### *Coordination between utilities*

As described above, in 2018 the advisory groups of all state investor-owned utilities came together in the SWAG to tackle common issues. SWAG meetings have proven useful for coordination among utilities, and heightened the cross-pollination of best practices and new ideas. This is one example of effective coordination between utilities.

Another good example of utility coordination is NEEA, a regional market transformation alliance that includes all the energy utilities the Commission regulates. Staff grows concerned when utilities decide not to fully engage in studies, marketing, and other programs coordinated



by NEEA and believes any decisions to opt out of participation should be discussed with the advisory group.

Additional coordination is occurring where electric and gas service territories overlap and where utilities find common interest. As the energy sector undergoes a clean transformation, Staff encourages utilities to look for additional opportunities to work together, leveraging each other's experience, ideas, and other resources to improve outcomes for all ratepayers. This should include the research into nonenergy impacts described above.

### *Public Involvement*

Staff has observed growing interest among stakeholder organizations and members of the public in understanding the suite of resources that are used to meet customer needs. Staff believes that this interest will continue to grow as CETA implementation progresses, and recognizes that there are many other stakeholders with valuable conservation skills and knowledge to share.

Depending on the level of interest and the utilities' needs, additional public involvement could take many forms including:

- opening some or all advisory group meetings for full public involvement,
- providing specific opportunities for public comment during current meetings,
- adding newly identified stakeholders to advisory groups, or
- inviting guest insight on specific topics.

The intent is not to turn advisory group meetings into public meetings, but to provide opportunities for stakeholders to provide input. In the 2020-2021 biennium, Staff strongly encourages utilities to increase public involvement in the conservation advisory group process in a way that benefits the planning and implementation of the program.

### *Pilot Programs*

An integral part of pursuing all conservation is the ongoing research and evaluation of technologies and programs.<sup>13</sup> These efforts often take the form of pilot programs. Utilities “must implement pilot projects when appropriate and [are] expected to produce cost-effective savings within the current or immediately subsequent biennium.”<sup>14</sup> In past biennia, Staff has noted the limited number of pilot programs implemented by Washington's investor-owned utilities.

In their 2020-2021 BCPs, all three utilities have meaningfully expanded their pilot offerings. With the passage of CETA, Staff expects that the additional policy goals will prompt utilities to engage in larger and more creative pilot programs, which should uncover more avenues for achieving energy savings.

Utilities should solicit input from their respective advisory groups concerning the goals of each program and the design of appropriate evaluation metrics that will inform decisions about when to expand, modify, or end each program.

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<sup>13</sup> See WAC 480-109-060(21).

<sup>14</sup> WAC 480-109-100(1)(c).

## Company Targets and Plans

### *Puget Sound Energy (Docket UE-190905)*

As mentioned above, due to the delay of its 2019 IRP, Puget Sound Energy’s BCP as filed is based on its 2017 IRP. The company intends to file an update to its BCP target as described on page 5 of these comments. Table 3 below outlines the company’s conservation targets for the upcoming biennium.

**Table 3: PSE Conservation Targets and Goals**

<b>Category</b>	<b>MWh</b>
Pro Rata Share of 10-Year Conservation Potential (as calculated using 2017 IRP data)	359,861
<b>EIA Target</b>	<b>359,861</b>
Excluded Programs (NEEA)	(23,564)
<b>EIA Penalty Threshold</b>	<b>336,297</b>
Decoupling Penalty Threshold	17,993
Add Firm Savings Excluded from CPA	9,198
Add Pilots with Uncertain Savings	15,080
Additional Portfolio Build-Out <sup>15</sup>	74,336
<b>Total Utility Conservation Goal</b>	<b>476,468</b>

PSE plans to spend \$173,563,192 to achieve the total portfolio savings of 476,468 MWh, which includes funding for a demand response pilot<sup>16</sup>, pilots with uncertain savings, savings from retail wheeling and special contract customers, the additional portfolio build-out, and the decoupling commitment savings. The biennial budget is about 4 percent less than the previous biennial budget while the portfolio total savings is approximately 8 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 conservation baselines, market saturation of lower-cost measures, and the effect of legislation enacted in the 2019 legislative session.

<sup>15</sup> This category addresses the possibility that the final 2019 IRP guidance could be substantially more than the 2017 IRP guidance used to write the BCP, and is meant to account for that potential additional savings.

<sup>16</sup> Planned in conjunction with the company’s new targeted demand-side management program. The company also plans to spend \$2,908,515 on net metering. These revenues are also collected through the electric conservation rider Schedule 120.

The budget includes costs for additional commitments to low-income weatherization: \$500,000 annually in funding as part of the decoupling commitment, approximately \$145,000 annually as part of the Microsoft settlement<sup>17</sup>, and a one-time \$2 million contribution of shareholder funds to the low-income weatherization program (spread over five years) as part of the Macquarie settlement.<sup>18</sup> Also as part of the Macquarie settlement, PSE in 2020 will contribute financial and staff resources to a low-income needs assessment study.

The company expects its total portfolio to achieve a total resource cost test (TRC) ratio of 1.3 and a utility cost test (UCT) ratio of 1.5, indicating that the portfolio is cost-effective.<sup>19</sup> Table 4 compares PSE’s current and upcoming biennial proposed targets and budgets.

**Table 4: PSE Conservation Savings and Budget**

	2018-2019 Biennial EIA Target <sup>20</sup>	2018-2019 Portfolio Total <sup>21</sup>	2018-2027 10-year potential	2020-2021 EIA Penalty Threshold	2020-2021 Portfolio Total <sup>22</sup>
Savings (MWh)	448,109	520,456	1,799,149	336,297	476,468
Budget		\$183,836,280 <sup>23</sup>			\$176,471,707 <sup>24</sup>

*Manufactured Homes/Hard-to-Reach Respondents*

In 2019, PSE funded a manufactured home conservation market study, conducted by Cadmus.<sup>25</sup> The study characterized the manufactured home conservation market, quantified the amount of conservation completed since 2010, and calculated the 10- and 20-year achievable technical conservation potential in this segment. The high-level findings include:

- 24 aMW of 10-year achievable technical potential and 47 aMW of 20-year achievable technical potential.

<sup>17</sup> See *Wash. Utils. & Transp. Comm’n v. Puget Sound Energy*, Docket UE-161123, Order 06, 7, ¶ 9m (July 13, 2017). The approximately \$145,000 is based on PSE’s 2019 estimates of the amount to be collected through the commitment made in ¶ 9m.

<sup>18</sup> See *In re the Joint Application of Puget Sound Energy, Alberta Inv. Mgmt. Corp., British Columbia Inv. Mgmt. Corp., Omers Admin. Corp., and PGGM Vermogensbeheer B.V. For an Order Authorizing Proposed Sales of Indirect Interests in Puget Sound Energy*, Docket U-180680, Order 06, 18, ¶ 67 (March 7, 2019).

<sup>19</sup> Excluding low-income programs.

<sup>20</sup> See PSE BCP 2018-19 Order at 9 ¶ 35.

<sup>21</sup> See *Id.* at 3, Table 2.

<sup>22</sup> Includes NEEA, decoupling commitment, additional firm savings, pilots with uncertain saving, and additional portfolio build-out.

<sup>23</sup> See PSE BCP 2018-19 Order at 3, Table 2.

<sup>24</sup> Includes \$2,908,515 for the net metering program.

<sup>25</sup> Cadmus, *Manufactured Homes Market Study* (July 30, 2019).

- Approximately half of PSE's manufactured home customers had participated in at least one PSE conservation program (though most of those had participated in just one program).
- Manufactured home residents have lower incomes and are more likely to be in poverty than site-built single-family home residents.

PSE has implemented a number of measures intended to enhance its conservation achievement with this sector of hard-to-reach customers, including:

- New measure offerings and substantially increased incentives for existing measures.
- New and enhanced outreach methods.
- A focus on specific priority customers, such as Spanish speaking customers and those outside of a manufactured home park.

Staff expects the company to monitor whether these changes are having the intended result, and adaptively manage the program as needed. PSE should also apply an economic screen to the technical achievable potential found in the manufactured home study to quantify the economic potential in the sector. In doing so, PSE could experiment with setting incentive levels for this sector using the UCT instead of the TRC, to test how higher incentives impact economic conservation potential. Finally, PSE should discuss early results with its conservation resource advisory group (CRAG) in mid-2020 to see if the CRAG believes any adjustments are necessary.

### *Pilot programs*

PSE has numerous pilot or pilot-like programs planned for this biennium. Perhaps the most significant is a targeted demand-side management (DSM) pilot, through which PSE will offer increased rebates and incentives, as well as demand response opportunities, to customers in specific localities as non-wires and non-pipeline alternatives, to defer more expensive investments. In 2020-2021, the company intends to offer targeted DSM programs to Bainbridge Island (to defer a new substation) and the city of Duvall (to defer a pipeline expansion).

Other pilot programs include:

- The continuation (with some adjustments) of a Pay for Performance pilot.
- Increased incentives and outreach to moderate-income residents (between 200 and 250 percent of the federal poverty level).
- AMI enhanced engagement for residential and small- and medium-sized business customers.
- A revised Home Energy Assessment (HEA) program.
- A potential commercial midstream pilot.

Staff commends PSE on its robust pilot program offerings for this biennium.

### ***Pacific Power & Light Company (Docket UE-190908)***

Pacific Power estimates that its 10-year conservation potential is 509,495 MWh, measured at the generator. Pacific Power hired the consultant Applied Energy Group (AEG) to develop a CPA for all of its states except Oregon; conservation resources are obtained in Oregon 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.

### *Social Cost of Carbon and Cost-Effectiveness*

With the CPA as an input, Pacific Power used its IRP resource selection tools to identify Washington's total technical, achievable and economic conservation potential. The largest complicating factor in Pacific Power's target-setting process for this biennium is the Company's use of a scenario portfolio inclusive of the social cost of carbon, rather than the Company's preferred portfolio. Effectively, the Company is proposing to set its cost-effectiveness standard using this social cost of carbon scenario. Pacific Power worked with Staff and other members of its Demand Side Management Advisory Group (DSMAG), proposing the use of this scenario as a reasonable way to reconcile the requirements of CETA with the selections made in the Company's finalized IRP.

As discussed above, this cycle presents unique challenges to all utilities in determining what amount of conservation is cost-effective. Of course, Staff would prefer basing the conservation target on the Company's selected portfolio, and would prefer that this portfolio fully countenances all of CETA's requirements and optimizes all of the Company's resources across its six-state service territory. However, given the many challenges and delays with the Company's recent IRP, combined with CETA's passage so late in the IRP process, Staff recognizes that this ideal is not achievable for this biennium. Under these circumstances, Staff believes that Pacific Power's proposed conservation target is an appropriate placeholder during this transition. Indeed, Staff applauds the Company's creativity and ambition in using available tools and resources to come up with a reasonable proxy for the likely impacts of CETA.

The Company adjusted the conservation resources selected under the social cost of carbon scenario to account for a number of factors, including existing behavioral programs (which were not included in AEG's assessment) and updated unit energy savings assumptions for some measures based on newer information. After these adjustments, Pacific Power identified 101,899 MWh of cost-effective, reliable and feasible conservation for the 2018-2019 biennium.<sup>26</sup>

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

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<sup>26</sup> Pacific Power used the two-year pro-rata share of the 10-year (2020-2029) savings potential for 2018-2019, which is larger than the two-year sum for 2020-2021 of 101,420 MWh.

**Table 5: Pacific Power Conservation Savings and Budget**

	<b>2018-2019 EIA Target <sup>27</sup></b>	<b>2018-2019 Portfolio Total</b>	<b>2020-2029 10-year potential</b>	<b>2020-2021 EIA Penalty Threshold</b>	<b>2020-2021 Portfolio Total</b>
Savings (MWh)	78,268	84,389	509,495	95,108	106,994
Budget		\$22,585,727			\$27,979,077

The Company and Staff agree that the five percent decoupling commitment is based on the Company’s EIA target obligations. As discussed in the context of the SWAG meetings, Staff and Pacific Power also agree that savings from NEEA should not be included in the Company’s EIA Penalty Threshold. The calculation of the Company’s penalty threshold is described in Table 6 below.

**Table 6: Pacific Power Conservation Savings**

<b>Category</b>	<b>Savings (MWh at gen)</b>
Pro Rata Share of 10-year conservation potential	101,899
Distribution and Production Efficiency	0
<b>EIA Target</b>	<b>101,899</b>
Decoupling threshold	5,095
<b>Total Utility Conservation Goal</b>	<b>106,994</b>
Excluded Programs (NEEA)	(6,791)
<b>Utility Specific Conservation Goal</b>	<b>100,203</b>
<b>EIA Penalty Threshold</b>	<b>95,108</b>

Pacific Power plans to spend \$27,979,077 over the 2020-2021 biennium to achieve an estimated 107,123 MWh of savings (both figures including NEEA). The Company’s 2020-2021 conservation portfolio forecasts 107,123 MWh of savings at the generator, a 17 percent increase from the 91,596 MWh forecast in the 2018-2019 plan, while the current biennial budget represents a 24 percent increase over the budget for the previous biennium (all figures including

<sup>27</sup> Pacific Power BCP 2018-19 Order at ¶¶ 34-37. The 2018-2019 target in this table excludes NEEA savings and includes Pacific Power’s decoupling commitment. This is comparable to the 2020-2021 EIA Penalty Threshold.

NEEA). The Company expects its total portfolio to achieve a TRC ratio of 2.09 and a UCT ratio of 2.62, indicating that the portfolio is cost-effective.<sup>28</sup>

Pacific Power is planning to implement a number of pilot programs, including expansion of its on-bill financing program, targeted delivery for manufactured homes, incentives for demand response enabled heat pump space and water heaters, and other offerings. 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 increase in both the conservation target and the program's energy savings projections is the Company's use of a portfolio that incorporates the social cost of carbon to perform the cost-effectiveness screening. This tended to increase the cost of supply-side resources relative to demand-side resources. Staff commends the Company and its team of energy efficiency professionals for their willingness to propose a reasonable approach to reconciling the Company's IRP results with the requirements of CETA, and for building a business plan that adapts to the significant increase in the Company's penalty threshold.

### ***Avista (Docket UE-190912)***

Similar to PSE, Avista has permission to calculate its EIA target using data from the 2017 IRP.<sup>29</sup> Avista, in consultation with its advisory group, calculated the Company's 2020-2021 EIA target using updated CPA analysis provided in the 2019 IRP progress report and intends to update the target pending additional data as discussed above.

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<sup>28</sup> Tests include 10 percent NW Power Act credit, NEEA estimated costs and benefits, and non-energy impacts.

<sup>29</sup> *In re Petition of Avista Corp. For Waiver of WAC 480-100-238(4) and Order Authorizing Use of 2017 Integrated Resource Plan for 2020-2021 Biennial Conservation Plan Targets*, Docket UE-180738, Order 01, 4, ¶ 23 (Feb. 15, 2019).

**Table 7: Avista Conservation Targets and Goals**

Category	MWh
Pro Rata Share of 10-year conservation potential	72,340
Distribution and Street Light Efficiency	504
<b>EIA Target</b>	<b>72,844</b>
Decoupling threshold	3,642
<b>Total Utility Conservation Goal</b>	<b>76,486</b>
Excluded Programs (NEEA)	(12,896)
<b>Utility Specific Conservation Goal</b>	<b>63,590</b>
<b>EIA Penalty Threshold</b>	<b>59,948</b>
Business Plan	
<b>Planned Utility Specific Savings</b>	<b>84,282</b>
<b>Planned Total Savings</b> (includes NEEA)	<b>97,178</b>

In anticipation of a potentially increased target once CETA is more fully incorporated into the data, Avista has planned program implementation to achieve significantly more than the current EIA target, as illustrated in Table 7.

While the 2020-2021 EIA Penalty Threshold is noticeably diminished from the comparable 2018-2019 EIA Target, Avista plans to increase total savings achieved this biennium. Table 8 compares Avista’s current and upcoming biennial proposed goals and budgets.

**Table 8: Avista Conservation Savings and Budgets**

	<b>2018-2019 EIA Target</b> (comparable to 2020-2021 Penalty Threshold)	<b>2018-2019 Total Utility Conservation Goal</b>	<b>2020-2029 10-year potential</b>	<b>2020-2021 EIA Penalty Threshold</b>	<b>2020-2021 Total Planned Savings</b>
Savings (MWh)	79,785	93,760	361,700	59,948	97,178
Total Budget		\$31,537,000			\$35,481,918



The total portfolio budget includes \$3,500,000 of matching funds from Community Energy Efficiency Program (CEEP) of Washington. The company expects its total portfolio to achieve a TRC ratio of 1.7 and a UCT ratio of 2.3, indicating that the portfolio is cost-effective.<sup>30</sup>

In the recent past, lighting programs have dominated utility energy efficiency programs. New lighting standards, originally at the federal level but reaffirmed at the state level, have made some of these programs in Washington obsolete.<sup>31</sup> In 2020, Avista will be discontinuing the Simple Steps buy down program for retail lighting, representing approximately 20 percent of the 2019 portfolio. In order to achieve a similar amount of savings, Avista has plans to ramp up existing programs and to develop new programs. Complementing this effort, the company has filed proposed tariff revisions that remove arbitrary incentive caps.<sup>32</sup>

### *Pilot programs*

In 2020, Avista plans an impressive number of pilot programs.

- The Home Energy Audit program targeting customers with high energy use in order to provide low-cost energy saving products as well as identify other energy efficiency opportunities.
- Continuation of the Residential Behavioral pilot program, which will build on lessons learned from the 2018-2019 biennium and apply them to AMI.
- The Active Energy Management (AEM) pilot will provide a technology platform to continuously monitor and improve building performance. AEM will leverage the stakeholder-funded endeavor to build an eco-district in Spokane as a proof of concept. The eco-district will also be home to an energy efficiency lab and an energy efficiency tool library.
- The Business Partner Program provides a comprehensive approach to serving rural small business customers, potentially leveraging CEEP assistance for financing.
- Small Business Direct Install is under development and will be similar to Avista's successful Multifamily Direct Install program.
- Luminaire Level Lighting Control/Networks Lighting will demonstrate additional energy savings prior to a significant lighting upgrade.
- Energy Use Index Retrofit will pilot a pay for performance approach to energy savings.
- While continuing to participate in NEEA, Avista is exploring a complementary regional market transformation program, potentially in partnership with Idaho Power. This program would target measures and solutions that are more specific to Eastern Washington and Idaho.

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<sup>30</sup> Excluding low-income programs. When low-income programs are included the portfolio achieves a TRC of 1.7 and a UCT of 2.2.

<sup>31</sup> EISA and HB 1444, codified as Chapter 19.260 RCW, set minimum efficiency requirements for general service lighting. RCW 19.260.040(18).

<sup>32</sup> Dockets UE-190906 and UG-190907.

## **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 17, 2019, Recessed Open Meeting.