

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of

PACIFIC POWER & LIGHT  
COMPANY

2020-2029 Ten-Year Achievable Electric  
Conservation Potential and 2020-2021  
Biennial Conservation Target Under  
RCW 19.285.040 and WAC 480 109 010

DOCKET UE-190908

ORDER 01

ACCEPTING 2020-2029 TEN-YEAR  
ACHIEVABLE CONSERVATION  
POTENTIAL AND 2020-2021  
BIENNIAL CONSERVATION  
TARGET, SUBJECT TO  
CONDITIONS

**BACKGROUND**

- 1 Under the Energy Independence Act (EIA or Act), electric utilities with 25,000 or more customers are required to set and meet energy conservation targets every two years.<sup>1</sup> The Washington Utilities and Transportation Commission (Commission) promulgated rules implementing the EIA, which further require that each utility must file a report with the Commission identifying its 10-year achievable conservation potential and its biennial conservation target every two years.<sup>2</sup>
- 2 On November 1, 2019, Pacific Power & Light Company (Pacific Power or Company) filed its 2020-2021 Biennial Conservation Plan (BCP or Plan) identifying a 2020-2029

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<sup>1</sup> RCW 19.285.040(a) requires each electric utility to identify its 10-year achievable cost-effective conservation potential using methodologies consistent with those used by the Pacific Northwest Electric Power and Conservation Planning Council in its most recently published regional power plan. At least every two years, a utility must also review and update its assessment for the subsequent 10-year period. RCW 19.285.040(b) requires each qualifying utility to establish and make publicly available a biennial acquisition target for cost-effective conservation consistent with its identification of achievable opportunities in RCW 19.285.040(a) and meet that target during the subsequent two-year period. At a minimum, each biennial target must be no lower than the qualifying utility's pro-rata share for that two-year period of its cost-effective conservation potential for the subsequent two-year period.

<sup>2</sup> WAC 480-109-120.

ten-year achievable conservation potential of 509,495 megawatt-hours (MWh) and a 2016-2017 biennial conservation target of 93,189 MWh.

3 On February 15, 2019,<sup>3</sup> the Commission granted the Company an exemption from the IRP timing requirements and on November 7, 2019 the Commission granted Staff's petition to further delay the Company's next IRP filing to April 1, 2021.<sup>4</sup>

4 A third-party contractor, Applied Energy Group (AEG), initially prepared Pacific Power's Conservation Potential Assessment (CPA) as a key input to Pacific Power's 2019 IRP process. 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 to create its targets and goals. 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.

5 Table 1, below, summarizes the derivation of the Company's biennial target.

**Table 1: 2020-2021 EIA Conservation Savings at Generator and  
at the Customer's Meter**

Category	Savings ( MWh at Gen)	Savings (MWh at site) <sup>5</sup>
Pro Rata Share of 10-year conservation potential	101,899	93,189
<b>EIA Target</b>	<b>101,899</b>	<b>93,189</b>
Decoupling threshold	5,095	4,660
Total Utility Conservation Goal	<b>106,994</b>	<b>97,849</b>
Excluded Programs (NEEA)	(6,791)	(6,211)
<b>Utility Specific Conservation Goal</b>	<b>100,203</b>	<b>91,638</b>
<b>EIA Penalty Threshold (EIA Target minus NEEA savings)</b>	<b>95,108</b>	<b>86,979</b>

<sup>3</sup> *In re Pacific Power & Light Company. For Waiver of WAC 480-100-238(4)*, UE-180259, Order 01 Granting Temporary Exemption From Rule Subject to Condition ¶¶ 21-23 (Feb. 15, 2019).

<sup>4</sup> *In re Commission Staff's Petition for an Order Granting Exemption from the Requirements of WAC 480-100-238(4) and (5)*, UE-180259, Order 03 Granting Petition ¶¶ 23-26 (Nov. 07, 2019).

<sup>5</sup> *Id.* Site savings are calculated from generator savings by applying an aggregate adjustment factor (0.91452) based on the DSM Business Plan.

6 Table 2, below, summarizes the Company’s conservation budget and the suite of measures that the Company will use to achieve its target.

**Table 2. Comparison of 2018-2019<sup>6</sup> and 2020-2021<sup>7</sup> BCPs**

<b>Program</b>	<b>2018-2019 Projected Savings (MWh)</b>	<b>2018-2019 Budget</b>	<b>2020-2021 Projected Savings (MWh)</b>	<b>2020-2021 Budget</b>
<i>Residential</i>	223,667	\$68,836,847	168,454	\$49,192,955
<i>Low-income</i>	4,132	\$9,713,357	3,916	\$12,289,871
<b>Residential Total</b>	<b>227,799</b>	<b>\$78,550,204</b>	<b>172,370</b>	<b>\$61,482,825</b>
Non-Residential	261,623	\$71,999,497	263,954	\$78,252,846
Pilots	4,480 <sup>8</sup>	\$434,000	15,080 <sup>9</sup>	\$2,590,195
Regional <sup>10</sup>	26,554	\$10,400,000	25,064	\$9,841,195
Administration/Other	-	\$22,452,579	-	\$24,304,646
<b>Total</b>	<b>520,456</b>	<b>\$183,836,280</b>	<b>476,468</b>	<b>\$176,471,707</b>

7 The Commission’s order accepting the Company’s previous BCP was conditioned on the utilities forming a joint advisory group to attempt to resolve disagreement among the Washington electric and gas investor-owned utilities, their respective advisory groups, and Commission staff (Staff) about the treatment of NEEA savings in conservation targets.<sup>11</sup> The utilities subsequently formed the Statewide Advisory Group (SWAG). All

<sup>6</sup> UG-171092, Open Meeting Memo Table 2 (December 20, 2017)

<sup>7</sup> UG-190908-PPL-2020-2021-BCP-Apdx-2-Washington-2020-2021-DSM-Business-Plan-11-1-19, Table 1

<sup>8</sup> Includes only pilots with uncertain savings. In the 2018-2019 biennium this included only the Pay for Performance Pilot.

<sup>9</sup> Includes only pilots with uncertain savings. In the 2020-2021 biennium this includes the Retail Choice Pilot, the Home Energy Assessment Behavioral Pilot, the Advanced Metering Infrastructure Small & Medium Business Enhanced Engagement Pilot, the Advanced Metering Infrastructure Single-Family Home Enhanced Engagement Pilot, and the Pay for Performance Pilot.

<sup>10</sup> Savings and budgets associated with NEEA and the Generation, Transmission & Distribution Efficiency program.

<sup>11</sup> *In re Pacific Power & Light Company. Report Identifying Its 2018-2019 Electric Biennial Conservation Target Under RCW 19.285.040 and WAC 480-109-120, UE-171092, Order 01*

stakeholder concerns regarding the treatment of NEEA savings under the EIA were resolved by SWAG, which achieved consensus on the meanings of certain savings terms: EIA Target, EIA Penalty Threshold, Decoupling Penalty Threshold, and Total Utility Conservation Goal. The agreed definitions are provided in Table 3, below.

**Table 3: Definitions 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.
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.
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.

8 On December 5, 2019, Staff filed comments in this Docket detailing its evaluation of the Company’s filing. Overall, Staff is satisfied with Pacific Power’s 2020-2021 BCP and believes it demonstrates the Company’s strong commitment to pursue all reliable, cost-effective conservation. Staff believes the Company’s CPA conforms to the Northwest Power and Conservation Council’s (NPCC) methodology and accurately captures the rapidly evolving energy efficiency industry.

9 Staff recommends the Commission adopt the definitions of savings terms agreed to by SWAG, which recognizes that the EIA Penalty Threshold may diverge from the EIA Target. Staff also recommends the Commission affirm in this Order its standard practice of removing forecasted savings from previously undertaken market transformation activities when calculating the EIA Penalty Threshold.

10 Staff notes 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

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Accepting Pacific Power Company’s Calculation of its 2018-2019 Biennial Conservation Target; Imposing Conditions; Authorizing and Requiring Compliance Filing ¶¶ 38-40 (Jan. 12, 2018).

offerings in anticipation of impacts from the recently enacted Clean Energy Transformation ACT (CETA).

- 11 CETA additionally requires that all customers benefit from the transition to clean energy. Compliance with CETA may require Pacific Power to acquire increased energy efficiency resources. In order to facilitate a more updated analysis of CETA's impacts, Staff believes the Commission should require the Company to file an update to its 2020-2021 BCP by April 15, 2020. The timeframe is intended to allow the Company and stakeholders to gain additional insight into the appropriate modeling of the social cost of greenhouse gas (GHG) emissions for conservation targets at the January 16 CETA workshop; sufficient time to revise modeling, targets, and conservation plans as needed; and for 30 days' advance notice to the advisory group.<sup>12</sup>
- 12 Staff also believes the Commission should impose additional conditions on its acceptance of Pacific Power's target calculations for the purpose of continued compliance with established and newly passed legislation.<sup>13</sup> These conditions arose from Staff's analysis of prudence related to conservation, which included consideration of the following elements: 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.
- 13 Ultimately, Staff recommends the Commission issue an order accepting Pacific Power's 10-year electric conservation potential of 509,495 MWh; EIA Target of 93,189 MWh; EIA Penalty Threshold of 86,979 MWh; and Decoupling Threshold of 4,660 MWh, subject to the conditions set out in detail in Attachment A to Staff's memo. Conditions were created with input from the Company and SWAG. In summary, the conditions require the Company to:
- File a petition to modify or retain the biennial EIA Target, Penalty Threshold, Decoupling Penalty Threshold, and 10-Year Potential by April 15, 2020, incorporating the effects of CETA to the degree possible.
  - Include savings data as measured at the customer meter in all planning and reporting.

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<sup>12</sup> See UE-160698 Notice Of Discussion And Joint Workshop - Methodologies for incorporating social cost of greenhouse gas emissions in utility planning, evaluation and acquisition.

<sup>13</sup> RCW 19.285.040; RCW 19.405; WAC 480-109-120.

- Retain responsibility for complying with RCW 19.285 and WAC 480-109.
- Continue to use its advisory group and Integrated Resource Planning advisory group, including notifying and consulting with the groups in a variety of circumstances.
- Provide its proposed budget and energy savings.
- Maintain its conservation tariffs, with program details, on file with the Commission.
- Follow approved strategies for selecting and evaluating energy conservation savings.
- Follow program design principles.
- Use the Total Resource Cost Test.
- Develop pilot programs and follow research requirements.
- Demonstrate progress towards equitable distribution of nonenergy benefits.
- Use funds collected through the Electric Conservation Service Rider on approved conservation programs and their administrative costs.

14 On December 5, 2019, NW Energy Coalition (NVEC) filled comments offering general support for the Plan, the update that includes the social cost of GHGs, and for Staff's proposed conditions. NVEC emphasizes that robust customer-side programs are necessary to fulfill CETA's intent. Its comments highlight that the region will not be able to meet efficiency acquisition needs if underserved markets remain. NVEC requests Pacific Power find more granular ways to report program accomplishments to assess underserved markets. In addition, NVEC encourages Staff to facilitate collaboration on much of the work needed for energy efficiency programs to implement CETA.

### DISCUSSION AND DECISION

15 We agree with Staff's recommendation and accept Pacific Power's BCP subject to certain conditions. We accept Pacific Power's calculation of its 10-year electric conservation potential of 509,495 MWh; EIA Target of 93,189 MWh; EIA Penalty Threshold of 86,979 MWh; and Decoupling Threshold of 4,660 MWh, subject to the conditions attached to and incorporated into this Order as Appendix A for the reasons explained below.

16 The Company, in collaboration with Staff and advisory groups, developed a BCP using methodologies consistent with the Northwest Power and Conservation Council's most

recent final Power Plan,<sup>14</sup> which proposed appropriate program changes. The Plan also complies with the statutory requirement to “pursue all available conservation that is cost-effective, reliable, and feasible.”<sup>15</sup> However, we recognize that CETA’s implementation has introduced uncertainties into the biennial conservation process that create exceptional and unique circumstances.

- 17 Although statutory changes related to energy planning and acquisition have become effective, Commission rules related to these issues, which will provide necessary guidance to utilities, have not yet been adopted. Because the Company’s IRP has been delayed, it set the cost-effectiveness standard using the social cost of carbon scenario as the basis for its 2020-2021 BCP. As such, the current plan is based on an outdated IRP. To comply with the EIA, the Company agreed with Staff to update its targets once its 2019 IRP progress report is finalized. We agree that this is an appropriate solution to address the gap between newly-implemented legislation and rulemakings that are in progress but not yet complete, and thus adopt Staff’s recommendation to include it among numerous conditions for approving Pacific Power’s 2020-2021 BCP.
- 18 CETA also significantly expands the requirements related to highly impacted communities and vulnerable populations, mandating that “all customers are benefiting from the transition to clean energy.” In addition, Section 12 of CETA requires the Department of Commerce to collect and report data on energy burden and energy assistance need for each utility beginning July 31, 2020. 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. Nevertheless, CETA is now in effect, and we expect that the Company will implement CETA’s requirements to the best of its abilities, even in the absence of the guidance and clarity that finalized rules will provide.
- 19 As described above, CETA places a new emphasis on nonenergy impacts that requires utilities to ensure an equitable distribution of benefits. Coinciding, the EIA requires the inclusion of quantifiable environmental costs and benefits when calculating cost-effective conservation. While the Company 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

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<sup>14</sup> RCW 19.285.040(1)(a).

<sup>15</sup> RCW 19.285.040(1).

other offerings in 2020, we agree with Staff that the public interest requires imposing additional conditions related to non-energy impacts, distribution savings, coordination between utilities, and public involvement as a condition of accepting the Company's 2020-2021 BCP. These conditions are outlined in detail in Appendix A.

- 20 In January 2018, the Commission's Order accepting the Company's previous BCP was conditioned on the utilities forming a joint advisory group to resolve its disagreement about the treatment of NEEA savings in conservation targets. As discussed above, the Washington electric and gas investor-owned utilities and their respective advisory groups formed SWAG, which resolved the question of whether to include or exclude these savings from conservation targets via stakeholder agreement on the definitions of certain savings terms, as identified in Table 3, above. Based on SWAG's recommendation, which included consideration of all stakeholder input, we agree with Staff that it is appropriate to remove forecasted savings from previously undertaken market transformation activities when calculating the EIA penalty threshold, and thus adopt the definitions set out in Table 3, above. We note that this includes the agreed-upon language that the EIA Penalty Threshold may diverge from the EIA Target.
- 21 Accordingly, we accept Pacific Power's calculation of its 10-year electric conservation potential of 509,495 MWh; EIA Target of 93,189 MWh; EIA Penalty Threshold of 86,979 MWh; and Decoupling Threshold of 4,660 MWh, subject to the conditions incorporated into and attached to this Order as Appendix A.

### FINDINGS AND CONCLUSIONS

- 22 (1) The Commission is an agency of the State of Washington vested by statute with the authority to regulate the rates, rules, regulations, practices, accounts, securities, transfers of property and affiliated interests of public service companies, including electric companies.
- 23 (2) The Commission has authority to determine investor-owned utilities' compliance with RCW 19.285.040(1) and RCW 19.285.060(6). The Commission has authority to review and decide whether to approve investor-owned utility conservation targets. The Commission may rely on its standard practice in exercising that authority. *See* RCW 19.285.040(1)(e). The Commission has adopted WAC 480-109-010 to implement RCW 19.285.040(1).



- 24 (3) Pacific Power is an electric company and a public service company subject to Commission jurisdiction. Pacific Power is a qualifying investor-owned electric utility under RCW 19.285.030.
- 25 (4) On November 1, 2019, Pacific Power filed its 2020-2021 BCP identifying a 2020-2029 10-year achievable conservation potential, 2020-2021 EIA Target, EIA Penalty Threshold, and 2020-2021 Decoupling Threshold.
- 26 (5) This matter came before the Commission at a specially scheduled recessed meeting on December 17, 2019.
- 27 (6) Pacific Power's calculation of its 2020-2029 10-year achievable conservation potential of 509,495 MWh is consistent with RCW 19.285.040(1) and WAC 480-109-120(1).
- 28 (7) Pacific Power's calculation of its 2020-2021 biennial conservation target (EIA Target) of 93,189 MWh is consistent with RCW 19.285.040(1) and WAC 480-109-120(1).
- 29 (8) It is the Commission's standard practice to remove forecasted savings from previously undertaken market transformation activities when calculating the EIA Penalty Threshold.
- 30 (9) Pursuant to our January 12, 2018, Order in the previous biennium, the Washington investor-owned utilities, their advisory groups, and Staff formed SWAG to resolve how NEEA savings should be factored in conservation targets. All stakeholder concerns were resolved by the stakeholders' agreement to the definitions of certain savings terms: EIA Target, EIA Penalty Threshold, Decoupling Penalty Threshold, and Total Utility Conservation Goal.
- 31 (10) The SWAG's agreed definitions of EIA Target, EIA Penalty Threshold, Decoupling Penalty Threshold, and Total Utility Conservation Goal, are consistent with RCW 19.285.040(1), WAC 480-109-120(1), and Commission precedent.
- 32 (11) Pacific Power's calculation of its 2020-2021 EIA Penalty Threshold of 86,979 MWh is consistent with RCW 19.285.040(1) and WAC 480-109-120(1).
- 33 (12) Pacific Power's calculation of its 2020-2021 2020-2021 Decoupling Penalty Threshold of 4,660 MWh is consistent with Order 12 in Docket UE-152253.

- 34 (13) It is in the public interest to accept Pacific Power's biennial conservation target, as authorized by RCW 19.285.040(1)(e) and WAC 480-109-120(5), subject to the conditions proposed by Staff, as set out in Appendix A to this Order.
- 35 (14) The Commission should accept Pacific Power's calculation of its 10-year electric conservation potential of 509,495 MWh; EIA Target of 93,189 MWh; EIA Penalty Threshold of 86,979 MWh; and Decoupling Penalty Threshold of 4,660 MWh; subject to the conditions attached to this Order as Appendix A.

### ORDER

#### THE COMMISSION ORDERS:

- 36 (1) Pacific Power & Light Company's 2020-2029 Ten-Year Achievable Electric Conservation Potential of 509,495 MWh; 2020-2021 EIA Target of 93,189 MWh; 2020-2021 EIA Penalty Threshold of 86,979 MWh; and 2020-2021 Decoupling Penalty Threshold of 4,660 MWh, are accepted subject to the conditions attached to this Order in Appendix A.
- 37 (2) The Commission retains jurisdiction over this matter for purposes of effectuating this Order.

DATED at Lacey, Washington, and effective December 17, 2019.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chairman

ANN E. RENDAHL, Commissioner

JAY M. BALASBAS, Commissioner