Agenda Date: January 13, 2022
Item Numbers: D1 and D2

Dockets: UE-210822 and UG-210823
Company: Puget Sound Energy

Staff: Andrew Rector, Regulatory Analyst

Recommendation

Issue an order in Docket UE-210822 accepting Puget Sound Energy's

(1) 10-year electric conservation potential of 2,487,820 megawatt-hours (MWh),
(2) EIA Target of 497,564 MWh,
(3) EIA Penalty Threshold of 469,182 MWh, and
(4) Decoupling Penalty Threshold of 24,878 MWh pursuant to Order 7 in Docket UE-121697,
(5) subject to the conditions in Attachment A of staff's memo.

Issue an order in Docket UG-210823 approving Puget Sound Energy's

(1) Biennial Acquisition Target of 9,262,931 therms,
(2) Decoupling Penalty Threshold of 463,147 therms,
(3) subject to the conditions in Attachment B of staff's memo.

Background

On October 29, 2021, Puget Sound Energy (PSE or Company) filed its "2022-2023 Biennial Conservation Plan" (BCP or Plan) with the Washington Utilities and Transportation Commission (Commission) under Dockets UE-210822 and UG-210823. The electric Plan is required by the Energy Independence Act (EIA),[1] while the gas Plan is required by RCW 80.28.380.

Commission staff (Staff) filed responsive comments on the Plan on December 17, 2021.[2] Those comments detailed PSEs expected electric and gas savings in the 2022-2023 biennium, as well as some of the programs the Company will run to achieve those savings and Staff's analysis of the Plan.

PSE serves approximately 1.1 million electric customers and 807,000 natural gas customers in Island, King, Kitsap, Kittitas, Lewis, Pierce, Skagit, Snohomish, Thurston, and Whatcom counties.

[1] RCW 19.285.040(1); WAC 480-109-120(1).

[2] Dockets UE-210822 and UG-210823, "Commission Staff Comments Regarding Gas and Electric Utility Conservation Plans Under RCW 19.285 and 80.28 and WAC 480-109 (2022-2023 Biennial Conservation Plans)," filed Dec. 17, 2021.

Discussion

Tables 1 and 2 compare PSE's 2022-2023 electric and gas expected savings with expected savings from the 2020-2021 biennium.[3]

Table 1. Electric Savings and Budgets from PSE's 2020-2021 and 2022-2023 BCPs

Program	2020-2021 Projected Savings (MWh)	2020-2021 Budget	2022-2023 Projected Savings (MWh)	2022-2023 Budget
Residential Total	179,873	$66,140,635	145,746	$76,790,558
Low-income	*3,916*	*$12,289,871*	*3,955*	*$12,216,392*
Non-Residential	306,027	$88,854,942	346,845	$116,229,191
Pilots	15,080[4]	$3,991,170	4,725[5]	$1,693,034
Regional[6]	25,064	$9,841,195	40,382	$10,915,695
Administration/Other[7]	-	$25,048,847	-	$34,477,328
Total	**526,044**	**$193,876,789**	**537,698[8]**	**$240,105,807**

[3] 2020-2021 expected savings are as of the Company's April 2020 "Petition to Modify the Biennial Conservation Target, Penalty Threshold, Decoupling Commitment, and Ten-Year Potential," approved by the Commission in May 2020. Docket UE-190905, Order 02.

[4] Includes only pilots with uncertain savings. In the 2020-2021 biennium this included 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.

[5] Includes only pilots with uncertain savings. In the 2022-2023 biennium this includes the Retail Choice Pilot, the Home Energy Assessment Behavioral Pilot, the Advanced Metering Infrastructure Small & Medium Business Enhanced Engagement Pilot, and the Advanced Metering Infrastructure Single-Family Home Enhanced Engagement Pilot.

[6] Savings and budgets associated with NEEA, the Company's Targeted DSM Pilot, and the Generation, Transmission & Distribution Efficiency program.

[7] "Other" includes net metering and the Company's demand response pilot.

[8] The difference between this figure and that in Table 1 in Staff's comments is a small amount of additional savings that PSE believes it can realize during the 2022-2023 biennium. This additional savings is beyond that which is accounted for in its calculated EIA Target or EIA Penalty Threshold.

Table 2. Natural Gas Savings and Budgets from PSE's 2020-2021 and 2022-2023 BCPs

Program	2020-2021 Projected Savings (therms)	2020-2021 Budget	2022-2023 Projected Savings (therms)	2022-2023 Budget
Residential	4,389,196	$18,670,776	5,856,444	$25,165,847
Low-income	*49,918*	*$2,543,666*	*41,487*	*$2,033,572*
Non-Residential	3,294,086	$10,105,714	3,968,826	$13,925,172
Pilots	320,000[9]	$201,825	65,250[10]	$3,740
Regional[11]	0	$3,864,081	0	$3,745,032
Administration/ Other[12]	-	$4,379,258	-	$5,683,740
Total	**8,003,282**	**$37,221,653**	**9,890,520[13]**	**$48,523,531**

List of Conditions

As with previous biennia, Staff, the state's five electric and gas utilities, and various stakeholders have negotiated a set of conditions that PSE agrees to adhere to throughout the biennium. These are included as Attachments A (electric) and B (gas) to this memo. Electric conditions have been negotiated with utilities and stakeholders for several biennia, and this is the first time that gas conditions have been agreed to as well. The gas plans filed by the utilities and the recommended gas conditions are the demonstration required by RCW 80.28.380 that the gas conservation target will result in the acquisition of all resources identified by the utility as available and cost-effective.

Stakeholder Comments

In addition to Staff's comments, three other stakeholders – Public Counsel, the Energy Project (TEP), and the NW Energy Coalition (NWEC) – also submitted comments on the Plan. Public Counsel recommended approval of the Plan, subject to the conditions noted above; while not explicitly recommending approval of the Plan, TEP and NWEC were generally supportive and

[9] 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, and the Pay for Performance Pilot.

[10] Includes only pilots with uncertain savings. In the 2022-2023 biennium this includes the Retail Choice Pilot, the Home Energy Assessment Behavioral Pilot, and the Advanced Metering Infrastructure Small & Medium Business Enhanced Engagement Pilot.

[11] Savings and budgets associated with NEEA and the Company's Targeted DSM Pilot.

[12] "Other" includes the Company's demand response pilot.

[13] The difference between this figure and that in Table 1 in Staff's comments is a small amount of additional savings that PSE believes it can realize during the 2022-2023 biennium. This additional savings is beyond that which is accounted for in its calculated Biennial Acquisition Target.

expressed no significant concerns. Both TEP and NWEC echoed Staff's concern that the non-energy impact study conducted by the consulting firm DNV was conservative and urged PSE to engage its Conservation Resource Advisory Group (CRAG) more proactively as this research evolves.

TEP noted its concern that the data used by PSE for its low-income needs assessment was underestimating the number of high-energy-burden households and recommended further CRAG discussions on this issue and refinement of the research; Staff agrees with this proposal. NWEC made suggestions for the Company as it implements its hybrid heat pump pilot and gas building envelope program offerings, and also suggested that the Company continue discussions with CRAG about how to provide customers access to financing for energy conservation measures. Staff agrees with all of these comments, as well.

Conclusion

Staff recommends the Commission issue the orders described at the beginning of this memo.

Attachment A – Docket UE-210822 Proposed Conditions for 2022-2023 Puget Sound Energy Electric Conservation.

Attachment B – Docket UE-210823 Proposed Conditions for 2022-2023 Puget Sound Energy Gas Conservation.

Attachment A – Docket UE-210822

Proposed Conditions for 2022-2023 Puget Sound Energy Electric Conservation

1) **Conservation Potential and Targets – Approval and Conditions**
   a) The following electric conservation targets are approved for Puget Sound Energy (PSE or Company), with conditions pursuant to RCW 19.285.040(1)(e) and WAC 480-109-120(1). This approval is subject to the Conditions described in Paragraphs (2) through (13) below.[1]
      i.) *Ten-Year Potential*: 2,487,820 megawatt-hours.
      ii.) *Two-Year EIA Target*: 497,564 megawatt-hours.
      iii.) *Two-Year EIA Penalty Threshold*: 469,182 megawatt-hours.
      iv.) *Two-Year Decoupling Penalty Threshold*: 24,878 megawatt-hours, pursuant to Order 07 in Docket UE-121697.
      v.) *Total Two-Year Utility Conservation Goal*: 536,717 megawatt-hours.
   b) The Commission approves the above targets and thresholds as measured at the customer meter. All planning and reporting must include savings data as measured at the customer meter.
   c) As part of PSE's biennial conservation acquisition efforts, PSE must continue to invest in regional studies and market transformation, in collaboration with funding from other parties and with other strategic market partners in this biennium, that complements PSE's energy efficiency programs, planning, services, and measures.

2) **PSE Retains Responsibility.** Nothing in these conditions relieves PSE of the sole responsibility for complying with RCW 19.285 and WAC 480-109. Specifically, the conditions regarding the need for a high degree of transparency, and communication and consultation with external stakeholders, diminish neither PSE's operational authority nor its ultimate responsibility.

3) **Advisory Group**
   a) To meet the requirements of WAC 480-109-110, PSE must continue to use its Advisory Group, initially created under Docket UE-941377 and UG-941378, and its Integrated Resource Planning Advisory Group as described under WAC 480-100-630.
   b) PSE must notify Advisory Group members of all public meetings scheduled to address PSE's integrated resource plan. PSE must also coordinate a meeting with Advisory Group members and the entity conducting the conservation potential assessment (CPA) addressing the scope and design of the CPA. Such a meeting must address the assumptions and relevant information utilized in the development of PSE's integrated

[1] The definitions of "Two-Year EIA Target" and "Two-Year EIA Penalty Threshold" were developed in 2018 through the Statewide Advisory Group (SWAG) process. *See* Dockets UE-171087, UE-171091, and UE-171092, "Report on 2018 Washington State Investor-Owned Utility Energy Efficiency Joint Advisory Group Activities and Outcomes."

resource plan as they apply to development and/or modification of the ten-year conservation potential. This meeting must be held early enough in the integrated resource plan public process to incorporate the group's advice. PSE must notify Advisory Group members of IRP Advisory Group meetings that present the Company's natural gas and energy price forecasts and generation resource cost assumptions used in the development of the Company's integrated resource plan, as these assumptions will inform the ten-year conservation potential.

c) PSE must consult with the Advisory Groups starting no later than July 1, 2023, to begin to identify achievable conservation potential for 2024-2033 and to begin to set annual and biennial targets for the 2024-2025 biennium, including necessary revisions to program details and the quadrennial 2022-2025 CEIP target. See RCW 19.285.040(1)(b); WAC 480-109-120; and WAC 480-100-640(11).
d) PSE must inform the Advisory Group members when its projected expenditures indicate that PSE will spend more than 120 percent or less than 80 percent of its annual conservation budget.
e) If PSE believes that an event beyond its reasonable control has occurred that may prevent it from meeting its combined EIA Penalty Threshold and Decoupling Penalty Threshold, PSE will confer with the Advisory Group members as soon as possible to determine a path forward. See RCW 19.285.040(1)(e) and RCW 19.285.060(2).
f) Prior to filing the 2024-2025 Biennial Conservation Plan, PSE must provide the following information to the Advisory Group: draft ten-year conservation potential, revised four-year target, and two-year target by August 1, 2023; draft program details, including budgets, by September 1, 2023; and draft program tariffs by October 2, 2023.

4) Annual Budgets and Energy Savings. PSE must provide its proposed budget in a detailed format with a summary page indicating the proposed budget and savings levels for each conservation program, and subsequent supporting spreadsheets providing further detail for each program and line item shown in the summary sheet. PSE must allocate a reasonable amount of its program budget (as determined through consultation with the Advisory Group) towards pilot programs, research, and data collection.

5) Program Details. PSE must maintain its conservation tariffs, with program descriptions, on file with the Commission. Program details about specific measures, incentives, and eligibility requirements must be filed and updated in this docket. PSE must notify the Advisory Group when it files updated measures, incentives, or eligibility requirements.

6) Approved Strategies for Selecting and Evaluating Energy Conservation Savings

a) PSE has identified several potential conservation measures described in the BCP. The Commission is not obligated to accept savings identified in the BCP for purposes of compliance with RCW 19.285.
b) When PSE proposes a new or significant change to a program, pilot, or tariff schedule, it must present the program to the Advisory Group with program details fully defined, to the extent practicable. After consultation with the Advisory Group in accordance with

WAC 480-109-110(1)(h), the Advisory Group may advise if a revision to the Conservation Plan in this docket is necessary.

c) PSE must spend a reasonable (as determined through consultation with the Advisory Group) amount of its conservation budget on evaluation, measurement, and verification (EM&V), including a reasonable proportion on independent, third-party EM&V. PSE must perform EM&V annually on a maximum four-year schedule of selected programs such that, over the EM&V cycle, all major programs are covered. The EM&V function includes impact, process, market, and cost test analyses. The results must verify the level at which claimed energy savings have occurred, evaluate the existing internal review processes, and suggest improvements to the program and ongoing EM&V processes.

d) An independent third-party must review portfolio-level electric energy savings reported by PSE for the 2022-2023 biennial period, from existing conservation programs operated during that period, per WAC 480-109-120(4)(b)(v). The review will be funded by the PSE Electric Conservation Service Rider. The review will be managed jointly by Commission staff and PSE staff with input on the scope, cost, RFP development, reviewer selection and ongoing oversight by the Advisory Group. The independent third-party reviewer must be selected through an RFP process and is intended to:
   i.) Verify the calculation of total portfolio MWh savings; and
   ii.) Provide a review of EM&V activities and application for best practices and reasonable findings, which includes the following:
      (1) Validate the adequacy of PSE's savings verification process, controls, and procedures.
      (2) Validate savings tracking and reporting processes and practices.
      (3) Review program process and impact evaluations completed during the biennium for appropriateness of evaluation approach/methodologies (program specific) and program cost-effectiveness calculations.

e) A final report for the entire 2022-2023 biennium may be implemented in phases and delivered as a final product at an earlier date, as needed, by PSE.

7) Program Design Principles

a) Modifications to the programs must be filed with the Commission as revisions to tariffs or as revisions to PSE's current Conservation Plan, as determined in consultation with the Advisory Group.

b) Incentives and Conservation Program Implementation — Programs, program services, and incentives may be directed to consumers, retailers, manufacturers, trade allies or other relevant market actors as appropriate for measures or activities that lead to electric energy savings. PSE must work with the Advisory Group to establish a balanced portfolio of measures that provides savings from a variety of savings types and meets the needs of a broad spectrum of PSE customers.

c) Conservation Efforts without Approved EM&V Protocol — PSE may spend up to 10 percent of its conservation budget on programs whose savings impact has not yet been measured, if the overall portfolio of conservation passes the primary cost-effectiveness test used by the Commission. These programs may include information-only, and pilot

projects. PSE may ask the Commission to modify this spending limit, following Advisory Group consultation.

i.) Information-only services refers to those information services that are not associated with an active incentive program or that include no on-site technical assistance or on-site delivery of school education programs. Information-only services and behavior change services must be assigned no quantifiable energy savings value without full support of the Advisory Group.

ii.) If quantifiable energy savings have been identified and Commission-approved for any aspect of such programs, the budget associated with that aspect of the program will no longer be subject to this ten percent spending restriction.

8) Cost-Effectiveness Tests

a) The Commission currently uses a modified Total Resource Cost Test (TRC), consistent with the Council, as its primary cost-effectiveness test. The modified TRC test includes all quantifiable nonenergy impacts, a risk adder, and a 10 percent conservation benefit adder. PSE's portfolio must pass the modified TRC test. All cost-effectiveness calculations will assume a Net-to-Gross ratio of 1.0, consistent with the Council's methodology.

b) PSE must also provide calculations of the Program Administrator Cost Test (also called the Utility Cost Test) as described in the National Action Plan for Energy Efficiency's study "Understanding Cost-Effectiveness of Energy Efficiency Programs" (November 2008), located at: https://www7.eere.energy.gov/seeaction/system/files/documents/understanding-cost-effectiveness-ee-programs.pdf.

c) Conservation-related administrative costs must be included in portfolio level analysis.

9) Low-Income and Named Community Programs

a) PSE must demonstrate progress toward sustained energy burden reductions during the 2022-2023 biennium by, at a minimum, funding all eligible and cost-effective low-income conservation measures, consistent with RCW 19.405.120.

i.) PSE's biennial report must include the contribution from low-income conservation programs toward sustained energy burden reductions. The report must include the number of participants and any other information that demonstrates progress as described above. The utility should include a discussion of barriers to success, options for overcoming these barriers, and potential uses for increased low-income conservation funding.

ii.) Energy savings from low-income conservation measures will be counted toward conservation goals.

iii.) PSE may, after consultation with advisory groups, fully fund repairs, administrative costs, and health and safety improvements associated with cost-effective low-income conservation measures. These costs are excluded from portfolio cost-effectiveness calculations. PSE shall maintain a project cost allowance of 30

percent for Administrative/Indirect Rate associated with the delivery of low-income conservation measures.

b) PSE must consider how and whether existing conservation programs serve the highly impacted communities and vulnerable populations identified in its CEIP. In addition, PSE must adjust existing conservation programs or design new programs and offerings so that the portfolio of programs ensures an improvement in the equitable distribution of energy and nonenergy impacts to the same communities identified in its CEIP. See WAC 480-100-640(4).

10) Research Efforts and Innovative Programs

a) PSE must evaluate opportunities for location-targeted programs that provide non-wires alternatives to eliminate or delay the need for distribution system investments.

b) In accordance with RCW 19.285.040(1)(g), PSE is encouraged to promote the adoption of air conditioning with refrigerants not exceeding a global warming potential (GWP) of 750 and the replacement of stationary refrigeration systems that contain ozone-depleting substance or hydrofluorocarbon refrigerants with a high GWP. At a minimum, PSE must explore the feasibility of determining and incorporating of the avoided emissions associated with replacing refrigerants exceeding 750 GWP in its cost-effectiveness calculations and discuss the results with its Advisory Group as necessary.

c) PSE should consult with its Advisory Group to determine how it should implement RCWs 80.28.260(2) and 80.28.300. Such consultation should include, but is not limited to: whether and how to research and evaluate opportunities for cool roof and tree planting conservation, with special consideration given to highly impacted communities and vulnerable populations; whether and how to provide information to their customers regarding landscaping that includes tree planting for energy conservation; and what outreach and education efforts should be conducted to inform customers of the energy and nonenergy benefits of cool roofs and strategic tree planting. PSE should utilize the department of health's environmental health disparities map and coordinate with the department of natural resources to identify areas within the utility's service territory that would benefit from heat island mitigation and strategic tree planting programs.

i.) If PSE pursues such research, evaluation, and/or outreach, it should detail the research and evaluation results and outreach efforts in its conservation reporting.

11) Equitable Distribution of Nonenergy Benefits

a) During this biennium, PSE must continue to demonstrate progress towards identifying, researching, and properly valuing nonenergy impacts. The nonenergy impacts considered must include the costs and risks of long-term and short-term public health benefits, environmental benefits, energy security, and other applicable nonenergy impacts. In consultation with the Company's conservation, equity, and resource planning advisory groups, nonenergy impacts and risks must be included in the next Biennial Conservation Plan and Conservation Potential Assessment.

b) PSE must identify the discrete nonenergy impacts and the monetized value used in cost-effectiveness testing for each electric conservation program. This must be provided in a

detailed format with a summary page and subsequent supporting spreadsheets, in native format with formulas intact, providing further detail for each program and line item shown in the summary sheet in annual plans and reports.

c) PSE must begin to identify the forecasted distribution of energy and nonenergy benefits in annual plans and reports. This reporting must use currently quantified nonenergy impacts as well as values and estimates of additional impacts as they become available. See WAC 480-100-640(3)(a)(i).

12) Recovery through an Electric Conservation Service Rider

a) Scope of Expenditures — Funds collected through the Electric Conservation Service Rider must be used on approved conservation programs and their administrative costs. Additionally, Rider funds may be used for other purposes when they have a benefit to PSE customers and are approved by the Commission.

b) Recovery for Each Customer Class —PSE shall retain existing cost recovery mechanisms, subject to the Commission's Order in Docket UE-970686.[2]

c) Recovery of costs associated with distribution and production efficiency initiatives are not funded through the Electric Conservation Tariff Rider because these programs are not *customer* conservation initiatives. These are company conservation programs. As such, these costs are recovered in the general rate making process over time and may be requested through a general rate case, a deferred accounting petition or other allowed mechanism. The method of cost recovery in no way diminishes its obligation as required in RCW 19.285 and WAC 480-109.

d) PSE must file revisions to its cost recovery tariff (Schedule 120) by March 1 each year, with requested effective date of May 1 of that same year.

13) Additional Commitments

a) PSE must continue to pursue cost-effective conservation in the form of reduction in electric power consumption resulting from increases in the efficiency of energy used at electric power production facilities it owns in whole or in part. PSE's Annual Report must include updates regarding production efficiency activities in power production facilities operated by PSE and, to the extent practicable, facilities wholly or partially owned by PSE that are not operated by the Company.

b) To avoid double-counting of efficiency savings achieved at electric power production facilities owned in whole or in part by PSE, the Company must consult with the Advisory Group when developing or modifying its protocol for how savings will be claimed.

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[2] *See* the Commission's Final Order entered on May 16, 1997, in Docket UE-970686 in response to PSE's Petition for an Order (1) Authorizing Deferrals of Electricity Conservation Expenditures and (2) Approving a Tariff Rider for Concurrent Recover in Electric Rates of such Deferred Electricity Conservation Expenditures. It is important to note that there were two subsequent Orders in this Docket; the Second Supplemental Order and Order 03, both of which pertained to semi-annual reporting of conservation program progress.

Attachment B – Docket UG-210823

Proposed Conditions for 2022-2023 Puget Sound Energy Gas Conservation

1) **Conservation Target – Approval and Conditions**
   a) The following gas conservation targets are approved for Puget Sound Energy (PSE or Company), with conditions pursuant to RCW 80.28.380. This approval is subject to the Conditions described in Paragraphs (2) through (14) below.
      i.) *Two-Year Conservation Target*: 9,262,931 therms.[1]
      ii.) *Two-Year Decoupling Commitment*: 463,147 therms, pursuant to Order 08 in Docket UG-170034.[2]
      iii.) *Total Two-Year Utility Conservation Goal*: 9,791,327 therms.[3]
   b) As part of PSE's biennial conservation acquisition efforts, PSE must continue to invest in regional studies and market transformation, in collaboration with funding from other parties and with other strategic market partners in this biennium that complements PSE's energy efficiency programs, planning, services, and measures. PSE must participate in the Northwest Energy Efficiency Alliance's (NEEA) gas market transformation program through the end of NEEA's 2020-2024 funding cycle.

2) **PSE Retains Responsibility.** Nothing in these conditions relieves PSE of the sole responsibility for complying with RCW 80.28.380. Specifically, the conditions regarding the need for a high degree of transparency, and communication and consultation with external stakeholders, diminish neither PSE's operational authority nor its ultimate responsibility.

3) **Identifying Conservation Potential**
   a) *Ten-year conservation potential*. Every two years, PSE must project its cumulative ten-year conservation potential in a conservation potential assessment (CPA).
      i.) This projection must consider all conservation resources that are cost-effective and available.
      ii.) Methods for identifying conservation potential
         (1) In identifying conservation potential PSE must be consistent with the methodologies used by the Northwest Power and Conservation Council (NWPCC) as summarized in this subsection.

[1] The two-year conservation target includes the Company's Conservation Potential Assessment (CPA), adjustments for expected site-specific conservation opportunities, and consistent with Condition 4(b) below.
[2] Docket UG-170034, Order 08, ¶250, 261.
[3] The Total Two-Year Utility Conservation Goal incorporates the Two-Year Conservation Target, the Decoupling Commitment, projected Northwest Energy Efficiency Alliance (NEEA) savings (if any), and any additional conservation savings that PSE expects to achieve above and beyond these targets, such as pilots or other savings.

(a) Technical potential. Determine the amount of conservation that is technically feasible, considering measures and the number of these measures that could physically be installed or implemented, without regard to achievability or cost.

(b) Achievable technical potential. Determine the amount of the conservation technical potential that is available within the planning period, considering barriers to market penetration and the rate at which savings could be acquired.

(c) Economic achievable potential. Establish the economic achievable potential, which is the conservation potential that is cost-effective, by comparing the total resource cost of conservation measures to the cost of other resources available to meet expected demand for gas. A utility may use either of the following approaches to identify economic achievable potential:

i.) Integrated portfolio approach. A utility may analyze, as a part of its integrated resource plan (IRP), the cost-effective potential of conservation resources over a range of potential future outcomes for unknown variables, such as future demand, costs, and resource availability. Economic achievable potential will be based on a resource plan that achieves a long-run lowest reasonable cost gas system considering all costs and quantifiable nonenergy costs and benefits.

ii.) Benefit-cost ratio approach. A utility may establish economic achievable potential as those conservation measures or programs that pass a total resource cost test, in which the ratio of total benefits to total costs is one or greater. The benefit-cost calculation must use inputs that incorporate the cost of risks that would otherwise be reflected in an integrated portfolio approach.

(d) Total resource cost. In determining economic achievable potential as provided in (c) of this subsection, perform a life-cycle cost analysis of measures or programs to determine the net levelized cost, as described in this subsection:

i.) Conduct a total resource cost analysis that assesses all costs and all benefits of conservation measures regardless of who pays the costs or receives the benefits.

ii.) Include the incremental savings and incremental costs of measures and replacement measures where resources or measures have different measure lifetimes.

iii.) Calculate the value of the gas saved based on when it is saved. In performing this calculation, use time differentiated avoided costs to conduct the analysis that determines the financial value of gas saved through conservation.

iv.) Include the increase or decrease in annual or periodic operations and maintenance costs due to conservation measures.

v.) Include avoided energy costs equal to a forecast of regional market prices plus variable transportation costs (e.g., fuel and variable charges), which represents the cost of the next increment of gas available to the

utility for the life of the energy efficiency measures to which it is compared.

vi.) Include benefits from deferred infrastructure capacity costs for system capacity resources and distribution capacity resources required in peak load resource planning.

vii.) Include the social cost of greenhouse gas emissions from avoided gas consumption.

viii.) If necessary, include a risk mitigation credit to reflect the additional value of conservation, not otherwise accounted for in other inputs, in reducing risk associated with costs of avoided nonconservation resources. If this value is negative, use a value of 0 for the risk mitigation credit.

ix.) Include all nonenergy impacts that a resource or measure may provide that can be reasonably quantified and monetized.

x.) Include an estimate of program administrative costs.

xi.) Include the cost of financing measures using the capital costs of the entity that is expected to pay for the measure.

xii.) Discount future costs and benefits at a discount rate equal to PSE's weighted average cost of capital; and

xiii.) Include a 10 percent bonus to the energy and capacity benefits of conservation measures as defined in 16 U.S.C. § 839a of the Pacific Northwest Electric Power Planning and Conservation Act.

iii.) This projection must be either identified through or included as an input into PSE's most recent IRP. PSE must document any differences from the projection in the potential assessment and the IRP.

iv.) The CPA must include a list of each measure used in the potential, its unit energy savings value, first year therm savings, customer incremental cost, life of the measure, any applicable nonenergy impacts, and the source of the values.

b) PSE must file a CPA by June 1, 2023, in a new docket. The CPA must be approved by the Commission per RCW 80.28.380.

4) Acquiring All Conservation Resources

a) Process for acquiring all conservation

i.) *Process*. PSE's obligation to identify and acquire all conservation measures that are available and cost-effective includes the following process:

(1) Identify potential. Identify the cost-effective and available potential of possible technologies and conservation measures in PSE's service territory.

(2) Develop portfolio. Develop a conservation portfolio that includes all available, cost-effective conservation. PSE must develop programs to acquire available conservation from all the types of conservation identified in (ii) of this subsection. The portfolio must include conservation programs and mechanisms intended to reduce the energy burden of low-income customers, including programs and mechanisms identified in Condition (4)(f) below or

other utility planning processes. If no cost-effective conservation is available from one of the types of conservation, PSE is not obligated to acquire such a resource.

(3) Implement programs. Implement conservation programs identified in the portfolio to the extent the portfolio remains cost-effective and available. Implementation methods shall not unnecessarily limit the acquisition of all available conservation that is cost-effective.

(4) Adaptively manage. Continuously review and update as appropriate the conservation portfolio to adapt to changing market conditions and developing technologies. PSE must research emerging conservation technologies and assess the potential of such technologies for implementation in its service territory.

ii.) *Types*. Types of conservation include, but are not limited to:

(1) End-use efficiency
(2) Behavioral programs; and
(3) Market transformation.

iii.) *Pilots*. PSE must consider, in consultation with the Advisory Group, implementing pilot projects when appropriate and expected to produce cost-effective savings within the current or immediately subsequent biennium if the overall portfolio remains cost-effective.

b) Biennial conservation target. Beginning January 2022, and every two years thereafter, PSE must establish a biennial conservation target.

i.) The biennial conservation target must identify, and quantify in therms, all conservation that is available and cost-effective.

ii.) The biennial conservation target must be based on the CPA developed under Condition 3 above and include any adjustments for known or expected site-specific projects. PSE must consult with the Advisory Group in determining how to set its target.

iii.) *Excess conservation*. No more than 25 percent of any biennial target may be met with excess conservation savings allowed by this condition. Excess conservation may only be used to mitigate shortfalls in the immediately subsequent two biennia and may not be used to adjust PSE's biennial target. The presence of excess conservation does not relieve PSE of its obligation to pursue the level of conservation in its biennial target.

(1) Cost-effective conservation achieved in excess of a biennial conservation target may be used to meet up to 20 percent of each of the immediately subsequent two biennial targets.

(2) PSE may use single large facility conservation savings achieved in excess of its biennial target to meet up to 5 percent of each of the immediately subsequent two biennial conservation targets. If PSE believes it has a project that may constitute a “single large facility,” it should work with its Advisory Group to determine how to meet this condition.

c) Prudence. PSE retains the responsibility to demonstrate the prudence of all conservation expenditures.
d) Energy savings. When available, PSE must use unit energy savings values and standard protocols approved by the regional technical forum. Unit energy savings value or standard protocol should be:
    i.) Based on generally accepted methods, impact evaluation data, or other reliable and relevant data that includes verified savings levels; and
    ii.) Presented to its advisory group for review. The Commission retains discretion to determine an appropriate value or protocol.
e) Applicable sectors. PSE must offer a mix of conservation programs to ensure it is serving each customer sector, including programs targeted to the low-income subset of residential customers.
f) Low-income conservation
    i.) PSE must fully fund low-income conservation measures that are determined by the implementing agency to be cost-effective consistent with either the *Weatherization Manual* maintained by the Washington State Department of Commerce or when it is cost-effective to do so using utility-specific avoided costs. For purposes of this subsection, "fully fund" does not prohibit the agency leveraging other funding sources, in combination with utility funds, to fund low-income conservation projects. Measures identified through the priority list in the *Weatherization Manual* are considered cost-effective. In addition, PSE may fully fund repairs, administrative costs, and health and safety improvements associated with cost-effective low-income conservation measures. PSE shall maintain a project cost allowance of 30 percent for Administrative/Indirect Rate associated with the delivery of low-income conservation measures.
    ii.) PSE's biennial conservation plan must include low-income conservation programs and mechanisms identified. To the extent practicable, PSE must prioritize energy assistance to low-income households with a higher energy burden.
    iii.) PSE must exclude low-income conservation from portfolio-level cost-effectiveness calculations. PSE must account for the costs and benefits, including nonenergy impacts, which accrue over the life of each conservation measure.
    iv.) PSE must count savings from low-income conservation toward meeting its biennial conservation target. Savings may be those calculated consistent with the procedures in the *Weatherization Manual*.

5) Conservation Planning and Reporting

a) Biennial conservation plan
    i.) On or before November 15 of every odd-numbered year, PSE must file with the Commission a biennial conservation plan.
    ii.) The plan must include, but is not limited to:
        (1) The extent of public participation in the development of the ten-year conservation potential and the biennial conservation target.

(2) The ten-year conservation potential, the biennial conservation target, biennial program details, biennial program budgets, and cost-effectiveness calculations.
(3) A description of the technologies, data collection, processes, procedures, and assumptions PSE used to develop the figures in Condition 5(a)(ii)(2).
(4) A description of and support for any changes from the assumptions or methodologies used in PSE's most recent conservation potential assessment.
(5) An evaluation, measurement, and verification plan for the biennium including, but not limited to:
(a) The evaluation, measurement, and verification framework.
(b) The evaluation, measurement, and verification budget; and
(c) Identification of programs that will be evaluated during the biennium.

iii.) For the purposes of this section, ten-year conservation potential is derived pursuant to Condition 3 above.
iv.) Program details must be maintained and updated as necessary in PSE's conservation tariff throughout the biennium, in accordance with Condition 8 below.

b) Annual conservation report
i.) On or before June 15 of each year, PSE must file with the Commission, in the same docket as its current biennial conservation plan, an annual conservation report regarding its progress in meeting its conservation target during the preceding year.
ii.) The annual conservation report must include, but is not limited to:
(1) The biennial conservation target.
(2) Planned and claimed gas savings from conservation, including a description of the key sources of variance between the planned and actual savings.
(3) Budgeted and actual expenditures made to acquire conservation through the conservation cost recovery adjustment described in Condition 13.
(4) The portfolio- and program-level cost-effectiveness of the actual gas savings from conservation.
(5) All program evaluations completed in the preceding year.
(6) A discussion of the steps taken to adaptively manage conservation programs throughout the preceding year.

c) Biennial conservation report
i.) Beginning in 2024, on or before June 15 of each even-numbered year, PSE must file with the Commission, in the same docket as its current biennial conservation plan, a biennial conservation report regarding its progress in meeting its conservation target during the preceding two years.
ii.) The biennial conservation report must include:
(1) The biennial conservation target.
(2) Planned and claimed gas savings from conservation.
(3) Budgeted and actual expenditures made to acquire conservation.
(4) The portfolio-level cost-effectiveness of the actual gas savings from conservation.

(5) An independent third-party evaluation of portfolio-level biennial conservation savings achievement.
(6) A summary of the steps taken to adaptively manage conservation programs throughout the preceding two years; and
(7) Any other information needed to justify the conservation savings achievement.

iii.) PSE must provide a summary of the biennial conservation report to its customers by bill insert or other suitable method within 90 days of the Commission's final action on the report.

iv.) PSE may file the annual conservation report and the biennial conservation report together as one report, provided that the report includes all the information required in subsections (c) and (d) of this condition and states that it serves as both the annual conservation report and the biennial conservation report.

d) Plan and report review
   i.) Interested persons may file written comments regarding the biennial conservation plan and biennial conservation report within 30 days of PSE's filing.
   ii.) Upon conclusion of the Commission review of PSE's biennial report or plan, the Commission will issue a decision accepting or rejecting the calculation of PSE's conservation target; or determining whether PSE has acquired enough conservation resources to comply with its conservation target. If PSE does not meet its biennial conservation target described in Condition 1(a), the Commission will determine the amount in therms by which PSE was deficient.
   iii.) Biennial plans and reports may be reviewed through the Commission's open meeting process, as described in chapter 480-07 WAC.

e) *Publication of reports*. Beginning with the 2022-2023 BCP, all conservation plans and reports required by Commission order as well as a summary of planned and actual savings and expenditures reflected in the plans and reports, must be posted and maintained on PSE's website. Plans and reports must be posted on PSE's website within 30 days of Commission acknowledgment of the plan or order approving the report. A copy of any such plan, report, or summary must be provided to any person upon request.

6) Advisory Group

a) PSE must use its Advisory Group, initially created under Docket UE-941377 and UG-941378 to advise PSE on conservation issues including but not limited to:
   i.) Conservation programs and measures.
   ii.) Updates to PSE's evaluation, measurement, and verification framework.
   iii.) Modification of existing, or development of new evaluation, measurement, and verification methods.
   iv.) Independent third-party evaluation of portfolio-level biennial conservation achievement.
   v.) Development of conservation potential assessments.
   vi.) The methodology, inputs, and calculations for cost-effectiveness.
   vii.) The data sources and values used to develop and update supply curves.

viii.) The need for tariff modifications or mid-biennium program corrections.
ix.) The appropriate level of and planning for:
(1) Marketing conservation programs.
(2) Incentives to customers for measures and services; and
(3) Impact, market, and process evaluations.
x.) Programs for low-income residential customers.
xi.) Establishment of the biennial conservation target and program achievement results compared to the target.
xii.) Conservation program budgets and actual expenditures compared to budgets.
xiii.) Development and implementation of new and pilot programs.

b) *Advisory group meetings*. PSE must meet with its conservation advisory group at least four times per year. Conservation advisory group members may request additional meetings. PSE must provide reasonable advance notice of all conservation advisory group meetings.
c) *Advance notification of filings*. Except for the conservation cost recovery adjustment filing required in Condition 12, PSE must provide its conservation advisory group an electronic copy of all conservation filings that PSE intends to submit to the Commission at least 30 days in advance of the filing. The filing cover letter must document the amount of advance notice provided to the conservation advisory group.
d) *Advance notification of meetings*. PSE must notify its conservation advisory group of Company and Commission public meetings scheduled to address its conservation programs, its conservation tariffs, or the development of its conservation potential assessment.
e) PSE must notify Advisory Group members of all public meetings scheduled to address PSE's integrated resource plan. PSE must also coordinate a meeting with Advisory Group members and the entity conducting the conservation potential assessment (CPA) addressing the scope and design of the CPA. This meeting must be held early enough in the integrated resource plan public process to incorporate the group's advice. PSE must notify Advisory Group members of IRP advisory group meetings that present the Company's gas price forecasts and resource cost assumptions used in the development of the Company's integrated resource plan.
f) PSE must consult with the Advisory Groups starting no later than July 1, 2023, to begin to identify achievable conservation potential for 2024-2033 and to begin to set annual and biennial targets for the 2024-2025 biennium, including necessary revisions to program details.
g) PSE must inform the Advisory Group members when its projected expenditures indicate that PSE will spend more than 120 percent or less than 80 percent of its annual conservation budget.
h) Prior to filing the Biennial Conservation Plan, PSE must provide the following information to the Advisory Group: draft ten-year conservation potential and two-year target no later than August 15, 2023; draft program details, including budgets, no later than September 15, 2023; and draft program tariffs no later than October 16, 2023.

7) **Annual Budgets and Energy Savings.** PSE must provide its proposed budget to the Advisory Group in a detailed format with a summary page indicating the proposed budget and savings levels for each conservation program, and subsequent supporting spreadsheets providing further detail for each program and line item shown in the summary sheet. The proposed budget must also be filed in support of any cost recovery filing, along with any other necessary workpapers. PSE must allocate a reasonable amount of its program budget (as determined through consultation with the Advisory Group) towards pilot programs, research, and data collection.

8) **Program Details.** PSE must maintain its conservation tariffs, with program descriptions, on file with the Commission. Program details about specific measures, incentives, and eligibility requirements must be filed and updated in this docket. PSE must consult its Advisory Group in accordance with Condition 6 above before making changes to program details. PSE must notify the Advisory Group when it files updated measures, incentives, or eligibility requirements.

9) **Approved Strategies for Selecting and Evaluating Energy Conservation Savings**
   a) PSE has identified several potential conservation measures described in the BCP. The Commission is not obligated to accept savings identified in the BCP for purposes of compliance with the targets detailed in this Order.
   b) When PSE proposes a new or significant change to a program, pilot, or tariff schedule, it must present the program to the Advisory Group with program details fully defined, to the extent practicable. The Advisory Group, after consultation, may advise if a revision to the Conservation Plan in this docket is necessary.
   c) PSE must spend a reasonable (as determined through consultation with the Advisory Group) amount of its conservation budget on evaluation, measurement, and verification (EM&V), including a reasonable proportion on independent, third-party EM&V. PSE must perform EM&V annually on a maximum four-year schedule of selected programs such that, over the EM&V cycle, all major programs are covered. The EM&V function includes impact, process, market, and cost test analyses. The results must verify the level at which claimed energy savings have occurred, evaluate the existing internal review processes, and suggest improvements to the program and ongoing EM&V processes.
   d) A final report for the entire 2022-2023 biennium may be implemented in phases and delivered as a final product at an earlier date, as needed, by PSE.

10) **Program Design Principles**
   a) Modifications to the programs must be filed with the Commission as revisions to tariffs or as revisions to PSE's current Conservation Plan, as determined in consultation with the Advisory Group.
   b) Incentives and Conservation Program Implementation — Programs, program services, and incentives may be directed to consumers, retailers, manufacturers, trade allies or other relevant market actors as appropriate for measures or activities that lead to gas energy savings. PSE must work with the Advisory Group to establish a balanced portfolio

of measures that provides savings from a variety of savings types and meets the needs of a broad spectrum of PSE customers.

c) Conservation Efforts without Approved EM&V Protocol — PSE may spend up to 10 percent of its conservation budget on programs whose savings impact has not yet been measured, if the overall portfolio of conservation passes the primary cost-effectiveness test used by the Commission. These programs may include information-only, and pilot projects. PSE may ask the Commission to modify this spending limit, following Advisory Group consultation.
   i.) Information-only services refers to those information services that are not associated with an active incentive program or that include no on-site technical assistance or on-site delivery of school education programs. Information-only services and behavior change services must be assigned no quantifiable energy savings value without full support of the Advisory Group.
   ii.) If quantifiable energy savings have been identified and Commission-approved for any aspect of such programs, the budget associated with that aspect of the program will no longer be subject to this 10 percent spending restriction.

11) Cost-Effectiveness Tests

a) The cost-effectiveness analysis required by RCW 80.28.380 must include the costs of greenhouse gas emissions established in RCW 80.28.395.

b) For the 2022-2023 biennium, PSE must use the modified Total Resource Cost Test (TRC), consistent with the Council, as its primary cost-effectiveness test. The modified TRC test includes all quantifiable nonenergy impacts, a risk adder, and a 10 percent conservation benefit adder. PSE's portfolio must pass the modified TRC test. All cost-effectiveness calculations will assume a Net-to-Gross ratio of 1.0, consistent with the Council's methodology.
   i.) In 2022-2023, PSE must participate in any stakeholder process where the appropriate cost-effectiveness test and discount rate to be used for gas conservation is debated.
   ii.) Beginning with the 2024-2025 biennium, PSE must either:
      (1) Employ the cost-effectiveness test developed through the stakeholder process described in Condition 11(b)(i);
      (2) Employ a properly-balanced TRC, as described in the Commission's 2013 natural gas conservation policy statement;[4] or
      (3) Employ a different cost-effectiveness test as determined in conjunction with Commission Staff and the Advisory Group.

c) PSE must also provide calculations of the Program Administrator Cost Test (also called the Utility Cost Test) as described in the National Action Plan for Energy Efficiency's study "Understanding Cost-Effectiveness of Energy Efficiency Programs," (November 2008; located at:

[4] See Docket UG-121207, "Policy Statement on the Evaluation of the Cost-Effectiveness of Natural Gas Conservation Programs," at ¶ 35.

https://www7.eere.energy.gov/seeaction/system/files/documents/understanding-cost-effectiveness-ee-programs.pdf).

d) PSE must provide calculations of both the TRC and UCT in its plans and reports.
e) Conservation-related administrative costs must be included in portfolio level analysis.

12) Recovery through a Gas Conservation Service Rider

a) Utilities must file with the Commission for recovery of all expected conservation cost changes and amortization of deferred balances. PSE must include its conservation cost recovery procedures in its tariff.
b) Scope of Expenditures — Funds collected through the Gas Conservation Service Rider must be used on approved conservation programs and their administrative costs.
c) Recovery for Each Customer Class —PSE shall retain existing cost recovery mechanisms, subject to the Commission's Order in Docket UG-120812.[5]
d) PSE must file revisions to its cost recovery tariff (Schedule 120) by March 1 each year, with requested effective date of May 1 of that same year.
e) PSE may not accrue interest or incur carrying charges on deferred conservation cost balances. Utilities must base conservation recovery rates on forward-looking budgeted conservation program costs for the future year with revisions to recover only actual program costs of the prior year. Utilities must also include the effects of variations in actual sales on the recovery of conservation costs in the prior year.

13) Low-Income Programs

a) *Low-Income Programs*
   i.) PSE must demonstrate progress toward sustained energy burden reductions during the 2022-2023 biennium by, at a minimum, funding all eligible and cost-effective low-income conservation measures as described in Condition 4(f).
      (1) PSE's biennial report must include the contribution from low-income conservation programs toward sustained energy burden reductions. The report must include the number of participants and any other information that demonstrates progress as described above. The utility should include a discussion of barriers to success, options for overcoming these barriers, and potential uses for increased low-income conservation funding.
      (2) Energy savings from low-income conservation measures will be counted toward conservation goals.
      (3) PSE may, after consultation with advisory groups, fully fund repairs, administrative costs, and health and safety improvements associated with cost-effective low-income conservation measures. These costs are excluded from portfolio cost-effectiveness calculations.

[5] *See* the Commission's Final Order entered on June 28, 2012, in Docket UG-120812 in response to PSE's Petition for Accounting Order Authorizing Accounting Treatment of the Company's Gas Conservation Programs.

14) Additional Commitments

a) PSE should consult with its Advisory Group to determine how it should implement RCWs 80.28.260(2) and 80.28.300. Such consultation should include, but is not limited to: whether and how to research and evaluate opportunities for cool roof and tree planting conservation, with special consideration given to highly impacted communities and vulnerable populations; whether and how to provide information to their customers regarding landscaping that includes tree planting for energy conservation; and what outreach and education efforts should be conducted to inform customers of the energy and nonenergy benefits of cool roofs and strategic tree planting. PSE should utilize the department of health's environmental health disparities map and coordinate with the department of natural resources to identify areas within the utility's service territory that would benefit from heat island mitigation and strategic tree planting programs.

i.) If PSE pursues such research, evaluation, and/or outreach, it should detail the research and evaluation results and outreach efforts in its conservation reporting.

Agenda Date: January 13, 2022
Item Number: D3 and D4

Dockets: **UE-210826 and UG-210827**
Company: Avista Corporation d/b/a Avista Utilities

Staff: Heather Moline, Regulatory Analyst

Recommendation

Issue an order in Docket UE-210826 accepting Avista Corporation's

(1) 10-year electric conservation potential of 507,829 megawatt-hours (MWh),
(2) EIA Target of 101,566 MWh,
(3) EIA Penalty Threshold of 91,054 MWh, and
(4) Decoupling Penalty Threshold of 5,078 MWh pursuant to Order 5 in Dockets UE-140188 and UG-140189,
(5) subject to the conditions in Attachment A.

Issue an order in Docket UG-210827 approving Avista Corporation's

(1) Biennial Acquisition Target of 2,192,434 therms,
(2) Decoupling Penalty Threshold of 109,622 therms pursuant to Order 5 in Dockets UE-140188 and UG-140189,
(3) Subject to the conditions in Attachment B.

Background

On November 1, 2021, Avista Corporation d/b/a Avista Utilities (Avista or Company) filed its "2022-2023 Biennial Conservation Plan" (BCP or Plan) with the Washington Utilities and Transportation Commission (Commission) under Dockets UE-210826 and UG-210827. The electric Plan is required by the Energy Independence Act (EIA),[1] while the gas Plan is required by RCW 80.28.380.

Commission staff (Staff) filed responsive comments on the Plan on December 17, 2021.[2] Those comments detailed Avista's expected electric and gas savings in the 2022-2023 biennium, as well as some of the programs the Company will run to achieve those savings and Staff's analysis of the plan.

Avista serves approximately 260,000 electric customers and 175,000 natural gas customers in eastern Washington. Avista provides electric service in the following counties: Adams, Asotin,

[1] RCW 19.285.040(1); WAC 480-109-120(1).

[2] Dockets UE-210822 and UG-210823, "Commission Staff Comments Regarding Gas and Electric Utility Conservation Plans Under RCW 19.285 and 80.28 and WAC 480-109 (2022-2023 Biennial Conservation Plans)," filed Dec. 17, 2021.

Ferry, Franklin, Garfield, Lincoln, Spokane, Stevens, and Whitman counties. Avista provides gas service in the above counties except Garfield, plus Skamania and Grant.

Discussion

Tables 1 and 2 compare Avista's 2022-2023 electric and gas expected savings with expected savings from the 2020-2021 biennium.

Table 1. Electric Savings and Budgets from 2020-2021 and 2022-2023 BCPs

Program	2020-2021 Projected Savings (MWh)	2020-2021 Budget	2022-2023 Projected Savings (MWh)	2022-2023 Budget
Residential Total	12,140	$6,526,567	18,548	$8,986,497
Low-income	*883*	*$1,712,985*	*1,579*	*$3,952,239*
Non-Residential	72,142	$11,608,707	78,401	$17,612,031
Distribution	504	-	-	-
NEEA	12,896	$2,716,000	10,600	$2,716,000
Administration/Other	-	$11,130,644	-	$14,049,577
Total	**97,682**	**$31,981,918**[3]	**107,549**[4]	**$43,364,005**

Table 2. Gas Savings and Budgets from 2020-2021 and 2022-2023 BCPs

Program	2020-2021 Projected Savings (therms)	2020-2021 Budget	2022-2023 Projected Savings (therms)	2022-2023 Budget
Residential Total	1,336,937	$9,298,257	1,492,000	$14,230,554
Low-income	*51,487*	*$3,292,071*	*49,000*	*$3,484,000*
Non-Residential	537,454	$1,429,931	812,000	$2,546,500
NEEA	-	$410,000	-	$812,000
Administration/Other	-	$838,516	-	$1,248,705
Total	**1,874,391**	**$11,976,703**	**2,304,000**[5]	**$18,837,759**

3 An additional $3,500,000 of Community Energy Efficiency Program (CEEP) matching funds supported the portfolio, for a total of $35,481,918. CEEP funding has not been guaranteed for the 2022-2023 biennium.

4 The difference between this figure and that in Table 1 in Staff's comments is a small amount of additional savings that Avista believes it can realize during the 2022-2023 biennium. This additional savings is beyond that which is accounted for in its calculated EIA Target or EIA Penalty Threshold.

5 The difference between this figure and that in Table 2 in Staff's comments is a small amount of additional savings that Avista believes it can realize during the 2022-2023 biennium. This additional savings is beyond that which is accounted for in its calculated Biennial Acquisition Target.

List of Conditions

As with previous biennia, Staff, the state's five electric and gas utilities, and various stakeholders have negotiated a set of conditions that Avista agrees to adhere to throughout the biennium. These are included as Attachments A (electric) and B (gas) to this memo. Electric conditions have been negotiated with utilities and stakeholders for several biennia, and this is the first time that gas conditions have been agreed to as well. The gas plans filed by the utilities and the recommended gas conditions are the demonstration required by RCW 80.28.380 that the gas conservation target will result in the acquisition of all resources identified by the utility as available and cost-effective.

Stakeholder Comments

In addition to staff's comments, three other stakeholders—Public Counsel, NW Energy Coalition (NWEC), and The Energy Project (TEP)—also submitted comments on the Plan. All three commenters indicated their approval of the Plan is contingent on finalization of draft conditions in Attachments A and B. Staff is appreciative of the commenters' participation in the conversations that led to the formulation of these conditions.

NWEC and TEP also discussed the conservative nature of the non-energy impact study that Avista commissioned DNV to undertake, as well as the potential for good results from Avista's newly restarted on-bill repayment program (OBR). Staff echoed concerns around the DNV study in its comments submitted December 17. TEP also expressed potential concerns that Avista's energy burden study undercounted highly-burdened households, and that OBR can present extra risks for low-income customers and particularly for customers that rent their homes.

NW Energy Coalition and Public Counsel echoed staff's comments submitted December 17 expressing caution regarding Avista's Always-On program. In correspondence with Staff, the Company noted that the absence of "low-hanging" lighting measures, the largest contributor to residential savings in previous biennia, has inflated Always-On's share of the residential portfolio. The Company has agreed to work closely with Staff and its advisory group to fully and fairly implement and evaluate Always-On.

NW Energy Coalition highlighted some external and policy influences underscoring Avista's electric and natural gas portfolios. Staff agreed in comments posted December 17 that greater conversation is necessary around implementing and evaluating natural gas measures in the current and future environmental and political framework.

Conclusion

Staff recommends the Commission issue an order in Docket UE-210826 accepting Avista's 10-year electric conservation potential of 507,829 MWh, EIA Target 101,566 MWh, EIA Penalty Threshold of 91,054 MWh, and Decoupling Penalty Threshold of 5,078 MWh pursuant to Order 5 in Dockets UE-140188 and UG-140189, subject to the conditions in Attachment A of this memo.

Staff recommends the Commission issue an order in Docket UG-210827 accepting Avista's Biennial Acquisition Target of 2,192,434 therms, and Decoupling Penalty Threshold of 109,622 therms, subject to the conditions in Attachment B of this memo.

Attachment A – Docket UE-210826 Proposed Conditions for 2022-2023 Avista Corporation Electric Conservation

Attachment B – Docket UE-210827 Proposed Conditions for 2022-2023 Avista Corporation Gas Conservation

Attachment A – Docket UE-210826

Proposed Conditions for 2022-2023 Avista Corporation Electric Conservation

1) **Conservation Potential and Targets – Approval and Conditions**
   a) The following electric conservation targets are approved for Avista Corporation (Avista or Company), with conditions pursuant to RCW 19.285.040(1)(e) and WAC 480-109-120(1). This approval is subject to the Conditions described in Paragraphs (2) through (13) below.[1]
      i.) Ten-Year Potential: 507,829 megawatt-hours.
      ii.) Two-Year EIA Target: 101,566 megawatt-hours.
      iii.) Two-Year EIA Penalty Threshold: 91,054 megawatt-hours.
      iv.) Two-Year Decoupling Penalty Threshold: 5,078 megawatt-hours, pursuant to Order 5 in Dockets UE-140188 and UG-140189.
      v.) *Total Two-Year Utility Conservation Goal*: 106,644 megawatt-hours.
   b) The Commission approves the above targets and thresholds as measured at the customer meter. All planning and reporting must include savings data as measured at the customer meter.
   c) As part of Avista's biennial conservation acquisition efforts, Avista must continue to invest in regional studies and market transformation, in collaboration with funding from other parties and with other strategic market partners in this biennium that complements Avista's energy efficiency programs, planning, services, and measures.

2) **Avista Retains Responsibility.** Nothing in these conditions relieves Avista of the sole responsibility for complying with RCW 19.285 and WAC 480-109. Specifically, the conditions regarding the need for a high degree of transparency, and communication and consultation with external stakeholders, diminish neither Avista's operational authority nor its ultimate responsibility.

3) **Advisory Group**
   a) To meet the requirements of WAC 480-109-110, Avista must continue to use its Advisory Group, initially created under Docket UE-941377 and UG-941378, and its Integrated Resource Planning Advisory Group as described under WAC 480-100-630.
   b) Avista must notify Advisory Group members of all public meetings scheduled to address Avista's integrated resource plan. Avista must also coordinate a meeting with Advisory Group members and the entity conducting the conservation potential assessment (CPA) addressing the scope and design of the CPA. Such a meeting must address the assumptions and relevant information utilized in the development of Avista's integrated

[1] The definitions of "Two-Year EIA Target" and "Two-Year EIA Penalty Threshold" were developed in 2018 through the Statewide Advisory Group (SWAG) process. *See* Dockets UE-171087, UE-171091, and UE-171092, "Report on 2018 Washington State Investor-Owned Utility Energy Efficiency Joint Advisory Group Activities and Outcomes."

resource plan as they apply to development and/or modification of the ten-year conservation potential. This meeting must be held early enough in the integrated resource plan public process to incorporate the group's advice. Avista must notify Advisory Group members of IRP Advisory Group meetings that present the Company's natural gas and energy price forecasts and generation resource cost assumptions used in the development of the Company's integrated resource plan, as these assumptions will inform the ten-year conservation potential.

c) Avista must consult with the Advisory Groups starting no later than July 1, 2023, to begin to identify achievable conservation potential for 2024-2033 and to begin to set annual and biennial targets for the 2024-2025 biennium, including necessary revisions to program details and the quadrennial 2022-2025 CEIP target. See RCW 19.285.040(1)(b); WAC 480-109-120; and WAC 480-100-640(11).

d) Avista must inform the Advisory Group members when its projected expenditures indicate that Avista will spend more than 120 percent or less than 80 percent of its annual conservation budget.

e) If Avista believes that an event beyond its reasonable control has occurred that may prevent it from meeting its combined EIA Penalty Threshold and Decoupling Penalty Threshold, Avista will confer with the Advisory Group members as soon as possible to determine a path forward. See RCW 19.285.040(1)(e) and RCW 19.285.060(2).

f) Prior to filing the 2024-2025 Biennial Conservation Plan, Avista must provide the following information to the Advisory Group: draft ten-year conservation potential, revised four-year target, and two-year target by August 1, 2023; draft program details, including budgets, by September 1, 2023; and draft program tariffs by October 2, 2023.

4) Annual Budgets and Energy Savings. Avista must provide its proposed budget in a detailed format with a summary page indicating the proposed budget and savings levels for each conservation program, and subsequent supporting spreadsheets providing further detail for each program and line item shown in the summary sheet. Avista must allocate a reasonable amount of its program budget (as determined through consultation with the Advisory Group) towards pilot programs, research, and data collection.

5) Program Details. Avista must maintain its conservation tariffs, with program descriptions, on file with the Commission. Program details about specific measures, incentives, and eligibility requirements must be filed and updated in this docket. Avista must notify the Advisory Group when it files updated measures, incentives, or eligibility requirements.

6) Approved Strategies for Selecting and Evaluating Energy Conservation Savings

a) Avista has identified several potential conservation measures described in the BCP. The Commission is not obligated to accept savings identified in the BCP for purposes of compliance with RCW 19.285.

b) When Avista proposes a new or significant change to a program, pilot, or tariff schedule, it must present the program to the Advisory Group with program details fully defined, to the extent practicable. After consultation with the Advisory Group in accordance with

WAC 480-109-110(1)(h), the Advisory Group may advise if a revision to the Conservation Plan in this docket is necessary.

c) Avista must spend a reasonable (as determined through consultation with the Advisory Group) amount of its conservation budget on evaluation, measurement, and verification (EM&V), including a reasonable proportion on independent, third-party EM&V. Avista must perform EM&V annually on a maximum four-year schedule of selected programs such that, over the EM&V cycle, all major programs are covered. The EM&V function includes impact, process, market, and cost test analyses. The results must verify the level at which claimed energy savings have occurred, evaluate the existing internal review processes, and suggest improvements to the program and ongoing EM&V processes.

d) An independent third-party must review portfolio-level electric energy savings reported by Avista for the 2022-2023 biennial period, from existing conservation programs operated during that period, per WAC 480-109-120(4)(b)(v). The independent third-party reviewer must be selected through an RFP process and is intended to:
   i.) Verify the calculation of total portfolio MWh savings; and
   ii.) Provide a review of EM&V activities and application for best practices and reasonable findings, which includes the following:
      (1) Validate the adequacy of Avista's savings verification process, controls and procedures.
      (2) Validate savings tracking and reporting processes and practices.
      (3) Review program process and impact evaluations completed during the biennium for appropriateness of evaluation approach/methodologies (program specific) and program cost-effectiveness calculations.

e) A final report for the entire 2022-2023 biennium may be implemented in phases and delivered as a final product at an earlier date, as needed, by Avista.

7) Program Design Principles

a) Modifications to the programs must be filed with the Commission as revisions to tariffs or as revisions to Avista's current Conservation Plan, as determined in consultation with the Advisory Group.

b) Incentives and Conservation Program Implementation — Programs, program services, and incentives may be directed to consumers, retailers, manufacturers, trade allies or other relevant market actors as appropriate for measures or activities that lead to electric energy savings. Avista must work with the Advisory Group to establish a balanced portfolio of measures that provides savings from a variety of savings types and meets the needs of a broad spectrum of Avista customers.

c) Conservation Efforts without Approved EM&V Protocol — Avista may spend up to 10 percent of its conservation budget on programs whose savings impact has not yet been measured, if the overall portfolio of conservation passes the primary cost-effectiveness test used by the Commission. These programs may include information-only, and pilot projects. Avista may ask the Commission to modify this spending limit, following Advisory Group consultation.

i.) Information-only services refers to those information services that are not associated with an active incentive program or that include no on-site technical assistance or on-site delivery of school education programs. Information-only services and behavior change services must be assigned no quantifiable energy savings value without full support of the Advisory Group.

ii.) If quantifiable energy savings have been identified and Commission-approved for any aspect of such programs, the budget associated with that aspect of the program will no longer be subject to this 10 percent spending restriction.

8) Cost-Effectiveness Tests

a) The Commission currently uses a modified Total Resource Cost Test (TRC), consistent with the Council, as its primary cost-effectiveness test. The modified TRC test includes all quantifiable nonenergy impacts, a risk adder, and a 10 percent conservation benefit adder. Avista's portfolio must pass the modified TRC test. All cost-effectiveness calculations will assume a Net-to-Gross ratio of 1.0, consistent with the Council's methodology.

b) Avista must also provide calculations of the Program Administrator Cost Test (also called the Utility Cost Test) as described in the National Action Plan for Energy Efficiency's study "Understanding Cost-Effectiveness of Energy Efficiency Programs" (November 2008), located at: https://www7.eere.energy.gov/seeaction/system/files/documents/understanding-cost-effectiveness-ee-programs.pdf.

c) Conservation-related administrative costs must be included in portfolio level analysis.

9) Low-Income and Named Community Programs

a) The Avista must demonstrate progress toward sustained energy burden reductions during the 2022-2023 biennium by, at a minimum, funding all eligible and cost-effective low-income conservation measures, consistent with RCW 19.405.120.

i.) Avista's biennial report must include the contribution from low-income conservation programs toward sustained energy burden reductions. The report must include the number of participants and any other information that demonstrates progress as described above. The utility should include a discussion of barriers to success, options for overcoming these barriers, and potential uses for increased low-income conservation funding.

ii.) Energy savings from low-income conservation measures will be counted toward conservation goals.

iii.) Avista may, after consultation with advisory groups, fully fund repairs, administrative costs, and health and safety improvements associated with cost-effective low-income conservation measures. These costs are excluded from portfolio cost-effectiveness calculations. Avista shall maintain a project cost allowance of up to 30 percent for Administrative/Indirect Rate associated with the delivery of low-income conservation measures.

b) Avista must consider how and whether existing conservation programs serve the highly impacted communities and vulnerable populations identified in its CEIP. In addition, Avista must adjust existing conservation programs or design new programs and offerings so that the portfolio of programs ensures an improvement in the equitable distribution of energy and nonenergy impacts to the same communities identified in its CEIP. See WAC 480-100-640(4).

10) Research Efforts and Innovative Programs

a) Avista must evaluate opportunities for location-targeted programs that provide non-wires alternatives to eliminate or delay the need for distribution system investments.

b) In accordance with RCW 19.285.040(1)(g), Avista is encouraged to promote the adoption of air conditioning with refrigerants not exceeding a global warming potential (GWP) of 750 and the replacement of stationary refrigeration systems that contain ozone-depleting substance or hydrofluorocarbon refrigerants with a high GWP. At a minimum, Avista must explore the feasibility of determining and incorporating of the avoided emissions associated with replacing refrigerants exceeding 750 GWP in its cost-effectiveness calculations and discuss the results with its Advisory Group as necessary.

c) Avista should consult with its Advisory Group to determine how it should implement RCWs 80.28.260(2) and 80.28.300. Such consultation should include, but is not limited to: whether and how to research and evaluate opportunities for cool roof and tree planting conservation, with special consideration given to highly impacted communities and vulnerable populations; whether and how to provide information to their customers regarding landscaping that includes tree planting for energy conservation; and what outreach and education efforts should be conducted to inform customers of the energy and nonenergy benefits of cool roofs and strategic tree planting. Avista should utilize the department of health's environmental health disparities map and coordinate with the department of natural resources to identify areas within the utility's service territory that would benefit from heat island mitigation and strategic tree planting programs.

i.) If Avista pursues such research, evaluation, and/or outreach, it should detail the research and evaluation results and outreach efforts in its conservation reporting.

11) Equitable Distribution of Nonenergy Benefits

a) During this biennium, Avista must continue to demonstrate progress towards identifying, researching, and properly valuing nonenergy impacts. The nonenergy impacts considered must include the costs and risks of long-term and short-term public health benefits, environmental benefits, energy security, and other applicable nonenergy impacts. In consultation with the Company's conservation, equity, and resource planning advisory groups, nonenergy impacts and risks must be included in the next Biennial Conservation Plan and Conservation Potential Assessment.

b) Avista must identify the discrete nonenergy impacts and the monetized value used in cost-effectiveness testing for each electric conservation program. This must be provided in a detailed format with a summary page and subsequent supporting spreadsheets, in

native format with formulas intact, providing further detail for each program and line item shown in the summary sheet in annual plans and reports.

c) Avista must begin to identify the forecasted distribution of energy and nonenergy benefits in annual plans and reports. This reporting must use currently quantified nonenergy impacts as well as values and estimates of additional impacts as they become available. See WAC 480-100-640(3)(a)(i).

12) Recovery through an Electric Conservation Service Rider

a) Scope of Expenditures — Funds collected through the Electric Conservation Service Rider must be used on approved conservation programs and their administrative costs. Additionally, Rider funds may be used for other purposes when they have a benefit to Avista customers and are approved by the Commission.

b) Recovery for Each Customer Class — Rate spread, and rate design must match Avista's underlying base volumetric rates.

c) Recovery of costs associated with distribution and production efficiency initiatives are not funded through the Electric Conservation Tariff Rider because these programs are not *customer* conservation initiatives. These are company conservation programs. As such, these costs are recovered in the general rate making process over time and may be requested through a general rate case, a deferred accounting petition or other allowed mechanism. The method of cost recovery in no way diminishes its obligation as required in RCW 19.285 and WAC 480-109.

d) Avista must file revisions to its cost recovery tariff (Schedule 91) by June 1 each year, with requested effective date of August 1 of that same year. If Avista files its cost recovery tariff early, a Draft Annual Report with completed savings evaluations must accompany the filing.

13) Additional Commitments

a) Avista must continue to pursue cost-effective conservation in the form of reduction in electric power consumption resulting from increases in the efficiency of energy used at electric power production facilities it owns in whole or in part. Avista's Annual Report must include updates regarding production efficiency activities in power production facilities operated by Avista and, to the extent practicable, facilities wholly or partially owned by Avista that are not operated by the Company.

b) To avoid double-counting of efficiency savings achieved at electric power production facilities owned in whole or in part by Avista, the Company must consult with the Advisory Group when developing or modifying its protocol for how savings will be claimed.

Attachment B– Docket UG-210827

Proposed Conditions for 2022-2023 Avista Corporation Gas Conservation

1) **Conservation Target – Approval and Conditions**
   a) The following gas conservation targets are approved for Avista Corporation (Avista or Company), with conditions pursuant to RCW 80.28.380. This approval is subject to the Conditions described in Paragraphs (2) through (14) below.
      i.) *Two-Year Conservation Target*: 2,192,434 therms.[1]
      ii.) *Two-Year Decoupling Commitment*: 109,622 therms, pursuant to Order 5 in Dockets UE-140188 and UG-140189.
      iii.) *Total Two-Year Utility Conservation Goal*: 2,302,056 therms.[2]
   b) As part of Avista's biennial conservation acquisition efforts, Avista must continue to invest in regional studies and market transformation, in collaboration with funding from other parties and with other strategic market partners in this biennium that complements Avista's energy efficiency programs, planning, services, and measures. Avista must participate in the Northwest Energy Efficiency Alliance's (NEEA) gas market transformation program through the end of NEEA's 2020-2024 funding cycle.

2) **Avista Retains Responsibility.** Nothing in these conditions relieves Avista of the sole responsibility for complying with RCW 80.28.380. Specifically, the conditions regarding the need for a high degree of transparency, and communication and consultation with external stakeholders, diminish neither Avista's operational authority nor its ultimate responsibility.

3) **Identifying Conservation Potential**
   a) *Ten-year conservation potential*. Every two years, Avista must project its cumulative ten-year conservation potential in a conservation potential assessment (CPA).
      i.) This projection must consider all conservation resources that are cost-effective and available.
      ii.) Methods for identifying conservation potential
         (1) In identifying conservation potential Avista must be consistent with the methodologies used by the Northwest Power and Conservation Council (NWPCC) as summarized in this subsection.
            (a) Technical potential. Determine the amount of conservation that is technically feasible, considering measures and the number of these measures that could physically be installed or implemented, without regard to achievability or cost.

[1] The two-year conservation target includes the Company's Conservation Potential Assessment (CPA), adjustments for expected site-specific conservation opportunities, and consistent with Condition 4(b) below.
[2] The Total Two-Year Utility Conservation Goal incorporates the Two-Year Conservation Target, the Decoupling Commitment, projected Northwest Energy Efficiency Alliance (NEEA) savings (if any), and any additional conservation savings that Avista expects to achieve above and beyond these targets, such as pilots or other savings.

(b) Achievable technical potential. Determine the amount of the conservation technical potential that is available within the planning period, considering barriers to market penetration and the rate at which savings could be acquired.

(c) Economic achievable potential. Establish the economic achievable potential, which is the conservation potential that is cost-effective, by comparing the total resource cost of conservation measures to the cost of other resources available to meet expected demand for gas. A utility may use either of the following approaches to identify economic achievable potential:

(i.) Integrated portfolio approach. A utility may analyze, as a part of its integrated resource plan (IRP), the cost-effective potential of conservation resources over a range of potential future outcomes for unknown variables, such as future demand, costs, and resource availability. Economic achievable potential will be based on a resource plan that achieves a long-run lowest reasonable cost gas system considering all costs and quantifiable nonenergy costs and benefits.

(ii.) Benefit-cost ratio approach. A utility may establish economic achievable potential as those conservation measures or programs that pass a total resource cost test, in which the ratio of total benefits to total costs is one or greater. The benefit-cost calculation must use inputs that incorporate the cost of risks that would otherwise be reflected in an integrated portfolio approach.

(d) Total resource cost. In determining economic achievable potential as provided in (c) of this subsection, perform a life-cycle cost analysis of measures or programs to determine the net levelized cost, as described in this subsection:

(i.) Conduct a total resource cost analysis that assesses all costs and all benefits of conservation measures regardless of who pays the costs or receives the benefits.

(ii.) Include the incremental savings and incremental costs of measures and replacement measures where resources or measures have different measure lifetimes.

(iii.) Calculate the value of the gas saved based on when it is saved. In performing this calculation, use time differentiated avoided costs to conduct the analysis that determines the financial value of gas saved through conservation.

(iv.) Include the increase or decrease in annual or periodic operations and maintenance costs due to conservation measures.

(v.) Include avoided energy costs equal to a forecast of regional market prices plus variable transportation costs (e.g., fuel and variable charges), which represents the cost of the next increment of gas

available to the utility for the life of the energy efficiency measures to which it is compared.

(vi.) Include benefits from deferred infrastructure capacity costs for system capacity resources and distribution capacity resources required in peak load resource planning.

(vii.) Include the social cost of greenhouse gas emissions from avoided gas consumption.

(viii.) If necessary, include a risk mitigation credit to reflect the additional value of conservation, not otherwise accounted for in other inputs, in reducing risk associated with costs of avoided no conservation resources. If this value is negative, use a value of 0 for the risk mitigation credit.

(ix.) Include all nonenergy impacts that a resource or measure may provide that can be reasonably quantified and monetized.

(x.) Include an estimate of program administrative costs.

(xi.) Include the cost of financing measures using the capital costs of the entity that is expected to pay for the measure.

(xii.) Discount future costs and benefits at a discount rate equal to the weighted average cost of capital; and

(xiii.) Include a 10 percent bonus to the energy and capacity benefits of conservation measures as defined in 16 U.S.C. § 839a of the Pacific Northwest Electric Power Planning and Conservation Act.

iii.) This projection must be either identified through or included as an input into Avista's most recent IRP. Avista must document any differences from the projection in the potential assessment and the IRP.

iv.) The CPA must include a list of each measure used in the potential, its unit energy savings value, first year therm savings, customer incremental cost, life of the measure, any applicable nonenergy impacts, and the source of the values.

b) Avista must file a CPA by June 1, 2023, in a new docket. The CPA must be approved by the Commission per RCW 80.28.380.

4) Acquiring All Conservation Resources

a) Process for acquiring all conservation

i.) *Process*. Avista's obligation to identify and acquire all conservation measures that are available and cost-effective includes the following process:

(1) Identify potential. Identify the cost-effective and available potential of possible technologies and conservation measures in Avista's service territory.

(2) Develop portfolio. Develop a conservation portfolio that includes all available, cost-effective conservation. Avista must develop programs to acquire available conservation from all the types of conservation identified in (ii) of this subsection. The portfolio must include conservation programs and mechanisms intended to reduce the energy burden of low-income customers, including programs and mechanisms identified in Condition (4)(f) below or

other utility planning processes. If no cost-effective conservation is available from one of the types of conservation, Avista is not obligated to acquire such a resource.

(3) Implement programs. Implement conservation programs identified in the portfolio to the extent the portfolio remains cost-effective and available. Implementation methods shall not unnecessarily limit the acquisition of all available conservation that is cost-effective.

(4) Adaptively manage. Continuously review and update as appropriate the conservation portfolio to adapt to changing market conditions and developing technologies. Avista must research emerging conservation technologies and assess the potential of such technologies for implementation in its service territory.

ii.) *Types*. Types of conservation include, but are not limited to:

(1) End-use efficiency

(2) Behavioral programs; and

(3) Market transformation.

iii.) *Pilots*. Avista must consider, in consultation with the Advisory Group, implementing pilot projects when appropriate and expected to produce cost-effective savings within the current or immediately subsequent biennium if the overall portfolio remains cost-effective.

b) Biennial conservation target. Beginning January 2022, and every two years thereafter, Avista must establish a biennial conservation target.

i.) The biennial conservation target must identify, and quantify in therms, all conservation that is available and cost-effective.

ii.) The biennial conservation target must be based on the CPA developed under Condition 3 above and include any adjustments for known or expected site-specific projects. Avista must consult with the Advisory Group in determining how to set its target.

iii.) *Excess conservation*. No more than 25 percent of any biennial target may be met with excess conservation savings allowed by this condition. Excess conservation may only be used to mitigate shortfalls in the immediately subsequent two biennia and may not be used to adjust Avista's biennial target. The presence of excess conservation does not relieve Avista of its obligation to pursue the level of conservation in its biennial target.

(1) Cost-effective conservation achieved in excess of a biennial conservation target may be used to meet up to 20 percent of each of the immediately subsequent two biennial targets.

(2) Avista may use single large facility conservation savings achieved in excess of its biennial target to meet up to 5 percent of each of the immediately subsequent two biennial conservation targets. If Avista believes it has a project that may constitute a “single large facility,” it should work with its Advisory Group to determine how to meet this condition.

c) Prudence. Avista retains the responsibility to demonstrate the prudence of all conservation expenditures.
d) Energy savings. When available, Avista must use unit energy savings values and standard protocols approved by the regional technical forum. Unit energy savings value or standard protocol should be:
   i.) Based on generally accepted methods, impact evaluation data, or other reliable and relevant data that includes verified savings levels; and
   ii.) Presented to its advisory group for review. The Commission retains discretion to determine an appropriate value or protocol.
e) Applicable sectors. Avista must offer a mix of conservation programs to ensure it is serving each customer sector, including programs targeted to the low-income subset of residential customers.
f) Low-income conservation
   i.) Avista must fully fund low-income conservation measures that are determined by the implementing agency to be cost-effective consistent with either the *Weatherization Manual* maintained by the Washington State Department of Commerce or when it is cost-effective to do so using utility-specific avoided costs. For purposes of this subsection, "fully fund" does not prohibit the agency leveraging other funding sources, in combination with utility funds, to fund low-income conservation projects. Measures identified through the priority list in the *Weatherization Manual* are considered cost-effective. In addition, Avista may fully fund repairs, administrative costs, and health and safety improvements associated with cost-effective low-income conservation measures. Avista shall maintain a project cost allowance of up to 30 percent for Administrative/Indirect Rate associated with the delivery of low-income conservation measures.
   ii.) Avista's biennial conservation plan must include low-income conservation programs and mechanisms identified. To the extent practicable, Avista must prioritize energy assistance to low-income households with a higher energy burden.
   iii.) Avista must exclude low-income conservation from portfolio-level cost-effectiveness calculations. Avista must account for the costs and benefits, including nonenergy impacts, which accrue over the life of each conservation measure.
   iv.) Avista must count savings from low-income conservation toward meeting its biennial conservation target. Savings may be those calculated consistent with the procedures in the *Weatherization Manual*.

5) Conservation Planning and Reporting

a) Biennial conservation plan
   i.) On or before November 15 of every odd-numbered year, Avista must file with the Commission a biennial conservation plan.
   ii.) The plan must include, but is not limited to:
      (1) The extent of public participation in the development of the ten-year conservation potential and the biennial conservation target.

(2) The ten-year conservation potential, the biennial conservation target, biennial program details, biennial program budgets, and cost-effectiveness calculations.
(3) A description of the technologies, data collection, processes, procedures, and assumptions Avista used to develop the figures in Condition 5(a)(ii)(2).
(4) A description of and support for any changes from the assumptions or methodologies used in Avista's most recent conservation potential assessment.
(5) An evaluation, measurement, and verification plan for the biennium including, but not limited to:
(a) The evaluation, measurement, and verification framework.
(b) The evaluation, measurement, and verification budget; and
(c) Identification of programs that will be evaluated during the biennium.

iii.) For the purposes of this section, ten-year conservation potential is derived pursuant to Condition 3 above.
iv.) Program details must be maintained and updated as necessary in Avista's conservation tariff throughout the biennium, in accordance with Condition 8 below.

b) Annual conservation report
i.) On or before June 15 of each year, Avista must file with the Commission, in the same docket as its current biennial conservation plan, an annual conservation report regarding its progress in meeting its conservation target during the preceding year.
ii.) The annual conservation report must include, but is not limited to:
(1) The biennial conservation target.
(2) Planned and claimed gas savings from conservation, including a description of the key sources of variance between the planned and actual savings.
(3) Budgeted and actual expenditures made to acquire conservation through the conservation cost recovery adjustment described in Condition 12.
(4) The portfolio- and program-level cost-effectiveness of the actual gas savings from conservation.
(5) All program evaluations completed in the preceding year.
(6) A discussion of the steps taken to adaptively manage conservation programs throughout the preceding year.

c) Biennial conservation report
i.) Beginning in 2024, on or before June 15 of each even-numbered year, Avista must file with the Commission, in the same docket as its current biennial conservation plan, a biennial conservation report regarding its progress in meeting its conservation target during the preceding two years.
ii.) The biennial conservation report must include:
(1) The biennial conservation target.
(2) Planned and claimed gas savings from conservation.
(3) Budgeted and actual expenditures made to acquire conservation.
(4) The portfolio-level cost-effectiveness of the actual gas savings from conservation.

(5) An independent third-party evaluation of portfolio-level biennial conservation savings achievement.
(6) A summary of the steps taken to adaptively manage conservation programs throughout the preceding two years; and
(7) Any other information needed to justify the conservation savings achievement.

iii.) Avista must provide a summary of the biennial conservation report to its customers by bill insert or other suitable method within 90 days of the Commission's final action on the report.

iv.) Avista may file the annual conservation report and the biennial conservation report together as one report, provided that the report includes all the information required in subsections (c) and (d) of this condition and states that it serves as both the annual conservation report and the biennial conservation report.

d) Plan and report review
i.) Interested persons may file written comments regarding the biennial conservation plan and biennial conservation report within 30 days of Avista's filing.
ii.) Upon conclusion of the Commission review of Avista's biennial report or plan, the Commission will issue a decision accepting or rejecting the calculation of Avista's conservation target; or determining whether Avista has acquired enough conservation resources to comply with its conservation target. If Avista does not meet its biennial conservation target described in Condition 1(a), the Commission will determine the amount in therms by which Avista was deficient.
iii.) Biennial plans and reports may be reviewed through the Commission's open meeting process, as described in chapter 480-07 WAC.

e) *Publication of reports*. Beginning with the 2022-2023 BCP, all conservation plans and reports required by Commission order as well as a summary of planned and actual savings and expenditures reflected in the plans and reports, must be posted and maintained on Avista's website. Plans and reports must be posted on Avista's website within 30 days of Commission acknowledgment of the plan or order approving the report. A copy of any such plan, report, or summary must be provided to any person upon request.

6) Advisory Group

a) Avista must use its Advisory Group, initially created under Docket UE-941377 and UG-941378, to advise Avista on conservation issues including but not limited to:
i.) Conservation programs and measures.
ii.) Updates to Avista's evaluation, measurement, and verification framework.
iii.) Modification of existing, or development of new evaluation, measurement, and verification methods.
iv.) Independent third-party evaluation of portfolio-level biennial conservation achievement.
v.) Development of conservation potential assessments.
vi.) The methodology, inputs, and calculations for cost-effectiveness.

vii.) The data sources and values used to develop and update supply curves.
viii.) The need for tariff modifications or mid-biennium program corrections.
ix.) The appropriate level of and planning for:
(1) Marketing conservation programs.
(2) Incentives to customers for measures and services; and
(3) Impact, market, and process evaluations.
x.) Programs for low-income residential customers.
xi.) Establishment of the biennial conservation target and program achievement results compared to the target.
xii.) Conservation program budgets and actual expenditures compared to budgets.
xiii.) Development and implementation of new and pilot programs.

b) *Advisory group meetings*. Avista must meet with its conservation advisory group at least four times per year. Conservation advisory group members may request additional meetings. Avista must provide reasonable advance notice of all conservation advisory group meetings.
c) *Advance notification of filings*. Except for the conservation cost recovery adjustment filing required in Condition 12, Avista must provide its conservation advisory group an electronic copy of all conservation filings that Avista intends to submit to the Commission at least 30 days in advance of the filing. The filing cover letter must document the amount of advance notice provided to the conservation advisory group.
d) *Advance notification of meetings*. Avista must notify its conservation advisory group of Company and Commission public meetings scheduled to address its conservation programs, its conservation tariffs, or the development of its conservation potential assessment.
e) Avista must notify Advisory Group members of all public meetings scheduled to address Avista's integrated resource plan. Avista must also coordinate a meeting with Advisory Group members and the entity conducting the conservation potential assessment (CPA) addressing the scope and design of the CPA. This meeting must be held early enough in the integrated resource plan public process to incorporate the group's advice. Avista must notify Advisory Group members of IRP advisory group meetings that present the Company's gas price forecasts and resource cost assumptions used in the development of the Company's integrated resource plan.
f) Avista must consult with the Advisory Groups starting no later than July 1, 2023, to begin to identify achievable conservation potential for 2024-2033 and to begin to set annual and biennial targets for the 2024-2025 biennium, including necessary revisions to program details.
g) Avista must inform the Advisory Group members when its projected expenditures indicate that Avista will spend more than 120 percent or less than 80 percent of its annual conservation budget.
h) Prior to filing the Biennial Conservation Plan, Avista must provide the following information to the Advisory Group: draft ten-year conservation potential and two-year target no later than August 15, 2023; draft program details, including budgets, no later than September 15, 2023; and draft program tariffs no later than October 16, 2023.

7) **Annual Budgets and Energy Savings.** Avista must provide its proposed budget to the Advisory Group in a detailed format with a summary page indicating the proposed budget and savings levels for each conservation program, and subsequent supporting spreadsheets providing further detail for each program and line item shown in the summary sheet. The proposed budget must also be filed in support of any cost recovery filing, along with any other necessary workpapers. Avista must allocate a reasonable amount of its program budget (as determined through consultation with the Advisory Group) towards pilot programs, research, and data collection.

8) **Program Details.** Avista must maintain its conservation tariffs, with program descriptions, on file with the Commission. Program details about specific measures, incentives, and eligibility requirements must be filed and updated in this docket. Avista must consult its Advisory Group in accordance with Condition 6 above before making changes to program details. Avista must notify the Advisory Group when it files updated measures, incentives, or eligibility requirements.

9) **Approved Strategies for Selecting and Evaluating Energy Conservation Savings**
   a) Avista has identified several potential conservation measures described in the BCP. The Commission is not obligated to accept savings identified in the BCP for purposes of compliance with the targets detailed in this Order.
   b) When Avista proposes a new or significant change to a program, pilot, or tariff schedule, it must present the program to the Advisory Group with program details fully defined, to the extent practicable. The Advisory Group, after consultation, may advise if a revision to the Conservation Plan in this docket is necessary.
   c) Avista must spend a reasonable (as determined through consultation with the Advisory Group) amount of its conservation budget on evaluation, measurement, and verification (EM&V), including a reasonable proportion on independent, third-party EM&V. Avista must perform EM&V annually on a maximum four-year schedule of selected programs such that, over the EM&V cycle, all major programs are covered. The EM&V function includes impact, process, market, and cost test analyses. The results must verify the level at which claimed energy savings have occurred, evaluate the existing internal review processes, and suggest improvements to the program and ongoing EM&V processes.
   d) A final report for the entire 2022-2023 biennium may be implemented in phases and delivered as a final product at an earlier date, as needed, by Avista.

10) **Program Design Principles**
   a) Modifications to the programs must be filed with the Commission as revisions to tariffs or as revisions to Avista's current Conservation Plan, as determined in consultation with the Advisory Group.
   b) Incentives and Conservation Program Implementation — Programs, program services, and incentives may be directed to consumers, retailers, manufacturers, trade allies or other relevant market actors as appropriate for measures or activities that lead to gas

energy savings. Avista must work with the Advisory Group to establish a balanced portfolio of measures that provides savings from a variety of savings types and meets the needs of a broad spectrum of Avista customers.

c) Conservation Efforts without Approved EM&V Protocol — Avista may spend up to 10 percent of its conservation budget on programs whose savings impact has not yet been measured, if the overall portfolio of conservation passes the primary cost-effectiveness test used by the Commission. These programs may include information-only, and pilot projects. Avista may ask the Commission to modify this spending limit, following Advisory Group consultation.
   i.) Information-only services refers to those information services that are not associated with an active incentive program or that include no on-site technical assistance or on-site delivery of school education programs. Information-only services and behavior change services must be assigned no quantifiable energy savings value without full support of the Advisory Group.
   ii.) If quantifiable energy savings have been identified and Commission-approved for any aspect of such programs, the budget associated with that aspect of the program will no longer be subject to this 10 percent spending restriction.

11) Cost-Effectiveness Tests

a) The cost-effectiveness analysis required by RCW 80.28.380 must include the costs of greenhouse gas emissions established in RCW 80.28.395.

b) For the 2022-2023 biennium, Avista must use the modified Utility Cost Test (UCT) as its primary cost-effectiveness test.[3] Avista's portfolio must pass the UCT. All cost-effectiveness calculations will assume a Net-to-Gross ratio of 1.0, consistent with the Council's methodology.
   i.) In 2022-2023, Avista must participate in any stakeholder process where the appropriate cost-effectiveness test and discount rate to be used for gas conservation is debated.
   ii.) Beginning with the 2024-2025 biennium, Avista must either:
      (1) Employ the cost-effectiveness test developed through the stakeholder process described in Condition 11(b)(i);
      (2) Employ a properly balanced TRC, as described in the Commission's 2013 natural gas conservation policy statement;[4] or
      (3) Employ a different cost-effectiveness test as determined in conjunction with Commission Staff and the Advisory Group.

c) Avista must also provide calculations of the modified Total Resource Cost test (TRC). The modified TRC includes all quantifiable nonenergy impacts, a risk adder, and a 10 percent conservation benefit adder.

d) Avista must provide calculations of both the TRC and UCT in its plans and reports.

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[3] In order to comply with RCW 80.28.380, the UCT must be modified to include non-utility costs of greenhouse gas emissions as stated in condition 11(a).

[4] See Docket UG-121207, "Policy Statement on the Evaluation of the Cost-Effectiveness of Natural Gas Conservation Programs," at ¶ 35.

e) Conservation-related administrative costs must be included in portfolio level analysis.

12) Recovery through a Gas Conservation Service Rider

a) Utilities must file with the Commission for recovery of all expected conservation cost changes and amortization of deferred balances. Avista must include its conservation cost recovery procedures in its tariff.
b) Scope of Expenditures — Funds collected through the Gas Conservation Service Rider must be used on approved conservation programs and their administrative costs.
c) Recovery for Each Customer Class — Rate spread, and rate design must match Avista's underlying base volumetric rates.
d) Avista must file revisions to its cost recovery tariff (Schedule 191) by June 1 each year, with requested effective date of August 1 of that same year. If Avista files its cost recovery tariff early, a Draft Annual Report with completed savings evaluations must accompany the filing.
e) Avista may not accrue interest or incur carrying charges on deferred conservation cost balances. Utilities must base conservation recovery rates on forward-looking budgeted conservation program costs for the future year with revisions to recover only actual program costs of the prior year. Utilities must also include the effects of variations in actual sales on the recovery of conservation costs in the prior year.

13) Low-Income Programs

a) *Low-Income Programs*
    i.) Avista must demonstrate progress toward sustained energy burden reductions during the 2022-2023 biennium by, at a minimum, funding all eligible and cost-effective low-income conservation measures as described in Condition 4(f).
        (1) Avista's biennial report must include the contribution from low-income conservation programs toward sustained energy burden reductions. The report must include the number of participants and any other information that demonstrates progress as described above. The utility should include a discussion of barriers to success, options for overcoming these barriers, and potential uses for increased low-income conservation funding.
        (2) Energy savings from low-income conservation measures will be counted toward conservation goals.
        (3) Avista may, after consultation with advisory groups, fully fund repairs, administrative costs, and health and safety improvements associated with cost-effective low-income conservation measures. These costs are excluded from portfolio cost-effectiveness calculations.

14) Additional Commitments

a) Avista should consult with its Advisory Group to determine how it should implement RCWs 80.28.260(2) and 80.28.300. Such consultation should include, but is not limited to: whether and how to research and evaluate opportunities for cool roof and tree planting conservation, with special consideration given to highly impacted communities and

vulnerable populations; whether and how to provide information to their customers regarding landscaping that includes tree planting for energy conservation; and what outreach and education efforts should be conducted to inform customers of the energy and nonenergy benefits of cool roofs and strategic tree planting. Avista should utilize the department of health's environmental health disparities map and coordinate with the department of natural resources to identify areas within the utility's service territory that would benefit from heat island mitigation and strategic tree planting programs.

i.) If Avista pursues such research, evaluation, and/or outreach, it should detail the research and evaluation results and outreach efforts in its conservation reporting.

Agenda Date: January 13, 2022
Item Number: D5

Docket: UE-210830
Company: PacifiCorp d/b/a Pacific Power & Light Company

Staff: Joel Nightingale, Regulatory Analyst

Recommendation

Issue an order in Docket UE-210830 accepting PacifiCorp's

(1) 10-year electric conservation potential of 471,050 megawatt-hours (MWh),
(2) EIA Target of 94,210 MWh,
(3) EIA Penalty Threshold of 87,436 MWh, and
(4) Decoupling Penalty Threshold of 4,711 MWh pursuant to Order 12 in Docket UE-152253,
(5) subject to the conditions in Attachment A.

Background

On November 1, 2021, PacifiCorp d/b/a Pacific Power & Light Company (PacifiCorp or Company) filed its "2022-2023 Biennial Conservation Plan" (BCP or Plan) with the Washington Utilities and Transportation Commission (Commission) under Docket UE-210830. The electric Plan is required by the Energy Independence Act (EIA).[1]

Commission staff (Staff) filed responsive comments on the Plan on December 17, 2021.[2] Those comments detailed PacifiCorp's expected electric savings in the 2022-2023 biennium, as well as some of the programs the Company will run to achieve those savings and Staff's analysis of the Plan.

PacifiCorp serves approximately 130,000 electric customers in its Washington service territory with the majority located in Columbia, Walla Walla, and Yakima counties.

Discussion

Table 1 compares PacifiCorp's 2022-2023 electric expected savings with expected savings from the 2020-2021 biennium.

[1] RCW 19.285.040(1); WAC 480-109-120(1).

[2] Docket UE-210830, "Commission Staff Comments Regarding Gas and Electric Utility Conservation Plans Under RCW 19.285 and 80.28 and WAC 480-109 (2022-2023 Biennial Conservation Plans)", filed Dec. 17, 2021.

Table 1. Electric Savings and Budgets from PacifiCorp's 2020-2021[3] and 2022-2023[4] BCPs

Program	2020-2021 Projected Savings (MWh at Site)	2020-2021 Budget	2022-2023 Projected Savings (MWh at Site)	2022-2023 Budget
Residential Total	29,590	$10,630,394	24,082	$21,699,191
Low-income	*292*	*$1,585,000*	*338*	*$1,981,250*
Non-Residential	62,178	$13,619,913	70,338	$20,341,392
NEEA	6,198	$1,673,777	6,773	$1,724,200
Administration/Other	--	$2,054,993	--	$2,072,993
Total Conservation	**97,966**	**$27,979,077**	**101,194[5]**	**$45,807,776**

List of Conditions

As with previous biennia, Staff, the state's five electric and gas utilities, and various stakeholders have negotiated a set of conditions that PacifiCorp agrees to adhere to throughout the biennium. These are included as Attachment A to this memo.

Stakeholder Comments

In addition to Staff's comments, three other stakeholders – The Energy Project (TEP), NW Energy Coalition (NWEC), and Public Counsel – also submitted comments on the Plan. Public Counsel recommended approval of the Plan, subject to the conditions noted above; TEP and NWEC were generally supportive of the Plan but did not explicitly recommend approval. Both TEP and NWEC echoed Staff's concern that the non-energy impact study conducted by the consulting firm DNV was conservative and urged PacifiCorp to engage its Advisory Group proactively and earlier in the process as this research evolves.

TEP noted that PacifiCorp appears to be behind the other electric utilities in undertaking research of energy burden of their low-income customers and encouraged the Company to engage its low-income advisory group as it undertakes this research; Staff agrees with this recommendation.

Conclusion

Staff recommends the Commission issue the order described at the beginning of this memo.

[3] Docket UE-190908, "Appendix 2: PacifiCorp's Washington Demand-Side Management Business Plan For 2020-2021," Table 1, Page 4, filed Nov. 1, 2019.

[4] Docket UE-210830, "Appendix 2: Demand-side Management 2022-2023 Business Plan – Washington," Table 2, Page 5, filed Nov. 1, 2021.

[5] The difference between this figure and that in Table 1 in Staff's comments is a small amount of additional savings that PacifiCorp believes it can realize during the 2022-2023 biennium. This additional savings is beyond that which is accounted for in its calculated EIA Target or EIA Penalty Threshold.

Attachment A – Docket UE-210830 Proposed Conditions for 2022-2023 Pacific Power & Light Company Electric Conservation

Attachment A – Docket UE-210830

Proposed Conditions for 2022-2023 Pacific Power & Light Company Electric Conservation

1) **Conservation Potential and Targets – Approval and Conditions**
   a) The following electric conservation targets are approved for Pacific Power & Light Company (PacifiCorp or Company), with conditions pursuant to RCW 19.285.040(1)(e) and WAC 480-109-120(1). This approval is subject to the Conditions described in Paragraphs (2) through (13) below.[1]
      i.) *Ten-Year Potential*: 471,050 megawatt-hours.
      ii.) *Two-Year EIA Target*: 94,210 megawatt-hours.
      iii.) *Two-Year EIA Penalty Threshold*: 87,436 megawatt-hours.
      iv.) *Two-Year Decoupling Penalty Threshold*: 4,711 megawatt-hours, pursuant to Order 12 in Docket UE-152253.
      v.) *Total Two-Year Utility Conservation Goal*: 98,921 megawatt-hours.
   b) The Commission approves the above targets and thresholds as measured at the customer meter. All planning and reporting must include savings data as measured at the customer meter.
   c) As part of PacifiCorp's biennial conservation acquisition efforts, PacifiCorp must continue to invest in regional studies and market transformation, in collaboration with funding from other parties and with other strategic market partners in this biennium that complements PacifiCorp's energy efficiency programs, planning, services, and measures.

2) **PacifiCorp Retains Responsibility.** Nothing in these conditions relieves PacifiCorp of the sole responsibility for complying with RCW 19.285 and WAC 480-109. Specifically, the conditions regarding the need for a high degree of transparency, and communication and consultation with external stakeholders, diminish neither PacifiCorp's operational authority nor its ultimate responsibility.

3) **Advisory Group**
   a) To meet the requirements of WAC 480-109-110, PacifiCorp must continue to use its Advisory Group, initially created under Docket UE-991832, and its Integrated Resource Planning Advisory Group as described under WAC 480-100-630.
   b) PacifiCorp must notify Advisory Group members of all public meetings scheduled to address PacifiCorp's integrated resource plan. PacifiCorp must also coordinate a meeting with Advisory Group members and the entity conducting the conservation potential assessment (CPA) addressing the scope and design of the CPA. Such a meeting must address the assumptions and relevant information utilized in the development of PacifiCorp's integrated resource plan as they apply to development and/or modification

[1] The definitions of "Two-Year EIA Target" and "Two-Year EIA Penalty Threshold" were developed in 2018 through the Statewide Advisory Group (SWAG) process. *See* Dockets UE-171087, UE-171091, and UE-171092, "Report on 2018 Washington State Investor-Owned Utility Energy Efficiency Joint Advisory Group Activities and Outcomes."

of the ten-year conservation potential. This meeting must be held early enough in the integrated resource plan public process to incorporate the group's advice. PacifiCorp must notify Advisory Group members of IRP Advisory Group meetings that present the Company's natural gas and energy price forecasts and generation resource cost assumptions used in the development of the company's integrated resource plan, as these assumptions will inform the ten-year conservation potential.

c) PacifiCorp must consult with the Advisory Groups starting no later than July 1, 2023, to begin to identify achievable conservation potential for 2024-2033 and to begin to set annual and biennial targets for the 2024-2025 biennium, including necessary revisions to program details and the quadrennial 2022-2025 CEIP target. See RCW 19.285.040(1)(b); WAC 480-109-120; and WAC 480-100-640(11).

d) PacifiCorp must inform the Advisory Group members when its projected expenditures indicate that PacifiCorp will spend more than 120 percent or less than 80 percent of its annual conservation budget.

e) If PacifiCorp believes that an event beyond its reasonable control has occurred that may prevent it from meeting its combined EIA Penalty Threshold and Decoupling Penalty Threshold, PacifiCorp will confer with the Advisory Group members as soon as possible to determine a path forward. See RCW 19.285.040(1)(e) and RCW 19.285.060(2).

f) Prior to filing the 2024-2025 Biennial Conservation Plan, PacifiCorp must provide the following information to the Advisory Group: draft ten-year conservation potential, revised four-year target, and two-year target by August 1, 2023; draft program details, including budgets, by September 1, 2023; and draft program tariffs by October 2, 2023.

4) Annual Budgets and Energy Savings. PacifiCorp must provide its proposed budget in a detailed format with a summary page indicating the proposed budget and savings levels for each conservation program, and subsequent supporting spreadsheets providing further detail for each program and line item shown in the summary sheet. PacifiCorp must allocate a reasonable amount of its program budget (as determined through consultation with the Advisory Group) towards pilot programs, research, and data collection.

5) Program Details. PacifiCorp must maintain its conservation tariffs, with program descriptions, on file with the Commission. Program details about specific measures, incentives, and eligibility requirements must be filed and updated in this docket. PacifiCorp must notify the Advisory Group when it files updated measures, incentives, or eligibility requirements.

6) Approved Strategies for Selecting and Evaluating Energy Conservation Savings

a) PacifiCorp has identified several potential conservation measures described in the BCP. The Commission is not obligated to accept savings identified in the BCP for purposes of compliance with RCW 19.285.

b) When PacifiCorp proposes a new or significant change to a program, pilot, or tariff schedule, it must present the program to the Advisory Group with program details fully defined, to the extent practicable. After consultation with the Advisory Group in

accordance with WAC 480-109-110(1)(h), the Advisory Group may advise if a revision to the Conservation Plan in this docket is necessary.

c) PacifiCorp must spend a reasonable (as determined through consultation with the Advisory Group) amount of its conservation budget on evaluation, measurement, and verification (EM&V), including a reasonable proportion on independent, third-party EM&V. PacifiCorp must perform EM&V annually on a maximum four-year schedule of selected programs such that, over the EM&V cycle, all major programs are covered. The EM&V function includes impact, process, market, and cost test analyses. The results must verify the level at which claimed energy savings have occurred, evaluate the existing internal review processes, and suggest improvements to the program and ongoing EM&V processes.

d) An independent third-party must review portfolio-level electric energy savings reported by PacifiCorp for the 2022-2023 biennial period, from existing conservation programs operated during that period, per WAC 480-109-120(4)(b)(v). The independent third-party reviewer must be selected through an RFP process and is intended to:
   i.) Verify the calculation of total portfolio MWh savings; and
   ii.) Provide a review of EM&V activities and application for best practices and reasonable findings, which includes the following:
      (1) Validate the adequacy of PacifiCorp's savings verification process, controls, and procedures.
      (2) Validate savings tracking and reporting processes and practices.
      (3) Review program process and impact evaluations completed during the biennium for appropriateness of evaluation approach/methodologies (program specific) and program cost-effectiveness calculations.

e) A final report for the entire 2022-2023 biennium may be implemented in phases and delivered as a final product at an earlier date, as needed, by PacifiCorp.

7) Program Design Principles

a) Modifications to the programs must be filed with the Commission as revisions to tariffs or as revisions to PacifiCorp's current Conservation Plan, as determined in consultation with the Advisory Group.

b) Incentives and Conservation Program Implementation — Programs, program services, and incentives may be directed to consumers, retailers, manufacturers, trade allies or other relevant market actors as appropriate for measures or activities that lead to electric energy savings. PacifiCorp must work with the Advisory Group to establish a balanced portfolio of measures that provides savings from a variety of savings types and meets the needs of a broad spectrum of PacifiCorp customers.

c) Conservation Efforts without Approved EM&V Protocol — PacifiCorp may spend up to 10 percent of its conservation budget on programs whose savings impact has not yet been measured, if the overall portfolio of conservation passes the primary cost-effectiveness test used by the Commission. These programs may include information-only, and pilot projects. PacifiCorp may ask the Commission to modify this spending limit, following Advisory Group consultation.

i.) Information-only services refers to those information services that are not associated with an active incentive program or that include no on-site technical assistance or on-site delivery of school education programs. Information-only services and behavior change services must be assigned no quantifiable energy savings value without full support of the Advisory Group.

ii.) If quantifiable energy savings have been identified and Commission-approved for any aspect of such programs, the budget associated with that aspect of the program will no longer be subject to this 10 percent spending restriction.

8) Cost-Effectiveness Tests

a) The Commission currently uses a modified Total Resource Cost Test (TRC), consistent with the Council, as its primary cost-effectiveness test. The modified TRC test includes all quantifiable nonenergy impacts, a risk adder, and a 10 percent conservation benefit adder. PacifiCorp's portfolio must pass the modified TRC test. All cost-effectiveness calculations will assume a Net-to-Gross ratio of 1.0, consistent with the Council's methodology.

b) PacifiCorp must also provide calculations of the Program Administrator Cost Test (also called the Utility Cost Test) as described in the National Action Plan for Energy Efficiency's study "Understanding Cost-Effectiveness of Energy Efficiency Programs" (November 2008), located at: https://www7.eere.energy.gov/seeaction/system/files/documents/understanding-cost-effectiveness-ee-programs.pdf.

c) Conservation-related administrative costs must be included in portfolio level analysis.

9) Low-Income and Named Community Programs

a) PacifiCorp must demonstrate progress toward sustained energy burden reductions during the 2022-2023 biennium by, at a minimum, funding all eligible and cost-effective low-income conservation measures, consistent with RCW 19.405.120.

i.) PacifiCorp's biennial report must include the contribution from low-income conservation programs toward sustained energy burden reductions. The report must include the number of participants and any other information that demonstrates progress as described above. The utility should include a discussion of barriers to success, options for overcoming these barriers, and potential uses for increased low-income conservation funding.

ii.) Energy savings from low-income conservation measures will be counted toward conservation goals.

iii.) PacifiCorp may, after consultation with advisory groups, fully fund repairs, administrative costs, and health and safety improvements associated with cost-effective low-income conservation measures. These costs are excluded from portfolio cost-effectiveness calculations. PacifiCorp shall maintain a project cost allowance of up to 30 percent for Administrative/Indirect Rate associated with the delivery of low-income conservation measures.

b) PacifiCorp must consider how and whether existing conservation programs serve the highly impacted communities and vulnerable populations identified in its CEIP. In addition, PacifiCorp must adjust existing conservation programs or design new programs and offerings so that the portfolio of programs ensures an improvement in the equitable distribution of energy and nonenergy impacts to the same communities identified in its CEIP. See WAC 480-100-640(4).

10) Research Efforts and Innovative Programs

a) PacifiCorp must evaluate opportunities for location-targeted programs that provide non-wires alternatives to eliminate or delay the need for distribution system investments.

b) In accordance with RCW 19.285.040(1)(g), PacifiCorp is encouraged to promote the adoption of air conditioning with refrigerants not exceeding a global warming potential (GWP) of 750 and the replacement of stationary refrigeration systems that contain ozone-depleting substance or hydrofluorocarbon refrigerants with a high GWP. At a minimum, PacifiCorp must explore the feasibility of determining and incorporating of the avoided emissions associated with replacing refrigerants exceeding 750 GWP in its cost-effectiveness calculations and discuss the results with its Advisory Group as necessary.

c) PacifiCorp should consult with its Advisory Group to determine how it should implement RCWs 80.28.260(2) and 80.28.300. Such consultation should include, but is not limited to: whether and how to research and evaluate opportunities for cool roof and tree planting conservation, with special consideration given to highly impacted communities and vulnerable populations; whether and how to provide information to their customers regarding landscaping that includes tree planting for energy conservation; and what outreach and education efforts should be conducted to inform customers of the energy and nonenergy benefits of cool roofs and strategic tree planting. PacifiCorp should utilize the department of health's environmental health disparities map and coordinate with the department of natural resources to identify areas within the utility's service territory that would benefit from heat island mitigation and strategic tree planting programs.

   i.) If PacifiCorp pursues such research, evaluation, and/or outreach, it should detail the research and evaluation results and outreach efforts in its conservation reporting.

11) Equitable Distribution of Nonenergy Benefits

a) During this biennium, PacifiCorp must continue to demonstrate progress towards identifying, researching, and properly valuing nonenergy impacts. The nonenergy impacts considered must include the costs and risks of long-term and short-term public health benefits, environmental benefits, energy security, and other applicable nonenergy impacts. In consultation with the Company's conservation, equity, and resource planning advisory groups, nonenergy impacts and risks must be included in the next Biennial Conservation Plan and Conservation Potential Assessment.

b) PacifiCorp must identify the discrete nonenergy impacts and the monetized value used in cost-effectiveness testing for each electric conservation program. This must be provided in a detailed format with a summary page and subsequent supporting spreadsheets, in

native format with formulas intact, providing further detail for each program and line item shown in the summary sheet in annual plans and reports.

c) PacifiCorp must begin to identify the forecasted distribution of energy and nonenergy benefits in annual plans and reports. This reporting must use currently quantified nonenergy impacts as well as values and estimates of additional impacts as they become available. See WAC 480-100-640(3)(a)(i).

12) Recovery through an Electric Conservation Service Rider

a) Scope of Expenditures — Funds collected through the Electric Conservation Service Rider (Schedule 191 – System Benefits Charge Adjustment) must be used on approved conservation programs and their administrative costs. Additionally, Rider funds may be used for other purposes when they have a benefit to PacifiCorp customers and are approved by the Commission.

b) Recovery for Each Customer Class —Rate spread, and rate design must match PacifiCorp's underlying base volumetric rates.

c) Recovery of costs associated with distribution and production efficiency initiatives are not funded through the Electric Conservation Tariff Rider because these programs are not *customer* conservation initiatives. These are company conservation programs. As such, these costs are recovered in the general rate making process over time and may be requested through a general rate case, a deferred accounting petition or other allowed mechanism. The method of cost recovery in no way diminishes its obligation as required in RCW 19.285 and WAC 480-109.

d) PacifiCorp must file revisions to its cost recovery tariff (Schedule 191) by June 1 each year, with requested effective date of August 1 of that same year. If PacifiCorp files its cost recovery tariff early, a Draft Annual Report with completed savings evaluations (see section 6(d)) must accompany the filing.

13) Additional Commitments

a) PacifiCorp must continue to pursue cost-effective conservation in the form of reduction in electric power consumption resulting from increases in the efficiency of energy used at electric power production facilities it owns in whole or in part. PacifiCorp's Annual Report must include updates regarding production efficiency activities in power production facilities operated by PacifiCorp and, to the extent practicable, facilities wholly or partially owned by PacifiCorp that are not operated by the Company.

b) To avoid double-counting of efficiency savings achieved at electric power production facilities owned in whole or in part by PacifiCorp, the Company must consult with the Advisory Group when developing or modifying its protocol for how savings will be claimed.

Agenda Date: January 13, 2022
Item Number: D6

Docket: UG-210831
Company: Northwest Natural Gas Company d/b/a NW Natural

Staff: Jade Jarvis, Regulatory Analyst

Recommendation

Issue an order in Docket UG-210831 approving Northwest Natural Gas Company's

(1) Biennial Acquisition Target of 619,200 therms,
(2) subject to the conditions in Attachment A.

Background

On November 1, 2021, Northwest Natural Gas Company d/b/a NW Natural (NW Natural or Company) filed its "2022-2023 Biennial Energy Efficiency Plan" (BCP or Plan) with the Washington Utilities and Transportation Commission (Commission) under Docket UG-210831. The Plan is required by RCW 80.28.380.

Commission staff (Staff) filed responsive comments on the Plan on December 17, 2021.[1] Those comments detailed NW Natural's expected gas savings in the 2022-2023 biennium, as well as some of the programs the Company will run to achieve those savings and staff's analysis of the plan.

NW Natural serves approximately 89,000 gas customers in Clark, Klickitat, and Skamania counties.

Discussion

Table 1 below compares NW Natural's 2022-2023 expected gas savings with projected savings from the 2020 and 2021 annual conservation plans.[2]

[1] *See* UG-210831 Commission Staff Comments regarding Gas and Electric Utility 2022-2023 Biennial Conservation Plans.

[2] Prior to the 2022-2023 biennium, NW Natural submitted annual conservation plans. The figures in the table reflect data from the annual plans for 2020 and 2021.

Table 1. NW Natural 2020-2021 Annual Conservation Plans and 2022-2023 BCP Gas Savings and Budgets

Program	2020-2021 Projected Savings (therms)	2020-2021 Budget	2022-2023 Projected Savings (therms)	2022-2023 Budget
Residential Total	386,381	$3,578,364	269,468	$3,484,429
Low-income	*9,890*	*$230,964*	*13,563*	*$302,163*
Commercial	238,107	$2,559,802	351,447	$2,709,748
Pilots/Trials[3]	TBD	$305,732	TBD	-
Regional[4]	TBD	$226,296	TBD	$197,696
Total	**745,768**	**$6,670,194**	**620,915[5]**	**$6,391,873**

List of Conditions

As with previous biennia, Staff, the state's five electric and gas utilities, and various stakeholders have negotiated a set of conditions that NW Natural agrees to adhere to throughout the biennium. These are included as Attachment A to this memo. This is the first time that gas conditions have been agreed to. The gas plans filed by the utilities and the recommended gas conditions are the demonstration required by RCW 80.28.380 that the gas conservation target will result in the acquisition of all resources identified by the utility as available and cost-effective.

Stakeholder Comments

In addition to Staff's comments, two other stakeholders – Northwest Energy Coalition (NWEC) and the Public Counsel Unit of the Washington State Attorney General's Office (Public Counsel) – also submitted comments on the Plan. Public Counsel is supportive of Staff's recommendation to approve NW Natural's BCP subject to the conditions laid out in Attachment A of this docket.

NWEC commented on the Company's residential new homes track program, which offers incentives to builders who achieve more credits than required by the 2018 Washington State Energy Code – residential (WSEC-R).[6] NWEC notes that the code allows for some credit

[3] Projected savings for pilots and trials were uncertain for both biennia.

[4] Budgets associated with NEEA and the RTF. Like the pilots and trials, savings for these categories were uncertain.

[5] The difference between this figure and that in Table 1 in Staff's comments is a small amount of additional savings that NW Natural believes it can realize during the 2022-2023 biennium. This additional savings is beyond that which is accounted for in its calculated Biennial Acquisition Target.

[6] *See* UG-210831 Biennial Energy Efficiency Plan, page 9.

options that may not directly contribute to energy efficiency, such as solar installation, and that NW Natural should monitor which options are used to exceed code requirements to ensure that they actually improve energy efficiency before granting incentives. NWEC appreciates the Company's acknowledgement of this challenge and its commitment to close review.

NWEC also encourages NW Natural to explore ways to increase envelope measure offerings for customers, as they think that these measures will provide benefits to customers and less risk overall to both the Company and the customers. Staff appreciates NWEC's active participation in NW Natural's Energy Efficiency Advisory Group throughout the development of this BCP and agrees with their comments encouraging the pursuit of envelope measure offerings during this biennium and acknowledging the Company's recognition of the residential code challenges.

Conclusion

Staff recommends the Commission issue the order described at the beginning of this memo.

Attachment A – Docket UG-210831 Proposed Conditions for 2022-2023 NW Natural Gas Conservation

Attachment A – Docket UG-210831

Proposed Conditions for 2022-2023 NW Natural Gas Conservation

1) **Conservation Target – Approval and Conditions**
   a) The following gas conservation targets are approved for NW Natural (NW Natural or Company), with conditions pursuant to RCW 80.28.380. This approval is subject to the Conditions described in Paragraphs (2) through (14) below.
      i.) *Two-Year Conservation Target*: 619,200 therms.[1]
      ii.) *Total Two-Year Utility Conservation Goal*: 619,200 therms.[2]
   b) As part of NW Natural's biennial conservation acquisition efforts, the Company must continue to invest in regional studies and market transformation, in collaboration with funding from other parties and with other strategic market partners in this biennium that complements NW Natural's energy efficiency programs, planning, services, and measures. NW Natural must participate in the Northwest Energy Efficiency Alliance's (NEEA) gas market transformation program through the end of NEEA's 2020-2024 funding cycle.

2) **NW Natural Retains Responsibility.** Nothing in these conditions relieves NW Natural of the sole responsibility for complying with RCW 80.28.380. Specifically, the conditions regarding the need for a high degree of transparency, and communication and consultation with external stakeholders, diminish neither NW Natural's operational authority nor its ultimate responsibility.

3) **Identifying Conservation Potential**
   a) *Ten-year conservation potential*. Every two years, NW Natural must project its cumulative ten-year conservation potential in a conservation potential assessment (CPA).
      i.) This projection must consider all conservation resources that are cost-effective and available.
      ii.) Methods for identifying conservation potential
         (1) In identifying conservation potential NW Natural must be consistent with the methodologies used by the Northwest Power and Conservation Council (NWPCC) as summarized in this subsection.
            (a) Technical potential. Determine the amount of conservation that is technically feasible, considering measures and the number of these measures that could physically be installed or implemented, without regard to achievability or cost.

[1] The two-year conservation target includes the Company's Conservation Potential Assessment (CPA), adjustments for expected site-specific conservation opportunities, and consistent with Condition 4(b) below.
[2] The Total Two-Year Utility Conservation Goal incorporates the Two-Year Conservation Target, the Decoupling Commitment, projected Northwest Energy Efficiency Alliance (NEEA) savings (if any), and any additional conservation savings that NW Natural expects to achieve above and beyond these targets, such as pilots or other savings.

(b) Achievable technical potential. Determine the amount of the conservation technical potential that is available within the planning period, considering barriers to market penetration and the rate at which savings could be acquired.

(c) Economic achievable potential. Establish the economic achievable potential, which is the conservation potential that is cost-effective, by comparing the total resource cost of conservation measures to the cost of other resources available to meet expected demand for gas. A utility may use either of the following approaches to identify economic achievable potential:

i.) Integrated portfolio approach. A utility may analyze, as a part of its integrated resource plan (IRP), the cost-effective potential of conservation resources over a range of potential future outcomes for unknown variables, such as future demand, costs, and resource availability. Economic achievable potential will be based on a resource plan that achieves a long-run lowest reasonable cost gas system considering all costs and quantifiable nonenergy costs and benefits.

ii.) Benefit-cost ratio approach. A utility may establish economic achievable potential as those conservation measures or programs that pass a total resource cost test, in which the ratio of total benefits to total costs is one or greater. The benefit-cost calculation must use inputs that incorporate the cost of risks that would otherwise be reflected in an integrated portfolio approach.

(d) Total resource cost. In determining economic achievable potential as provided in (c) of this subsection, perform a life-cycle cost analysis of measures or programs to determine the net levelized cost, as described in this subsection:

i.) Conduct a total resource cost analysis that assesses all costs and all benefits of conservation measures regardless of who pays the costs or receives the benefits.

ii.) Include the incremental savings and incremental costs of measures and replacement measures where resources or measures have different measure lifetimes.

iii.) Calculate the value of the gas saved based on when it is saved. In performing this calculation, use time differentiated avoided costs to conduct the analysis that determines the financial value of gas saved through conservation.

iv.) Include the increase or decrease in annual or periodic operations and maintenance costs due to conservation measures.

v.) Include avoided energy costs equal to a forecast of regional market prices plus variable transportation costs (e.g., fuel and variable charges), which represents the cost of the next increment of gas

available to the utility for the life of the energy efficiency measures to which it is compared.

vi.) Include benefits from deferred infrastructure capacity costs for system capacity resources and distribution capacity resources required in peak load resource planning.

vii.) Include the social cost of greenhouse gas emissions from avoided gas consumption.

viii.) If necessary, include a risk mitigation credit to reflect the additional value of conservation, not otherwise accounted for in other inputs, in reducing risk associated with costs of avoided nonconservation resources. If this value is negative, use a value of 0 for the risk mitigation credit.

ix.) Include all nonenergy impacts that a resource or measure may provide that can be reasonably quantified and monetized.

x.) Include an estimate of program administrative costs.

xi.) Include the cost of financing measures using the capital costs of the entity that is expected to pay for the measure.

xii.) Discount future costs and benefits at a discount rate equal to the weighted average cost of capital; and

xiii.) Include a 10 percent bonus to the energy and capacity benefits of conservation measures as defined in 16 U.S.C. § 839a of the Pacific Northwest Electric Power Planning and Conservation Act.

iii.) This projection must be either identified through or included as an input into NW Natural's most recent IRP. NW Natural must document any differences from the projection in the potential assessment and the IRP.

iv.) The CPA must include a list of each measure used in the potential, its unit energy savings value, first year therm savings, customer incremental cost, life of the measure, any applicable nonenergy impacts, and the source of the values.

b) NW Natural must file a CPA by June 1, 2023, in a new docket. The CPA must be approved by the Commission per RCW 80.28.380.

4) Acquiring All Conservation Resources

a) Process for acquiring all conservation

i.) *Process*. NW Natural's obligation to identify and acquire all conservation measures that are available and cost-effective includes the following process:

(1) Identify potential. Identify the cost-effective and available potential of possible technologies and conservation measures in NW Natural's service territory.

(2) Develop portfolio. Develop a conservation portfolio that includes all available, cost-effective conservation. NW Natural must develop programs to acquire available conservation from all the types of conservation identified in (ii) of this subsection. The portfolio must include conservation programs and mechanisms intended to reduce the energy burden of low-income customers, including programs and mechanisms identified in Condition (4)(f) below or

other utility planning processes. If no cost-effective conservation is available from one of the types of conservation, NW Natural is not obligated to acquire such a resource.

(3) Implement programs. Implement conservation programs identified in the portfolio to the extent the portfolio remains cost-effective and available. Implementation methods shall not unnecessarily limit the acquisition of all available conservation that is cost-effective.

(4) Adaptively manage. Continuously review and update as appropriate the conservation portfolio to adapt to changing market conditions and developing technologies. NW Natural must research emerging conservation technologies and assess the potential of such technologies for implementation in its service territory.

ii.) *Types*. Types of conservation include, but are not limited to:

(1) End-use efficiency

(2) Behavioral programs; and

(3) Market transformation.

iii.) *Pilots*. NW Natural must consider, in consultation with the Advisory Group, implementing pilot projects when appropriate and expected to produce cost-effective savings within the current or immediately subsequent biennium if the overall portfolio remains cost-effective.

b) Biennial conservation target. Beginning January 2022, and every two years thereafter, NW Natural must establish a biennial conservation target.

i.) The biennial conservation target must identify, and quantify in therms, all conservation that is available and cost-effective.

ii.) The biennial conservation target must be based on the CPA developed under Condition 3 above and include any adjustments for known or expected site-specific projects. NW Natural must consult with the Advisory Group in determining how to set its target.

iii.) *Excess conservation*. No more than 25 percent of any biennial target may be met with excess conservation savings allowed by this condition. Excess conservation may only be used to mitigate shortfalls in the immediately subsequent two biennia and may not be used to adjust NW Natural's biennial target. The presence of excess conservation does not relieve NW Natural of its obligation to pursue the level of conservation in its biennial target.

(1) Cost-effective conservation achieved in excess of a biennial conservation target may be used to meet up to 20 percent of each of the immediately subsequent two biennial targets.

(2) NW Natural may use single large facility conservation savings achieved in excess of its biennial target to meet up to 5 percent of each of the immediately subsequent two biennial conservation targets. If NW Natural believes it has a project that may constitute a “single large facility,” it should work with its Advisory Group to determine how to meet this condition.

c) Prudence. NW Natural retains the responsibility to demonstrate the prudence of all conservation expenditures.
d) Energy savings. When available, NW Natural must use unit energy savings values and standard protocols approved by the regional technical forum. Unit energy savings value or standard protocol should be:
   i.) Based on generally accepted methods, impact evaluation data, or other reliable and relevant data that includes verified savings levels; and
   ii.) Presented to its advisory group for review. The Commission retains discretion to determine an appropriate value or protocol.
e) Applicable sectors. NW Natural must offer a mix of conservation programs to ensure it is serving each customer sector, including programs targeted to the low-income subset of residential customers.
f) Low-income conservation
   i.) NW Natural must fully fund low-income conservation measures that are determined by the implementing agency to be cost-effective consistent with either the *Weatherization Manual* maintained by the Washington State Department of Commerce or when it is cost-effective to do so using utility-specific avoided costs. For purposes of this subsection, "fully fund" does not prohibit the agency leveraging other funding sources, in combination with utility funds, to fund low-income conservation projects. Measures identified through the priority list in the *Weatherization Manual* are considered cost-effective. In addition, NW Natural may fully fund repairs, administrative costs, and health and safety improvements associated with cost-effective low-income conservation measures. NW Natural shall maintain a project cost allowance of up to 30 percent for Administrative/Indirect Rate associated with the delivery of low-income conservation measures.
   ii.) NW Natural's biennial conservation plan must include low-income conservation programs and mechanisms identified. To the extent practicable, NW Natural must prioritize energy assistance to low-income households with a higher energy burden.
   iii.) NW Natural must exclude low-income conservation from portfolio-level cost-effectiveness calculations. NW Natural must account for the costs and benefits, including nonenergy impacts, which accrue over the life of each conservation measure.
   iv.) NW Natural must count savings from low-income conservation toward meeting its biennial conservation target. Savings may be those calculated consistent with the procedures in the *Weatherization Manual*.

5) Conservation Planning and Reporting

a) Biennial conservation plan
   i.) On or before November 15 of every odd-numbered year, NW Natural must file with the Commission a biennial conservation plan.
   ii.) The plan must include, but is not limited to:
      (1) The extent of public participation in the development of the ten-year conservation potential and the biennial conservation target.

(2) The ten-year conservation potential, the biennial conservation target, biennial program details, biennial program budgets, and cost-effectiveness calculations.
(3) A description of the technologies, data collection, processes, procedures, and assumptions NW Natural used to develop the figures in Condition 5(a)(ii)(2).
(4) A description of and support for any changes from the assumptions or methodologies used in NW Natural's most recent conservation potential assessment.
(5) An evaluation, measurement, and verification plan for the biennium including, but not limited to:
(a) The evaluation, measurement, and verification framework.
(b) The evaluation, measurement, and verification budget; and
(c) Identification of programs that will be evaluated during the biennium.

iii.) For the purposes of this section, ten-year conservation potential is derived pursuant to Condition 3 above.
iv.) Program details must be maintained and updated as necessary in NW Natural's conservation tariff throughout the biennium, in accordance with Condition 8 below.

b) Annual conservation report
i.) On or before June 15 of each year, NW Natural must file with the Commission, in the same docket as its current biennial conservation plan, an annual conservation report regarding its progress in meeting its conservation target during the preceding year.
ii.) The annual conservation report must include, but is not limited to:
(1) The biennial conservation target.
(2) Planned and claimed gas savings from conservation, including a description of the key sources of variance between the planned and actual savings.
(3) Budgeted and actual expenditures made to acquire conservation through the conservation cost recovery adjustment described in Condition 12.
(4) The portfolio- and program-level cost-effectiveness of the actual gas savings from conservation.
(5) All program evaluations completed in the preceding year.
(6) A discussion of the steps taken to adaptively manage conservation programs throughout the preceding year.

c) Biennial conservation report
i.) Beginning in 2024, on or before June 15 of each even-numbered year, NW Natural must file with the Commission, in the same docket as its current biennial conservation plan, a biennial conservation report regarding its progress in meeting its conservation target during the preceding two years.
ii.) The biennial conservation report must include:
(1) The biennial conservation target.
(2) Planned and claimed gas savings from conservation.
(3) Budgeted and actual expenditures made to acquire conservation.
(4) The portfolio-level cost-effectiveness of the actual gas savings from conservation.

(5) An independent third-party evaluation of portfolio-level biennial conservation savings achievement.
(6) A summary of the steps taken to adaptively manage conservation programs throughout the preceding two years; and
(7) Any other information needed to justify the conservation savings achievement.

iii.) NW Natural must provide a summary of the biennial conservation report to its customers by bill insert or other suitable method within 90 days of the Commission's final action on the report.

iv.) NW Natural may file the annual conservation report and the biennial conservation report together as one report, provided that the report includes all the information required in subsections (c) and (d) of this condition and states that it serves as both the annual conservation report and the biennial conservation report.

d) Plan and report review

i.) Interested persons may file written comments regarding the biennial conservation plan and biennial conservation report within 30 days of NW Natural's filing.

ii.) Upon conclusion of the Commission review of NW Natural's biennial report or plan, the Commission will issue a decision accepting or rejecting the calculation of NW Natural's conservation target; or determining whether NW Natural has acquired enough conservation resources to comply with its conservation target. If NW Natural does not meet its biennial conservation target described in Condition 1(a), the Commission will determine the amount in therms by which NW Natural was deficient.

iii.) Biennial plans and reports may be reviewed through the Commission's open meeting process, as described in chapter 480-07 WAC.

e) *Publication of reports*. Beginning with the 2022-2023 BCP, all conservation plans and reports required by Commission order as well as a summary of planned and actual savings and expenditures reflected in the plans and reports, must be posted and maintained on NW Natural's website. Plans and reports must be posted on NW Natural's website within 30 days of Commission acknowledgment of the plan or order approving the report. A copy of any such plan, report, or summary must be provided to any person upon request.

6) Advisory Group

a) NW Natural must use its Advisory Group, initially created under Docket UG-080546 to advise NW Natural on conservation issues including but not limited to:

i.) Conservation programs and measures.

ii.) Updates to NW Natural's evaluation, measurement, and verification framework.

iii.) Modification of existing, or development of new evaluation, measurement, and verification methods.

iv.) Independent third-party evaluation of portfolio-level biennial conservation achievement.

v.) Development of conservation potential assessments.

vi.) The methodology, inputs, and calculations for cost-effectiveness.

vii.) The data sources and values used to develop and update supply curves.
viii.) The need for tariff modifications or mid-biennium program corrections.
ix.) The appropriate level of and planning for:
(1) Marketing conservation programs.
(2) Incentives to customers for measures and services; and
(3) Impact, market, and process evaluations.
x.) Programs for low-income residential customers.
xi.) Establishment of the biennial conservation target and program achievement results compared to the target.
xii.) Conservation program budgets and actual expenditures compared to budgets.
xiii.) Development and implementation of new and pilot programs.

b) *Advisory group meetings*. NW Natural must meet with its conservation advisory group at least four times per year. Conservation advisory group members may request additional meetings. NW Natural must provide reasonable advance notice of all conservation advisory group meetings.
c) *Advance notification of filings*. Except for the conservation cost recovery adjustment filing required in Condition 12, NW Natural must provide its conservation advisory group an electronic copy of all conservation filings that NW Natural intends to submit to the Commission at least 30 days in advance of the filing. The filing cover letter must document the amount of advance notice provided to the conservation advisory group.
d) *Advance notification of meetings*. NW Natural must notify its conservation advisory group of Company and Commission public meetings scheduled to address its conservation programs, its conservation tariffs, or the development of its conservation potential assessment.
e) NW Natural must notify Advisory Group members of all public meetings scheduled to address NW Natural's integrated resource plan. NW Natural must also coordinate a meeting with Advisory Group members and the entity conducting the conservation potential assessment (CPA) addressing the scope and design of the CPA. This meeting must be held early enough in the integrated resource plan public process to incorporate the group's advice. NW Natural must notify Advisory Group members of IRP advisory group meetings that present the Company's gas price forecasts and resource cost assumptions used in the development of the Company's integrated resource plan.
f) NW Natural must consult with the Advisory Groups starting no later than July 1, 2023, to begin to identify achievable conservation potential for 2024-2033 and to begin to set annual and biennial targets for the 2024-2025 biennium, including necessary revisions to program details.
g) NW Natural must inform the Advisory Group members when its projected expenditures indicate that NW Natural will spend more than 120 percent or less than 80 percent of its annual conservation budget.
h) Prior to filing the Biennial Conservation Plan, NW Natural must provide the following information to the Advisory Group: draft ten-year conservation potential and two-year target no later than August 15, 2023; draft program details, including budgets, no later than September 15, 2023; and draft program tariffs no later than October 16, 2023.

7) **Annual Budgets and Energy Savings.** NW Natural must provide its proposed budget to the Advisory Group in a detailed format with a summary page indicating the proposed budget and savings levels for each conservation program, and subsequent supporting spreadsheets providing further detail for each program and line item shown in the summary sheet. The proposed budget must also be filed in support of any cost recovery filing, along with any other necessary workpapers. NW Natural must allocate a reasonable amount of its program budget (as determined through consultation with the Advisory Group) towards pilot programs, research, and data collection.

8) **Program Details.** NW Natural must maintain its conservation tariffs, with program descriptions, on file with the Commission. Program details about specific measures, incentives, and eligibility requirements must be filed and updated in this docket. NW Natural must consult its Advisory Group in accordance with Condition 6 above before making changes to program details. NW Natural must notify the Advisory Group when it files updated measures, incentives, or eligibility requirements.

9) **Approved Strategies for Selecting and Evaluating Energy Conservation Savings**
   a) NW Natural has identified several potential conservation measures described in the BCP. The Commission is not obligated to accept savings identified in the BCP for purposes of compliance with the targets detailed in this Order.
   b) When NW Natural proposes a new or significant change to a program, pilot, or tariff schedule, it must present the program to the Advisory Group with program details fully defined, to the extent practicable. The Advisory Group, after consultation, may advise if a revision to the Conservation Plan in this docket is necessary.
   c) NW Natural must spend a reasonable (as determined through consultation with the Advisory Group) amount of its conservation budget on evaluation, measurement, and verification (EM&V), including a reasonable proportion on independent, third-party EM&V. NW Natural must perform EM&V annually on a maximum four-year schedule of selected programs such that, over the EM&V cycle, all major programs are covered. The EM&V function includes impact, process, market, and cost test analyses. The results must verify the level at which claimed energy savings have occurred, evaluate the existing internal review processes, and suggest improvements to the program and ongoing EM&V processes.
   d) A final report for the entire 2022-2023 biennium may be implemented in phases and delivered as a final product at an earlier date, as needed, by NW Natural.

10) **Program Design Principles**
   a) Modifications to the programs must be filed with the Commission as revisions to tariffs or as revisions to NW Natural's current Conservation Plan, as determined in consultation with the Advisory Group.
   b) Incentives and Conservation Program Implementation — Programs, program services, and incentives may be directed to consumers, retailers, manufacturers, trade allies or

other relevant market actors as appropriate for measures or activities that lead to gas energy savings. NW Natural must work with the Advisory Group to establish a balanced portfolio of measures that provides savings from a variety of savings types and meets the needs of a broad spectrum of NW Natural customers.

c) Conservation Efforts without Approved EM&V Protocol — NW Natural may spend up to 10 percent of its conservation budget on programs whose savings impact has not yet been measured, if the overall portfolio of conservation passes the primary cost-effectiveness test used by the Commission. These programs may include information-only, and pilot projects. NW Natural may ask the Commission to modify this spending limit, following Advisory Group consultation.
   i.) Information-only services refers to those information services that are not associated with an active incentive program or that include no on-site technical assistance or on-site delivery of school education programs. Information-only services and behavior change services must be assigned no quantifiable energy savings value without full support of the Advisory Group.
   ii.) If quantifiable energy savings have been identified and Commission-approved for any aspect of such programs, the budget associated with that aspect of the program will no longer be subject to this 10 percent spending restriction.

11) Cost-Effectiveness Tests

a) The cost-effectiveness analysis required by RCW 80.28.380 must include the costs of greenhouse gas emissions established in RCW 80.28.395.

b) For the 2022-2023 biennium, NW Natural must use the modified Total Resource Cost Test (TRC), consistent with the Council, as its primary cost-effectiveness test. The modified TRC test includes all quantifiable nonenergy impacts, a risk adder, and a 10 percent conservation benefit adder. NW Natural's portfolio must pass the modified TRC test. All cost-effectiveness calculations will assume a Net-to-Gross ratio of 1.0, consistent with the Council's methodology.
   i.) In 2022-2023, NW Natural must participate in any stakeholder process where the appropriate cost-effectiveness test and discount rate to be used for gas conservation is debated.
   ii.) Beginning with the 2024-2025 biennium, NW Natural must either:
      (1) Employ the cost-effectiveness test developed through the stakeholder process described in Condition 11(b)(i);
      (2) Employ a properly-balanced TRC, as described in the Commission's 2013 natural gas conservation policy statement;[3] or
      (3) Employ a different cost-effectiveness test as determined in conjunction with Commission Staff and the Advisory Group.

c) NW Natural must also provide calculations of the Program Administrator Cost Test (also called the Utility Cost Test) as described in the National Action Plan for Energy

[3] See Docket UG-121207, "Policy Statement on the Evaluation of the Cost-Effectiveness of Natural Gas Conservation Programs," at ¶ 35.

Efficiency's study "Understanding Cost-Effectiveness of Energy Efficiency Programs," (November 2008; located at: https://www7.eere.energy.gov/seeaction/system/files/documents/understanding-cost-effectiveness-ee-programs.pdf).

d) NW Natural must provide calculations of both the TRC and UCT in its plans and reports.
e) Conservation-related administrative costs must be included in portfolio level analysis.

12) Recovery through a Gas Conservation Tariff

a) Utilities must file with the Commission for recovery of all expected conservation cost changes and amortization of deferred balances. NW Natural must include its conservation cost recovery procedures in its tariff.
b) Scope of Expenditures — Funds collected through the Gas Conservation Tariff must be used on approved conservation programs and their administrative costs.
c) Recovery for Each Customer Class —NW Natural shall retain existing cost recovery mechanisms, subject to the Commission's Order 06 in Docket UG-181053.
d) NW Natural must file revisions to its cost recovery tariff (Schedule 215) by September 15 each year, with requested effective date of November 1 of that same year.
e) NW Natural may not accrue interest or incur carrying charges on deferred conservation cost balances. Utilities must base conservation recovery rates on forward-looking budgeted conservation program costs for the future year with revisions to recover only actual program costs of the prior year. Utilities must also include the effects of variations in actual sales on the recovery of conservation costs in the prior year.

13) Low-Income Programs

a) *Low-Income Programs*
   i.) NW Natural must demonstrate progress toward sustained energy burden reductions during the 2022-2023 biennium by, at a minimum, funding all eligible and cost-effective low-income conservation measures as described in Condition 4(f).
      (1) NW Natural's biennial report must include the contribution from low-income conservation programs toward sustained energy burden reductions. The report must include the number of participants and any other information that demonstrates progress as described above. The utility should include a discussion of barriers to success, options for overcoming these barriers, and potential uses for increased low-income conservation funding.
      (2) Energy savings from low-income conservation measures will be counted toward conservation goals.
      (3) NW Natural may, after consultation with advisory groups, fully fund repairs, administrative costs, and health and safety improvements associated with cost-effective low-income conservation measures. These costs are excluded from portfolio cost-effectiveness calculations.

14) Additional Commitments

a) NW Natural should consult with its Advisory Group to determine how it should implement RCWs 80.28.260(2) and 80.28.300. Such consultation should include, but is not limited to: whether and how to research and evaluate opportunities for cool roof and tree planting conservation, with special consideration given to highly impacted communities and vulnerable populations; whether and how to provide information to their customers regarding landscaping that includes tree planting for energy conservation; and what outreach and education efforts should be conducted to inform customers of the energy and nonenergy benefits of cool roofs and strategic tree planting. NW Natural should utilize the department of health's environmental health disparities map and coordinate with the department of natural resources to identify areas within the utility's service territory that would benefit from heat island mitigation and strategic tree planting programs.
    i.) If NW Natural pursues such research, evaluation, and/or outreach, it should detail the research and evaluation results and outreach efforts in its conservation reporting.

Agenda Date: January 13, 2022
Item Number: D7

Docket: **UG-210838**
Company: Cascade Natural Gas Corporation

Staff: Heather Moline, Regulatory Analyst

Recommendation

Issue an order in Docket UG-210838 approving Cascade Natural Gas Corporation's

(1) Biennial Acquisition Target of 1,931,751 therms,
(2) Subject to the conditions in Attachment A.

Background

On November 1, 2021, Cascade Natural Gas Corporation (Cascade or Company) filed its "2022-2023 Biennial Conservation Plan" (BCP or Plan) with the Washington Utilities and Transportation Commission (Commission) under Docket UG-210838. The Plan is required by RCW 80.28.380.

Commission staff (Staff) filed responsive comments on the Plan on December 17, 2021.[1] Those comments detailed Cascade's expected gas savings in the 2022-2023 biennium, as well as some of the programs the Company will run to achieve those savings and Staff's analysis of the plan.

Cascade serves approximately 214,000 customers in Adams, Benton, Chelan, Cowlitz, Douglas, Grant, Franklin, Grays Harbor, Island, Kitsap, Mason, Skagit, Snohomish, Walla Walla, Whatcom, and Yakima counties.

Discussion

Table 1 compares Cascade's 2022-2023 gas expected savings and budget with those from the 2020 and 2021 annual conservation plans.[2]

[1] Dockets UE-210822 and UG-210823, "Commission Staff Comments Regarding Gas and Electric Utility Conservation Plans Under RCW 19.285 and 80.28 and WAC 480-109 (2022-2023 Biennial Conservation Plans)," filed Dec. 17, 2021.
[2] Prior to the 2022-2023 biennium, Cascade submitted annual conservation plans. The figures in the table reflect data from the annual plans for 2020 and 2021.

Table 1. Gas Savings and Budgets from Cascade's 2020 and 2021 Annual Conservation Plans and 2022-2023 BCP

Program	2020-2021 Projected Savings (therms)	2020-2021 Budget	2022-2023 Projected Savings (therms)	2022-2023 Budget
Residential Total	822,145	$9,674,555	974,432	$15,001,351
Low-income	*23,180*	*$1,656,800*	*37,524*	*$3,643,991*
Non-Residential	966,307	$5,824,048	957,319	$8,604,288
Regional	-	$53,6971	-	$594,483
Administration/Other	-	$98,386	-	$300,000
Total	**1,788,452**	**$16,133,960**	**1,931,571**	**$24,500,122**

List of Conditions

As with previous biennia, Staff, the state's five electric and gas utilities, and various stakeholders have negotiated a set of conditions that Cascade agrees to adhere to throughout the biennium. These are included as Attachment A to this memo. This is the first time that gas conditions have been agreed to. The gas plans filed by the utilities and the recommended gas conditions are the demonstration required by RCW 80.28.380 that the gas conservation target will result in the acquisition of all resources identified by the utility as available and cost-effective.

Stakeholder Comments

In addition to Staff's comments, NW Energy Coalition (NWEC) and Public Counsel submitted comments on the Plan. Both are participants in Cascade's Conservation Advisory Committee (CAG) and they recommend approval of the Plan contingent on agreeing with the conditions in Attachment A, and on the Company's continued collaboration with the CAG. NWEC also recommended gas portfolios focus on envelope measures, given the increasing external climate-, policy-, and price-driven pressures on gas systems. Staff will continue to collaborate with the commenters and the Company on these issues.

Conclusion

Staff recommends the Commission issue an order in Docket UG-210838 accepting Cascade's Gas Penalty Threshold of 1,931,571 therms, subject to the conditions in Attachment A.

Attachment A – Docket UG-210838 Proposed Conditions for 2022-2023 Cascade Natural Gas Corporation Electric Conservation

Attachment A – Docket UG-210838

Proposed Conditions for 2022-2023 Cascade Natural Gas Conservation

1) **Conservation Target – Approval and Conditions**
   a) The following gas conservation targets are approved for Cascade Natural Gas Corporation, with conditions pursuant to RCW 80.28.380. This approval is subject to the Conditions described in Paragraphs (2) through (14) below.
      (i.) *Two-Year Conservation Target*: 1,931,751 therms.[1]
      (ii.) *Total Two-Year Utility Conservation Goal*: 1,931,751 therms.[2]
   b) As part of Cascade's biennial conservation acquisition efforts, Cascade must continue to invest in regional studies and market transformation, in collaboration with funding from other parties and with other strategic market partners in this biennium that complements Cascade's energy efficiency programs, planning, services, and measures. Cascade must participate in the Northwest Energy Efficiency Alliance's (NEEA) gas market transformation program through the end of NEEA's 2020-2024 funding cycle.

2) **Cascade Retains Responsibility.** Nothing in these conditions relieves Cascade of the sole responsibility for complying with RCW 80.28.380. Specifically, the conditions regarding the need for a high degree of transparency, and communication and consultation with external stakeholders, diminish neither Cascade's operational authority nor its ultimate responsibility.

3) **Identifying Conservation Potential**
   a) *Ten-year conservation potential*. Every two years, Cascade must project its cumulative ten-year conservation potential in a conservation potential assessment (CPA).
      (i.) This projection must consider all conservation resources that are cost-effective and available.
      (ii.) Methods for identifying conservation potential
         (1) In identifying conservation potential Cascade must be consistent with the methodologies used by the Northwest Power and Conservation Council (NWPCC) as summarized in this subsection.
            (a) Technical potential. Determine the amount of conservation that is technically feasible, considering measures and the number of these

[1] The two-year conservation target includes the Company's Conservation Potential Assessment (CPA), adjustments for expected site-specific conservation opportunities, and consistent with Condition 4(b) below.

[2] The Total Two-Year Utility Conservation Goal incorporates the Two-Year Conservation Target, the Decoupling Commitment, projected Northwest Energy Efficiency Alliance (NEEA) savings (if any), and any additional conservation savings that Cascade expects to achieve above and beyond these targets, such as pilots or other savings. As Cascade does not have a decoupling commitment, does not explicitly include NEEA savings in its target, and does not quantify other expected savings (such as pilots), the two goals are identical.

measures that could physically be installed or implemented, without regard to achievability or cost.

(b) Achievable technical potential. Determine the amount of the conservation technical potential that is available within the planning period, considering barriers to market penetration and the rate at which savings could be acquired.

(c) Economic achievable potential. Establish the economic achievable potential, which is the conservation potential that is cost-effective, by comparing the total resource cost of conservation measures to the cost of other resources available to meet expected demand for gas. A utility may use either of the following approaches to identify economic achievable potential:

(i.) Integrated portfolio approach. A utility may analyze, as a part of its integrated resource plan (IRP), the cost-effective potential of conservation resources over a range of potential future outcomes for unknown variables, such as future demand, costs, and resource availability. Economic achievable potential will be based on a resource plan that achieves a long-run lowest reasonable cost gas system considering all costs and quantifiable nonenergy costs and benefits.

(ii.) Benefit-cost ratio approach. A utility may establish economic achievable potential as those conservation measures or programs that pass a total resource cost test, in which the ratio of total benefits to total costs is one or greater. The benefit-cost calculation must use inputs that incorporate the cost of risks that would otherwise be reflected in an integrated portfolio approach.

(d) Total resource cost. In determining economic achievable potential as provided in (c) of this subsection, perform a life-cycle cost analysis of measures or programs to determine the net levelized cost, as described in this subsection:

(i.) Conduct a total resource cost analysis that assesses all costs and all benefits of conservation measures regardless of who pays the costs or receives the benefits.

(ii.) Include the incremental savings and incremental costs of measures and replacement measures where resources or measures have different measure lifetimes.

(iii.) Calculate the value of the gas saved based on when it is saved. In performing this calculation, use time differentiated avoided costs to conduct the analysis that determines the financial value of gas saved through conservation.

(iv.) Include the increase or decrease in annual or periodic operations and maintenance costs due to conservation measures.

(v.) Include avoided energy costs equal to a forecast of regional market prices plus variable transportation costs (e.g., fuel and variable charges), which represents the cost of the next increment of gas available to the utility for the life of the energy efficiency measures to which it is compared.

(vi.) Include benefits from deferred infrastructure capacity costs for system capacity resources and distribution capacity resources required in peak load resource planning.

(vii.) Include the social cost of greenhouse gas emissions from avoided gas consumption.

(viii.) If necessary, include a risk mitigation credit to reflect the additional value of conservation, not otherwise accounted for in other inputs, in reducing risk associated with costs of avoided nonconservation resources. If this value is negative, use a value of 0 for the risk mitigation credit.

(ix.) Include all nonenergy impacts that a resource or measure may provide that can be reasonably quantified and monetized.

(x.) Include an estimate of program administrative costs.

(xi.) Include the cost of financing measures using the capital costs of the entity that is expected to pay for the measure.

(xii.) Discount future costs and benefits at a discount rate equal to the 30-year mortgage rate; and

(xiii.) Include a 10 percent bonus to the energy and capacity benefits of conservation measures as defined in 16 U.S.C. § 839a of the Pacific Northwest Electric Power Planning and Conservation Act.

(iii.) This projection must be either identified through or included as an input into Cascade's most recent IRP. Cascade must document any differences from the projection in the potential assessment and the IRP.

(iv.) The CPA must include a list of each measure used in the potential, its unit energy savings value, first year therm savings, customer incremental cost, life of the measure, any applicable nonenergy impacts, and the source of the values.

b) Cascade must file a CPA by June 1, 2023, in a new docket. The CPA must be approved by the Commission per RCW 80.28.380.

4) Acquiring All Conservation Resources

a) Process for acquiring all conservation

(i.) *Process*. Cascade's obligation to identify and acquire all conservation measures that are available and cost-effective includes the following process:

(1) Identify potential. Identify the cost-effective and available potential of possible technologies and conservation measures in Cascade's service territory.

(2) Develop portfolio. Develop a conservation portfolio that includes all available, cost-effective conservation. Cascade must develop programs to acquire available conservation from all the types of conservation identified in (ii) of this subsection. The portfolio must include conservation programs and mechanisms intended to reduce the energy burden of low-income customers, including programs and mechanisms identified in Condition (4)(f) below or other utility planning processes. If no cost-effective conservation is available from one of the types of conservation, Cascade is not obligated to acquire such a resource.

(3) Implement programs. Implement conservation programs identified in the portfolio to the extent the portfolio remains cost-effective and available. Implementation methods shall not unnecessarily limit the acquisition of all available conservation that is cost-effective.

(4) Adaptively manage. Continuously review and update as appropriate the conservation portfolio to adapt to changing market conditions and developing technologies. Cascade must research emerging conservation technologies and assess the potential of such technologies for implementation in its service territory.

(ii.) *Types*. Types of conservation include, but are not limited to:

(1) End-use efficiency

(2) Behavioral programs; and

(3) Market transformation.

(iii.) *Pilots*. Cascade must consider, in consultation with the Advisory Group, implementing pilot projects when appropriate and expected to produce cost-effective savings within the current or immediately subsequent biennium if the overall portfolio remains cost-effective.

b) Biennial conservation target. Beginning January 2022, and every two years thereafter, Cascade must establish a biennial conservation target.

(i.) The biennial conservation target must identify, and quantify in therms, all conservation that is available and cost-effective.

(ii.) The biennial conservation target must be based on the CPA developed under Condition 3 above and include any adjustments for known or expected site-specific projects. Cascade must consult with the Advisory Group in determining how to set its target.

(iii.) *Excess conservation*. No more than 25 percent of any biennial target may be met with excess conservation savings allowed by this condition. Excess conservation may only be used to mitigate shortfalls in the immediately subsequent two biennia and may not be used to adjust Cascade's biennial target. The presence of excess conservation does not relieve Cascade of its obligation to pursue the level of conservation in its biennial target.

(1) Cost-effective conservation achieved in excess of a biennial conservation target may be used to meet up to 20 percent of each of the immediately subsequent two biennial targets.

(2) Cascade may use single large facility conservation savings achieved in excess of its biennial target to meet up to 5 percent of each of the immediately subsequent two biennial conservation targets. If Cascade believes it has a project that may constitute a "single large facility," it should work with its Advisory Group to determine how to meet this condition.

c) Prudence. Cascade retains the responsibility to demonstrate the prudence of all conservation expenditures.

d) Energy savings. When available, Cascade must use unit energy savings values and standard protocols approved by the regional technical forum. Unit energy savings value or standard protocol should be:
   (i.) Based on generally accepted methods, impact evaluation data, or other reliable and relevant data that includes verified savings levels; and
   (ii.) Presented to its advisory group for review. The Commission retains discretion to determine an appropriate value or protocol.

e) Applicable sectors. Cascade must offer a mix of conservation programs to ensure it is serving each customer sector, including programs targeted to the low-income subset of residential customers.

f) Low-income conservation
   (i.) Cascade must fully fund low-income conservation measures that are determined by the implementing agency to be cost-effective consistent with either the *Weatherization Manual* maintained by the Washington State Department of Commerce or when it is cost-effective to do so using utility-specific avoided costs. For purposes of this subsection, "fully fund" does not prohibit the agency leveraging other funding sources, in combination with utility funds, to fund low-income conservation projects. Measures identified through the priority list in the *Weatherization Manual* are considered cost-effective. In addition, Cascade may fully fund repairs, administrative costs, and health and safety improvements associated with cost-effective low-income conservation measures. Cascade shall maintain a project cost allowance of up to 30 percent for Administrative/Indirect Rate associated with the delivery of low-income conservation measures.
   (ii.) Cascade's biennial conservation plan must include low-income conservation programs and mechanisms identified. To the extent practicable, Cascade must prioritize energy assistance to low-income households with a higher energy burden.
   (iii.) Cascade must exclude low-income conservation from portfolio-level cost-effectiveness calculations. Cascade must account for the costs and benefits, including nonenergy impacts, which accrue over the life of each conservation measure.
   (iv.) Cascade must count savings from low-income conservation toward meeting its biennial conservation target. Savings may be those calculated consistent with the procedures in the *Weatherization Manual*.

5) Conservation Planning and Reporting

a) Biennial conservation plan

(i.) On or before November 15 of every odd-numbered year, Cascade must file with the Commission a biennial conservation plan.

(ii.) The plan must include, but is not limited to:

(1) The extent of public participation in the development of the ten-year conservation potential and the biennial conservation target.

(2) The ten-year conservation potential, the biennial conservation target, biennial program details, biennial program budgets, and cost-effectiveness calculations.

(3) A description of the technologies, data collection, processes, procedures, and assumptions Cascade used to develop the figures in Condition 5(a)(ii)(2).

(4) A description of and support for any changes from the assumptions or methodologies used in Cascade's most recent conservation potential assessment.

(5) An evaluation, measurement, and verification plan for the biennium including, but not limited to:

(a) The evaluation, measurement, and verification framework.

(b) The evaluation, measurement, and verification budget; and

(c) Identification of programs that will be evaluated during the biennium.

(iii.) For the purposes of this section, ten-year conservation potential is derived pursuant to Condition 3 above.

(iv.) Program details must be maintained and updated as necessary in Cascade's conservation tariff throughout the biennium, in accordance with Condition 8 below.

b) Annual conservation report

(i.) On or before June 15 of each year, Cascade must file with the Commission, in the same docket as its current biennial conservation plan, an annual conservation report regarding its progress in meeting its conservation target during the preceding year.

(ii.) The annual conservation report must include, but is not limited to:

(1) The biennial conservation target.

(2) Planned and claimed gas savings from conservation, including a description of the key sources of variance between the planned and actual savings.

(3) Budgeted and actual expenditures made to acquire conservation through the conservation cost recovery adjustment described in Condition 12.

(4) The portfolio- and program-level cost-effectiveness of the actual gas savings from conservation.

(5) All program evaluations completed in the preceding year.

(6) A discussion of the steps taken to adaptively manage conservation programs throughout the preceding year.

c) Biennial conservation report

(i.) Beginning in 2024, on or before June 15 of each even-numbered year, Cascade must file with the Commission, in the same docket as its current biennial conservation plan, a biennial conservation report regarding its progress in meeting its conservation target during the preceding two years.

(ii.) The biennial conservation report must include:

(1) The biennial conservation target.
(2) Planned and claimed gas savings from conservation.
(3) Budgeted and actual expenditures made to acquire conservation.
(4) The portfolio-level cost-effectiveness of the actual gas savings from conservation.
(5) An independent third-party evaluation of portfolio-level biennial conservation savings achievement.
(6) A summary of the steps taken to adaptively manage conservation programs throughout the preceding two years; and
(7) Any other information needed to justify the conservation savings achievement.

(iii.) Cascade must provide a summary of the biennial conservation report to its customers by bill insert or other suitable method within 90 days of the Commission's final action on the report.

(iv.) Cascade may file the annual conservation report and the biennial conservation report together as one report, provided that the report includes all the information required in subsections (c) and (d) of this condition and states that it serves as both the annual conservation report and the biennial conservation report.

d) Plan and report review

(i.) Interested persons may file written comments regarding the biennial conservation plan and biennial conservation report within 30 days of Cascade's filing.

(ii.) Upon conclusion of the Commission review of Cascade's biennial report or plan, the Commission will issue a decision accepting or rejecting the calculation of Cascade's conservation target; or determining whether Cascade has acquired enough conservation resources to comply with its conservation target. If Cascade does not meet its biennial conservation target described in Condition 1(a), the Commission will determine the amount in therms by which Cascade was deficient.

(iii.) Biennial plans and reports may be reviewed through the Commission's open meeting process, as described in chapter 480-07 WAC.

e) *Publication of reports*. Beginning with the 2022-2023 BCP, all conservation plans and reports required by Commission order as well as a summary of planned and actual savings and expenditures reflected in the plans and reports, must be posted and maintained on Cascade's website. Plans and reports must be posted on Cascade's website within 30 days of Commission acknowledgment of the plan or order approving the report. A copy of any such plan, report, or summary must be provided to any person upon request.

6) Advisory Group

a) Cascade must use its Advisory Group, initially created under Docket UG-060256 to advise Cascade on conservation issues including but not limited to:

(i.) Conservation programs and measures.

(ii.) Updates to Cascade's evaluation, measurement, and verification framework.

(iii.) Modification of existing, or development of new evaluation, measurement, and verification methods.
(iv.) Independent third-party evaluation of portfolio-level biennial conservation achievement.
(v.) Development of conservation potential assessments.
(vi.) The methodology, inputs, and calculations for cost-effectiveness.
(vii.) The data sources and values used to develop and update supply curves.
(viii.) The need for tariff modifications or mid-biennium program corrections.
(ix.) The appropriate level of and planning for:
(1) Marketing conservation programs.
(2) Incentives to customers for measures and services; and
(3) Impact, market, and process evaluations.
(x.) Programs for low-income residential customers.
(xi.) Establishment of the biennial conservation target and program achievement results compared to the target.
(xii.) Conservation program budgets and actual expenditures compared to budgets.
(xiii.) Development and implementation of new and pilot programs.

b) *Advisory group meetings*. Cascade must meet with its conservation advisory group at least four times per year. Conservation advisory group members may request additional meetings. Cascade must provide reasonable advance notice of all conservation advisory group meetings.
c) *Advance notification of filings*. Except for the conservation cost recovery adjustment filing required in Condition 12, Cascade must provide its conservation advisory group an electronic copy of all conservation filings that Cascade intends to submit to the Commission at least 30 days in advance of the filing. The filing cover letter must document the amount of advance notice provided to the conservation advisory group.
d) *Advance notification of meetings*. Cascade must notify its conservation advisory group of company and Commission public meetings scheduled to address its conservation programs, its conservation tariffs, or the development of its conservation potential assessment.
e) Cascade must notify Advisory Group members of all public meetings scheduled to address Cascade's integrated resource plan. Cascade must also coordinate a meeting with Advisory Group members and the entity conducting the conservation potential assessment (CPA) addressing the scope and design of the CPA. This meeting must be held early enough in the integrated resource plan public process to incorporate the group's advice. Cascade must notify Advisory Group members of IRP advisory group meetings that present the Company's gas price forecasts and resource cost assumptions used in the development of the company's integrated resource plan.
f) Cascade must consult with the Advisory Groups starting no later than July 1, 2023, to begin to identify achievable conservation potential for 2024-2033 and to begin to set annual and biennial targets for the 2024-2025 biennium, including necessary revisions to program details.

g) Cascade must inform the Advisory Group members when its projected expenditures indicate that Cascade will spend more than 120 percent or less than 80 percent of its annual conservation budget.
h) Prior to filing the Biennial Conservation Plan, Cascade must provide the following information to the Advisory Group: draft ten-year conservation potential and two-year target no later than August 15, 2023; draft program details, including budgets, no later than September 15, 2023; and draft program tariffs no later than October 16, 2023.

7) **Annual Budgets and Energy Savings.** Cascade must provide its proposed budget to the Advisory Group in a detailed format with a summary page indicating the proposed budget and savings levels for each conservation program, and subsequent supporting spreadsheets providing further detail for each program and line item shown in the summary sheet. The proposed budget must also be filed in support of any cost recovery filing, along with any other necessary workpapers. Cascade must allocate a reasonable amount of its program budget (as determined through consultation with the Advisory Group) towards pilot programs, research, and data collection.

8) **Program Details.** Cascade must maintain its conservation tariffs, with program descriptions, on file with the Commission. Program details about specific measures, incentives, and eligibility requirements must be filed and updated in this docket. Cascade must consult its Advisory Group in accordance with Condition 6 above before making changes to program details. Cascade must notify the Advisory Group when it files updated measures, incentives, or eligibility requirements.

9) **Approved Strategies for Selecting and Evaluating Energy Conservation Savings**
a) Cascade has identified several potential conservation measures described in the BCP. The Commission is not obligated to accept savings identified in the BCP for purposes of compliance with the targets detailed in this Order.
b) When Cascade proposes a new or significant change to a program, pilot, or tariff schedule, it must present the program to the Advisory Group with program details fully defined, to the extent practicable. The Advisory Group, after consultation, may advise if a revision to the Conservation Plan in this docket is necessary.
c) Cascade must spend a reasonable (as determined through consultation with the Advisory Group) amount of its conservation budget on evaluation, measurement, and verification (EM&V), including a reasonable proportion on independent, third-party EM&V. Cascade must perform EM&V annually on a maximum four-year schedule of selected programs such that, over the EM&V cycle, all major programs are covered. The EM&V function includes impact, process, market, and cost test analyses. The results must verify the level at which claimed energy savings have occurred, evaluate the existing internal review processes, and suggest improvements to the program and ongoing EM&V processes.
d) A final report for the entire 2022-2023 biennium may be implemented in phases and delivered as a final product at an earlier date, as needed, by Cascade.

10) Program Design Principles

a) Modifications to the programs must be filed with the Commission as revisions to tariffs or as revisions to Cascade's current Conservation Plan, as determined in consultation with the Advisory Group.

b) Incentives and Conservation Program Implementation — Programs, program services, and incentives may be directed to consumers, retailers, manufacturers, trade allies or other relevant market actors as appropriate for measures or activities that lead to gas energy savings. Cascade must work with the Advisory Group to establish a balanced portfolio of measures that provides savings from a variety of savings types and meets the needs of a broad spectrum of Cascade customers.

c) Conservation Efforts without Approved EM&V Protocol — Cascade may spend up to 10 percent of its conservation budget on programs whose savings impact has not yet been measured, if the overall portfolio of conservation passes the primary cost-effectiveness test used by the Commission. These programs may include information-only, and pilot projects. Cascade may ask the Commission to modify this spending limit, following Advisory Group consultation.

(i.) Information-only services refers to those information services that are not associated with an active incentive program or that include no on-site technical assistance or on-site delivery of school education programs. Information-only services and behavior change services must be assigned no quantifiable energy savings value without full support of the Advisory Group.

(ii.) If quantifiable energy savings have been identified and Commission-approved for any aspect of such programs, the budget associated with that aspect of the program will no longer be subject to this 10 percent spending restriction.

11) Cost-Effectiveness Tests

a) The cost-effectiveness analysis required by RCW 80.28.380 must include the costs of greenhouse gas emissions established in RCW 80.28.395.

b) For the 2022-2023 biennium, Cascade must use the modified Utility Cost Test (UCT), as its primary cost-effectiveness test.[3] Cascade's portfolio must pass the modified UCT. All cost-effectiveness calculations will assume a Net-to-Gross ratio of 1.0, consistent with the Council's methodology.

(i.) In 2022-2023, Cascade must participate in any stakeholder process where the appropriate cost-effectiveness test and discount rate to be used for gas conservation is debated.

(ii.) Beginning with the 2024-2025 biennium, Cascade must either:

(1) Employ the cost-effectiveness test developed through the stakeholder process described in Condition 11(b)(i);

[3] In order to comply with RCW 80.28.380, the UCT must be modified to include non-utility costs of greenhouse gas emissions as stated in condition 11(a).

(2) Employ a properly-balanced TRC, as described in the Commission's 2013 natural gas conservation policy statement;[4] or
(3) Employ a different cost-effectiveness test as determined in conjunction with Commission Staff and the Advisory Group.

c) Cascade must also provide calculations of the modified Total Resource Cost test (TRC). The modified TRC includes all quantifiable nonenergy impacts, a risk adder, and a 10 percent conservation benefit adder.
d) Cascade must provide calculations of both the TRC and UCT in its plans and reports.
e) Conservation-related administrative costs must be included in portfolio level analysis.

12) Gas Conservation Cost Recovery

a) Utilities must file with the Commission for recovery of all expected conservation cost changes and amortization of deferred balances. Cascade must include its conservation cost recovery procedures in its tariff.
b) Scope of Expenditures — Funds collected must be used on approved conservation programs and their administrative costs.
c) Recovery for Each Customer Class —Cascade shall retain existing cost recovery mechanisms, subject to the Commission's Order in Docket UG-152286,[5] unless otherwise ordered by the Commission.
d) Cascade must file revisions to its cost recovery tariff (Schedule 596) by September 15 each year, with requested effective date of November 1 of that same year.
e) Cascade may accrue interest on deferred conservation cost balances. Cascade must base conservation recovery rates only on actual program costs of the prior year. Utilities must also include the effects of variations in actual sales on the recovery of conservation costs in the prior year.
f) Cascade must review its existing conservation-related accounting petitions, and if needed file a new petition for deferred accounting treatment and cost recovery mechanisms to address programs provided under RCW 80.28.380.

13) Low-Income Programs

a) *Low-Income Programs*
(i.) Cascade must demonstrate progress toward sustained energy burden reductions during the 2022-2023 biennium by, at a minimum, funding all eligible and cost-effective low-income conservation measures as described in Condition 4(f).
(1) Cascade's biennial report must include the contribution from low-income conservation programs toward sustained energy burden reductions. The report must include the number of participants and any other information that demonstrates progress as described above. The utility should include a

[4] See Docket UG-121207, "Policy Statement on the Evaluation of the Cost-Effectiveness of Natural Gas Conservation Programs," at ¶ 35.
[5]See Joint Settlement Agreement Filed May 13, 2016, at ¶ 23.

discussion of barriers to success, options for overcoming these barriers, and potential uses for increased low-income conservation funding.

(2) Energy savings from low-income conservation measures will be counted toward conservation goals.

(3) Cascade may, after consultation with advisory groups, fully fund repairs, administrative costs, and health and safety improvements associated with cost-effective low-income conservation measures. These costs are excluded from portfolio cost-effectiveness calculations.

14) Additional Commitments

a) Cascade should consult with its Advisory Group to determine how it should implement RCWs 80.28.260(2) and 80.28.300. Such consultation should include, but is not limited to: whether and how to research and evaluate opportunities for cool roof and tree planting conservation, with special consideration given to highly impacted communities and vulnerable populations; whether and how to provide information to their customers regarding landscaping that includes tree planting for energy conservation; and what outreach and education efforts should be conducted to inform customers of the energy and nonenergy benefits of cool roofs and strategic tree planting. Cascade should utilize the department of health's environmental health disparities map and coordinate with the department of natural resources to identify areas within the utility's service territory that would benefit from heat island mitigation and strategic tree planting programs.

(i.) If Cascade pursues such research, evaluation, and/or outreach, it should detail the research and evaluation results and outreach efforts in its conservation reporting.