

**Attachment A – Staff Memo Regarding I-937 Conservation Reports:
Issues for Further Consideration**

During the review of the Biennial Conservation Reports (BCRs) and comments from interested parties, commission staff identified the following issues related to utility conservation filings that will need to be addressed but may not need to be resolved at the August 9, 2012, open meeting. The issues can be addressed through the Commission's target-setting orders in each individual docket, through a policy statement, or do not need any action at this time.

Target-setting Orders

Consistency

Public Counsel, commission staff, Northwest Energy Coalition (NWEC), and Renewable Northwest Project (RNP) agree that consistency is an important goal in the oversight of conservation programs. Many of the issues raised in the comments of interested parties relate to this overall goal. The companies generally prefer to continue using individual approaches. Commissioners have expressed support for this goal in open meeting discussions in the past. Future target-setting orders should provide more guidance on this issue.

NEEA Savings

All three companies use different approaches toward claiming conservation savings from the Northwest Energy Efficiency Alliance (NEEA). There was agreement between interested parties that the Commission should accept NEEA savings as reported by the companies for 2010-11. Staff, Public Counsel, NWEC, and RNP are in agreement that the utilities should adopt a common approach. There was no agreement between the parties on whether the 2012-2013 conservation targets should be adjusted as a result of the development of a common NEEA approach.

Baselines – Adaptive management and updating unit energy savings (UES) values

There is general agreement that the UES values should be updated to reflect new information, but there is disagreement regarding whether this should be done on an annual or biennial basis and whether new information should affect reported savings at the end of a biennium. Avista and PacifiCorp update their UES values every two years whereas PSE updates its UES values each year. There may be reason to develop a consistent approach across the three utilities. Recommendations regarding adjustments to the companies' 2012-2013 targets and/or reported savings may also be entertained.

Consistent Evaluation, Measurement & Verification (EM&V) approaches

Some parties favor the status quo advisory group review, whereas other parties, including Public Counsel, favor a consistent approach among the utilities. The status quo allows for approaches tailored to company-specific conservation portfolios and enables flexibility for companies that must balance the requirements of multiple states. There is general disagreement regarding how this should be handled moving forward, and guidance from the commission may be helpful in reaching a resolution.

Reporting Requirements

A lack of clarity and specificity in the reporting requirements contributed to inconsistency between the companies' BCRs. The companies believe that they filed all of the required material while staff and Public Counsel feel that some of the reports initially contained inadequate information for making a recommendation on conservation achievement. The commission may want to issue specific guidelines or develop a reporting template to clarify the responsibilities of the utilities and to help promote consistency between company reports.

Policy Statement

Prudence and "Pursuing All" Available Conservation

The July 16, 2012, staff comments outline a proposed approach on pages 8-10 for addressing the prudence of conservation programs. Conservation portfolios are exposed to a high level of scrutiny through the development of conservation potential assessments, approval of biennial conservation plans, continued advisory group involvement and review of the conservation achievement. As a result, a separate determination of prudence is unnecessary. Conservation portfolios should be evaluated for prudence through the planning and reporting cycle described in the staff comments and in the commission's orders in each docket. In addition, RCW 19.285.040(1) states that "Each utility shall pursue all available conservation that is cost-effective, reliable, and feasible." The staff comments explain the criteria staff used in order to determine whether the companies complied. Staff will continue evaluating conservation achievement in the context of the biennial conservation plans, the orders approving the biennial conservation targets and the BCRs.

Public Counsel's August 2, 2012, comments on pages 3-5 further interpret the statement in RCW 19.285.040(1) that "(e)ach qualifying utility shall pursue all available conservation that is cost-effective, reliable, and feasible" (emphasis added). If a policy statement on prudence is opened, it should also provide clarification on whether the aforementioned statement in RCW 19.285.040(1) is distinct from the remainder of the statute or whether RCW 19.285.040(1) should be read as a whole; entailing that subsections (1)(a)-(1)(e) explain and expand upon the manner in which a utility shall "pursue all available conservation."

No Action Needed at This Time

Confidentiality

Although no specific confidentiality issues have arisen at this time, there was concern from NWEC and RNP that stakeholder review of conservation achievement could be impeded by the lack of a consistent approach to confidentiality of information in the BCRs. Other general concerns around confidentiality during the review of bid documents following requests for proposal were also raised. The Commission's current rules should suffice for the confidentiality concerns raised thus far.

Advisory group role

The role of the advisory group in review of conservation programs and in review of requests for proposal for conservation resources is currently addressed in target-setting orders. Given the comments on these issues, no further action is needed at this time.