

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

**In the Matter of Avista Corporation d/b/a
Avista Utilities' 2024-2025 Biennial
Conservation Plan**

DOCKET UE-230897

**In the Matter of PacifiCorp d/b/a Pacific
Power and Light Company 2024-2025
Biennial Conservation Plan**

DOCKET UE-230904

**In the Matter of Puget Sound Energy
2024-2025 Biennial Conservation Plan**

DOCKET UE-230892

**COMMISSION STAFF COMMENTS REGARDING
ELECTRIC UTILITY CONSERVATION PLANS UNDER
RCW 19.285 and WAC 480-109
(2024-2025 BIENNIAL CONSERVATION PLANS)**

December 22, 2023

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Introduction

The Washington Utilities & Transportation Commission (Commission) must approve biennial conservation targets for electric utilities. Electric conservation targets have required approval since 2010.¹ On November 1, 2023, Avista Corporation d/b/a Avista Utilities (Avista), PacifiCorp d/b/a Pacific Power & Light Company (PacifiCorp), and Puget Sound Energy (PSE), filed their respective Biennial Conservation Plans (BCPs or Plans) and 2024-2025 conservation targets with the Commission.² The Commission requested comments on the Plans by December 22, 2023.³

Commission Staff (Staff) provided technical assistance to the utilities and assisted with the review of the Plans through participation in the various advisory groups for all three companies. Staff also conducted a thorough review of the draft and final Plans. Staff's review focused on verifying that the companies used methodologies consistent with the Northwest Power and Conservation Council's (NWPCC or Council) Power Plan, where appropriate. Staff provided feedback to each company regarding statutory requirements to acquire all available and cost-effective conservation.⁴

In these comments, Staff summarizes the target-setting process and discusses the effect of recent legislation on the BCPs. Staff also discusses additional recommendations regarding Plan implementation in the 2024-2025 biennium.

Discussion

At this time, Staff believes each company met the reporting requirements outlined in RCWs 19.285.040(1)(b) and WAC 480-109-120(1), as applicable to electric utilities. Staff intends to present its final recommendations regarding the targets and potential conditions for approval at the Commission's January 17, 2024, Recessed Open Meeting, after further consideration, which will include, at minimum, a review of comments filed by interested parties.

Company-specific tables starting on page 5 show that for every electric company, *budgets are increasing*, and *targets are decreasing* as compared to the last biennium. As covered in the

¹ RCW 19.285.030(19) (definition of "qualifying utility"); RCW 19.285.040(1)(b) (biennial conservation targets). In 2006, Washington voters approved Initiative 937, also known as the Energy Independence Act (EIA). Codified in RCW 19.285 and Chapter 480-109 WAC, "qualifying" electric utilities — those with at least 25,000 customers in Washington — must set and meet energy conservation targets. And in 2019, Washington enacted the Clean Energy Transformation Act (CETA), one of the requirements of which is that investor-owned utilities (IOUs) file four-year clean energy implementation plans (CEIPs). RCW 19.405.060. The Commission requires each IOU include specific energy efficiency and conservation targets in its CEIP. WAC 480-100-640(3)(a)(i).

² Avista: Docket UE-230897, PacifiCorp: Docket UE-230904, PSE: Docket UE-230892.

³ *Ibid.*, Notice of Opportunity to Comment, Nov. 21, 2023.

⁴ RCW 19.285.040(1).

section on page 3 regarding changing conditions and challenges to meeting targets, Staff expects this trend, generally, given savings are generally more difficult to acquire. Further, if budgets were not increasing, Staff would potentially question whether the companies would be able to both meet their targets and increase equitable enrollment in conservation program(s).

Staff is concerned about the overall impact on ratepayers from increased budgets and conservation target decreases in Washington. Staff maintains that conservation and distributed energy resources in general are pivotal to complying with the Clean Energy Transformation Act (CETA) and that the benefits of these resources are likely undervalued by the current regulatory framework.⁵ As such, Staff is also concerned that targets are decreasing, and discusses at length the balancing of cost-effectiveness, budget, outreach, and increased enrollment. Given these concerns, Staff is continuously working to vet the reasons for budget increases and target decreases. While Staff tentatively recommends approval of these targets and budgets, Staff offers details on the continued vetting process in the company-specific sections below.

Table 1 shows each utility’s 2024-2025 electric target in megawatt hours (MWh). For definitions of each target, threshold, and conservation goal, see Table 2.

Table 1: Summary of 2024-2025 Electric Targets (MWh)

Company	EIA Target	EIA Penalty Threshold	Decoupling Threshold	Total Utility Conservation Goal
Avista⁶	63,374	47,635	3,169	66,543
PacifiCorp⁷	84,971	74,839	4,249	89,220
PSE⁸	304,400	268,702	15,220	397,620

⁵ See Docket U-210804, Staff investigation developing a Commission jurisdictional specific cost-effectiveness test for distributed energy resources incorporating CETA policies, for current Commission efforts to better value these benefits.

⁶ *In re Avista’s 2024-2025 Washington Energy Efficiency Biennial Conservation Plan*, Docket UE-230897, Avista 2024-2025 Washington Energy Efficiency Biennial Conservation Plan, Table 1, at 1 (Nov. 1, 2023) (“Avista BCP”).

⁷ *In re PacifiCorp’s 2024-2025 Biennial Conservation Plan*, Docket UE-230904, 2024-2025 DSM Business Plan, at 8-9 (Nov. 1, 2023) (“PacifiCorp BCP”).

⁸ *In re Puget Sound Energy’s 2024-2025 Biennial Conservation Plan*, Docket UE-230892, 2024-2025 Biennial Conservation Plan, at 1 (Nov. 1, 2023) (“PSE BCP”).

Target-Setting and Implementation Plans

The target-setting process begins with the development of a Conservation Potential Assessment (CPA), which establishes the achievable savings potential in a utility’s service territory. Once a CPA is completed, electric utilities use CPA results as input to the integrated resource plan (IRP) model, which acts as an economic screen to determine the cost-effective potential. Unlike gas utilities, electric utilities do not have to submit a CPA in a stand-alone docket for Commission approval.

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

Table 2 defines the various elements used to determine electric savings targets. Staff used this terminology in its last BCP Comments and considers them accepted by all parties.⁹

Table 2: Definition of Savings Terms Used in 2024-2025 Electric BCPs

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

⁹ These definitions are not necessarily found in rule or statute. Some of the terms in Table 2 (including “EIA Target” and “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.”

Challenges to Achieving Targets

Staff acknowledges, as in previous biennia, that utilities will face challenges to meeting their targets. Perhaps most importantly, the 2021 Power Plan explains that the easiest and most cost-effective conservation *has already been acquired in the region*.¹⁰ Staff highlights that the State of Washington building codes¹¹ will have a significant impact on the future of conservation efforts in Washington. Already, builders are responding rapidly to the new building codes. The effect for electric companies is that buildings are already built to higher energy efficiency standards, which minimizes opportunities for utilities to acquire conservation via other measures down the line.

The companies, formally and informally, have noted concerns about supply chain shortages, customer disengagement due to fears about high inflation and market uncertainty, and sometimes severe labor and contractor shortages. Additional details on challenges to meeting targets are described within company-specific sections.

Balancing Cost-Effectiveness, Budget, Outreach, and Increased Enrollment

An additional challenge that utilities are facing in achieving their targets is the need to balance target attainment with maintaining cost-effectiveness within a reasonable budget, while also ensuring equity in their service territories. As an example, numerous studies¹² have shown that customers likely to be categorized as highly impacted communities and vulnerable populations under CETA¹³ are less likely to be able to access the benefits of conservation. While a higher budget and more culturally specific programs might help a utility lessen these barriers, utilities must maintain portfolio cost-effectiveness and consider the impact to ratepayers of increased budgets. Increasing enrollment and outreach can come at the expense of higher rates.

¹⁰ The 2021 Northwest Power Plan, Figure “Energy Efficiency Supply Curve, Differentiated by Sector for 2041” at 63. Available at: https://www.nwcouncil.org/2021powerplan_conservationpotential/.

¹¹ RCW 19.27A.020(2)(a) states that the Washington state energy code shall be designed to construct increasingly energy efficient homes and buildings that help achieve the broader goal of building zero fossil-fuel greenhouse gas emission homes and buildings by 2031. RCW 19.27A.160 requires a 70 percent reduction in net annual energy consumption in newly constructed residential and nonresidential buildings by 2031.

¹² As an example, *see* Walker, G., Day, R., 2012. Fuel poverty as injustice: integrating distribution, recognition, and procedure in the struggle for affordable warmth. *Energy Policy* 49, 69–75.

¹³ “‘Highly impacted community’ means a community designated by the department of health based on cumulative analyses in RCW 19.405.140 or a community located in census tracts that are fully or partially on ‘Indian country’ as defined in 18 U.S.C. Sec. 1151.” RCW 19.405.020(23). “‘Vulnerable populations’ means communities that experience a disproportionate cumulative risk from environmental burdens due to: (a) Adverse socioeconomic factors, including unemployment, high housing and transportation costs relative to income, access to food and health care, and linguistic isolation; and (b) Sensitivity factors, such as low birth weight and higher rates of hospitalization.” RCW 19.405.020(40).

In company-specific highlights below, Staff illustrated some of these challenges and the ways certain utilities are overcoming them. **In general, to expand equity and enrollment in utilities' service territories while maintaining a reasonable budget and cost-effectiveness, Staff recommends:**

- Further quantification of non-energy impacts. In comments on the 2022-2023 Plans, Staff discussed the progress the companies had made in properly accounting for and valuing non-energy impacts (NEIs), while also noting concerns and areas for improvement.¹⁴ Namely, the analysis by DNV used a conservative methodology that may have significantly undervalued NEIs. Staff have not yet seen many efforts on the part of the utilities to address this issue and would encourage them—with guidance from their advisory groups—to reassess the values produced by DNV's analysis to ensure that these real benefits are properly valued in cost-effectiveness calculations.
- Exploring the potential to significantly increase rebates.
- Working closely with advisory groups, the Department of Commerce (Commerce), and key partners in each service territory to ensure close weaving of outside sources of funding with ratepayer funds and not limiting partnerships for pursuing low-income weatherization to community action agencies. For more information, see the section below on the intersection with federal legislation and company-specific sections.
- Continuing efforts to implement Staff's recommendations on equitable programming from the previous biennium, namely: identifying/targeting specific customer segments, completing, and implementing underserved customer needs assessments, and both adjusting old and creating new programs.¹⁵

Intersection with Federal Legislation

During the last biennium, the federal government passed significant energy legislation: the Infrastructure Investment and Jobs Act (IIJA), signed in November 2021, and the Inflation Reduction Act (IRA), signed in August 2022.¹⁶ As a result, there are significant rebates and tax credits available for energy efficiency and electrification. These new programs, the final details of which are expected to be forthcoming in 2024, raise questions about how they should be treated in relation to utility programs. For example:

- Can utilities claim savings that result from federal rebates?
- How should utilities treat federal rebates and tax credits in cost-effectiveness calculations?

¹⁴ *In the Matter of Avista Corporation, et al. 2022-2023 Biennial Conservation Plans*, Docket nos. UE-210826, UG-210827, UG-210838, UG-210831, UE-210830, UE-210822, UG-210823, Commission Staff Comments Regarding Gas and Electric Utility Conservation Plans, at 8-9 (December 17, 2021).

¹⁵ See Staff Comments, Pg. 5.

¹⁶ Infrastructure Investment and Jobs Act of 2021, Pub. L. No. 117-58, 135 Stat. 429 (2021); Inflation Reduction Act of 2022, Pub. L. No. 117-169, 136 Stat. 1818 (2022).

- Some of the federal incentives focus on fuel-switching. How do utilities account for these savings when it comes to the EIA targets?

While the answers to some of these questions are unclear, Staff generally views utilities' conservation efforts, and programs outlined in federal legislation, as complementary. Per guidance from the National Action Plan for Energy Efficiency's study, "Understanding Cost-Effectiveness of Energy Efficiency Programs" (November 2008), the treatment of tax incentives should be consistent with the treatment of other resources to which energy efficiency is compared. If a developer builds a wind resource using a federal tax credit, the cost is generally adjusted to reflect a lower price. A utility that purchases this power does not reduce the number of kWh received by the company and reassigns them to the federal government. Similarly, if a utility acquires energy efficiency, for which the price has been reduced by federal dollars, the same amount of savings is acquired. **Staff recommends that the details of how to treat the IIJA and IRA within utility efficiency programs should be discussed with each advisory group with this principle in mind.**

Company Targets and Plans

Avista

As illustrated by Table 3, Avista set its electric conservation target for this biennium using the two-year pro rata share of its 10-year conservation potential. Avista has an EIA Penalty Threshold of 47,635MWh, a decoupling threshold of 3,169MWh, and total planned savings of 66,543MWh.

Table 3: Avista Electric Conservation Targets and Goals¹⁷

Category	Savings (MWh)
Pro Rata Share of 10-Year Conservation Potential	63,374
EIA Target	63,374
Excluded Programs (NEEA)	(15,739)
EIA Penalty Threshold	47,635
Decoupling Penalty Threshold	3,169
Total Utility Conservation Goal	66,543

Table 4 compares the Avista's 2024-2025 electric savings targets to those from its 2022-2023 BCP. Avista's EIA Penalty Threshold in the 2024-2025 biennium is almost 50 percent lower

¹⁷ Avista BCP, at 1.

than its Penalty Threshold for the 2022-2023 biennium, while its total planned savings for the upcoming biennium are 38 percent lower than the 2022-2023 biennium.

Avista plans to spend about \$47 million on its electric conservation programs in the upcoming biennium. This figure is 8 percent larger than its electric conservation budget in the current biennium. Avista expects its total electric portfolio to achieve a TRC ratio of 1.89 and a UCT ratio of 1.2, indicating that the portfolio remains cost-effective.

Table 4: Avista Electric Conservation Savings and Budget^{18,19}

	2022-2023 EIA Penalty Threshold	2022-2023 Total Utility Conservation Goal	2024-2033 10-year potential	2024-2025 EIA Penalty Threshold	2024-2025 Total Utility Conservation Goal
Savings (MWh)	91,054	106,644	317,000	47,635	66,543
Budget		\$43,364,106			\$46,686,720

Avista projects its total portfolio savings to exceed its goal of 66,543MWh and achieve 79,183MWh in savings.²⁰

Challenges in Achieving Targets

For the 2024-2025 biennium, Avista’s total conservation goal is 66,543 MWh, a decrease from the previous target of 106,644 MWh. The widespread adoption of light-emitting diodes (LEDs), the reactivation of the Energy Independence and Security Act of 2007 (EISA) lighting standard backstop in 2022, and the implementation of the 2021 Washington State Energy Code played pivotal roles in reducing projected lighting savings in the 2022 CPA. The 2022 CPA anticipated the effectiveness of the energy code from 2023 onward. Despite assuming a 30 percent increase in residential electric load over the 10-year conservation period, much of this load is expected to come from new construction, subject to the energy code in effect during construction. Additionally, Avista projected a 7 percent decrease in commercial/industrial load. All these factors led to a significantly lower target in the 2022 CPA compared to the 2020 CPA.

To navigate the complexities of a challenging labor and supply chain landscape and achieve savings objectives, Avista implemented a Contractor Incentive Program (CIP). This program offers additional incentives directly to contractors upon project completion. Notably, these

¹⁸ Avista BCP, Table 2, at 7.

¹⁹ *In re Avista’s 2022-2023 Washington Energy Efficiency Biennial Conservation Plan*, Docket UE-210826, Avista 2022-2023 Washington Energy Efficiency Biennial Conservation Plan, at 2 (Nov. 1, 2023).

²⁰ Avista BCP, Table 2, at 7.

incentives are separate from the customer incentives, which continue to be provided directly to the customers.

Equity

Avista's commitment to Named Communities includes a dedicated CETA program manager overseeing the Named Communities Investment Fund (NCIF), as originally highlighted in Avista's 2021 Clean Energy Implementation Plan (CEIP).²¹ The NCIF is a dedicated financial initiative by Avista, allocating up to 1 percent of electric retail revenues or \$5 million annually from 2022 to support equitable clean energy projects. In the 2024-2025 biennium, Avista plans to allocate \$2 of \$5 million from the NCIF for energy efficiency and health and safety initiatives within Named Communities. These funds can go to one of the following program areas: weatherization for single-family homes; multi-family building upgrades; health and safety for manufactured and mobile homes; community and small business energy efficiency; and projects identified and prioritized by Avista's Equity Advisory Group (EAG). Avista explores innovative outreach approaches, including an Energy Ambassador Program, to enhance program participation. Additionally, Avista supports tribal energy needs through partnerships and initiatives, exemplified by its collaboration with the Spokane Tribe of Indians for a microgrid project and energy-related support in 2022 and 2023. Looking ahead, Avista aims to expand these efforts in 2024-2025.

Summary of Analysis

Despite the trend of decreased conservation potential and rising cost of conservation due to previous successful measures, and present economic factors, Staff notes Avista's innovative approach to advancing conservation equity in its service territory and its aspiration to exceed the statutory conservation targets. Staff looks forward to making a recommendation regarding Avista's plan after reading public comments.

PacifiCorp

PacifiCorp set its electric conservation targets for this biennium using the two-year pro rata share of its 10-year conservation potential. PacifiCorp has an EIA Penalty Threshold of 74,839MWh; a decoupling threshold of 4,249MWh; and a total utility conservation goal of 89,220MWh.²²

²¹ *Avista 2021 Clean Energy Implementation Plan*, Docket UE-210628, at 4-34 (October 1, 2021).

²² *PacifiCorp 2024-2025 BCP*, Docket UE-230904, 2024-2025 BCP, at 9 (Nov. 1, 2023).

Table 5: PacifiCorp Electric Conservation Targets and Goals²³

Category	Savings (MWh)
Pro Rata Share of 10-Year Conservation Potential	81,297
EIA Target	84,971
Excluded Programs (NEEA)	(10,908)
EIA Penalty Threshold	74,839
Decoupling Penalty Threshold	4,249
Total Utility Conservation Goal	89,220

PacifiCorp plans to spend approximately \$49 million over the 2024-2025 biennium and believes it can achieve 91,123MWh of conservation, including NEEA forecasted savings, which is higher than the total utility conservation goal.²⁴ This represents an increase in PacifiCorp's conservation budget for fewer energy savings compared to the previous biennium. Among other factors, this reflects an increase in incentives required to make the program more accessible to customers and direct-install vendors.

Table 6 below compares PacifiCorp's estimated savings and budget for the current biennium of 2024-2025 to the 2022-2023 biennium.

Table 6: PacifiCorp Electric Conservation Savings and Budget²⁵

	2022-2023 EIA Penalty Threshold	2022-2023 Total Utility Conservation Goal	2022-2031 10-year Potential	2024-2025 EIA Penalty Threshold	2024-2025 Total Utility Conservation Goal
Savings (MWh)	87,436	98,921	406,486	74,839	89,220
Budget		\$45,837,776			\$49,316,013

²³ *PacifiCorp 2024-2025 BCP*, Docket UE-230904, DSM Biennial Plan, at 9 (Nov. 1, 2023).

²⁴ *Pacific Power 2024-2025 BCP*, Docket UE-230904, DSM Biennial Plan, at 7 (Nov. 1, 2023).

²⁵ *Pacific Power 2024-2025 BCP*, Docket UE-230904, DSM Biennial Plan, at 8-9 (Nov. 1, 2023).

Reasons for the budget increase include more generous incentives for residential and business programs, including increased and extended projects in Highly Impacted Communities (HICs), in addition to inflation, labor, supply chain, and lingering pandemic issues, which other companies are also facing.

PacifiCorp expects its total portfolio to achieve a TRC ratio of 1.52 and a Commission ratio of 1.42, indicating that the portfolio remains cost-effective.

Low-Income Residential Program & Commercial Programs

PacifiCorp's residential programs increased benefits from 15 percent to 30 percent of annual reimbursement on eligible energy-efficient measures to community action agencies authorized to receive funds. Increasing the utility repair reimbursement should provide flexibility and additional funding leverage in conjunction with state, federal, and other funding sources to address health and safety, and overcome dwelling integrity issues. PacifiCorp also added smart thermostats to the current thermostat measure, which adds an option that contractors can install.

PacifiCorp also made some increases to the incentives for Wattsmart Business (Commercial Programs), to address inflation, labor issues, and low customer participation. They aligned the program's offerings with the Regional Technical Forum (RTF), by using the latest unit energy savings and standard protocols. Lastly, they aligned the program with the latest energy code and third-party specifications. Staff commends PacifiCorp for its diligence in keeping up to date with different offerings from the RTF and updating programs with the latest code updates. Staff recommends PacifiCorp continue this practice with consultation within its various advisory groups.

Pilot Programs

PacifiCorp's Plan describes six pilot programs from the previous biennium that it plans to continue during the 2024-2025 biennium. Staff understands that the timeline of pilots does not always align with the biennial cycle and that some pilots may take longer than two years to produce meaningful findings. However, to ensure these pilots are serving their intended purpose, Staff emphasizes its previous encouragement for PacifiCorp to continue to clearly communicate the status of its pilot programs with Staff and its advisory groups, including how it determines when those programs are ready to leave the pilot phase.²⁶

Equity

To comply with CETA's equity objectives, PacifiCorp applied new types of communications marketing including increasing culturally and linguistically responsive outreach. To do this PacifiCorp offered interpreters and translated materials at public meetings and promoted EE

²⁶ See *Avista, et al., 2022-2023 BCP*, Docket UE-210830, Staff Comments 2022-23 BCP, at 16 (Dec. 17, 2021).

programs on Spanish TV, radio, and newspapers. PacifiCorp also hired trusted staff in the communities they serve to disseminate information. While this is a great start, Staff would like to see more languages available to customers.

Additionally, PacifiCorp has expanded and plans to continue to expand and focus efforts on single-family homes in HIC areas. This includes increasing incentives and introducing a new program for manufactured homes for Low-E storm windows. PacifiCorp plans on continuing to provide no-cost direct-install residential lighting to renters living in family units and launching a Community-Based Distribution program, offering LED bulbs to Tribal and Vulnerable Population customers at no cost. PacifiCorp is still trying to make efforts to continue equity work throughout all its programs and measures. Staff recommends continuing working with PacifiCorp's advisory groups to expand their efforts in equity throughout all their programs.

Summary of Analysis

PacifiCorp has shown good effort in outreach and updating its programs to comply with the policy. However, Staff believes adding additional information on how the pilot programs end and become effective would be beneficial to others learning about the programs or wanting to sign up. Also, Staff would like to see different languages incorporated into PacifiCorp's outreach and website. Making programs and offerings more accessible to all customers is the goal. Staff looks forward to making a recommendation regarding PacifiCorp's plan after reading public comments.

Puget Sound Energy

As shown in Table 7 below, PSE set its electric conservation target for this biennium using the two-year pro rata share of its 10-year conservation potential. PSE has an EIA Penalty Threshold of 268,702MWh; a decoupling threshold of 15,220MWh; and total planned savings of 397,620MWh.

Table 7: PSE Electric Conservation Targets and Goals²⁷

Category	Savings (MWh)
Pro Rata Share of 10-year conservation potential	304,400
EIA Target	304,400
Excluded Programs (NEEA)	(35,698)
EIA Penalty Threshold	268,702
Decoupling Threshold	15,220
Firm Savings Excluded from CPA, Pilots with Uncertain Savings, and Program Savings Build-Out ²⁸	78,000
Total Utility Conservation Goal	397,620

Table 8 compares the PSE’s projected 2024-2025 savings targets and associated budget to those from the previous 2022-2023 biennium. PSE’s EIA Penalty Threshold in the 2024-2025 biennium is 43 percent lower than its Penalty Threshold for the 2022-2023 biennium, while its total planned savings for the upcoming biennium is 24 percent lower than the 2022-2023 biennium.²⁹

PSE plans to spend about \$246 million on its conservation program in the upcoming biennium. This figure is 3 percent larger than its electric conservation budget in the current biennium, which amounts to an increase of about \$6.1 million in PSE’s overall electric budget.

Costs are higher this biennium, relative to savings, across PSE's programs. PSE indicates that inflation-adjusted measure costs, increased vendor costs, contractor availability, higher incentives, and increased program support and administration are the main reasons for increased costs relative to savings decreases.

PSE expects the electric program to remain cost-effective, with a TRC ratio of 1.73 and a UCT ratio of 2.12.³⁰

²⁷ PSE’s 2024-2025 BCP, Docket UE-230892, 2024-2025 BCP, at 1 (Nov. 1, 2023).

²⁸ Savings excluded from the CPA include special contracts, Retail Wheeling customers under Schedule 449, and additional program savings build-out. There are 0 MWh of savings associated with Pilots with Uncertain Savings.

²⁹ PSE’s 2022-2023 BCP, Docket UE-210822, 2022-2023 BCP, at 1 (Oct. 29, 2023).

³⁰ PSE’s 2024-2025 BCP, Docket UE-230892, 2024-2025 BCP, Exhibit 1 (Nov. 1, 2023).

Table 8: PSE Electric Conservation Savings and Budget^{31, 32}

	2022-2023 EIA Penalty Threshold	2022-2023 Total Utility Conservation Goal	2024-2033 10-year potential	2024-2025 EIA Penalty Threshold	2024-2025 Total Utility Conservation Goal
Savings (MWh)	469,182	536,717	1,521,999	268,702	397,620
Budget		\$240,105,807			\$246,287,464

Equity

Staff finds that PSE’s BCP robustly considers how to achieve equity within the its delivery of energy resources. In addition to detailing how equity is considered at the programmatic level, PSE includes a new "Equity Focus" section of its BCP, which summarizes information concerning PSE 's Customer Energy Management (CEM) Strategy, the "Deepest Need" designation from PSE's 2021 CEIP,³³ Public Participation, Distributional Justice, and Equity Program Highlights.³⁴

In the 2024-2025 biennium, PSE indicates that its CEM Strategy is the vehicle through which equity is incorporated into its programs. PSE provides highlights of programs that demonstrate specific actions implemented by PSE's CEM team. For example, PSE indicates making improvements to its Space Heat Program, which targets customers with high energy burden and within Named Communities, such as providing outreach materials in multiple languages, building relationships with community partners, offering larger incentives to manufactured home residents, moderate-income, and to income-qualified customers, and simplifying program design to improve customer experience.

In the 2024-2025 biennium, PSE added a new budget category, titled Equity Support, to its overall BCP budget, which intends to assist PSE in achieving its equity-related objectives. Specifically, this budget item funds expenses related to the PSE 's Public Participation Plan for 2024-2025, including anticipated vendor costs and customer stipends for participation. PSE

³¹ PSE’s 2022-2023 BCP, Docket UE-210822, 2022-2023 BCP, at 2 (Oct. 29, 2023).

³² PSE’s 2024-2025 BCP, Docket UE-230892, 2024-2025 BCP, at 2 (Nov. 1, 2023).

³³ Final Order 08 Approving Clean Energy Implementation Plan Subject to Conditions, Docket UE-210795, Final Order 08, Approving Clean Energy Implementation Plan Subject to Conditions, at 75 (June 6, 2023). (“CEIP”)

³⁴ Staff comments on the 2023 Biennial CEIP Update will cover topics regarding PSE’s efforts to achieve distributional and procedural justice, as well as meeting the requirements of Condition 20 from PSE’s 2021 CEIP.

allocates \$87 thousand to both the electric and gas budget, for a total of about \$175 thousand, with no specific associated energy savings.

Low-Income Weatherization

PSE's Low-Income Weatherization (LIW) program electric budget has increased since the last biennium. PSE indicated to Staff that the higher costs associated with the LIW program are primarily driven by inflation-adjusted measure costs. This change is consistent with budget increases in previous biennia. PSE also anticipates that higher-priced measures, such as ductless heat pumps, will make up a larger proportion of the LIW program, and that more funds will be needed for building repairs.

PSE indicates that in the 2024-2025 biennium, they will continue to implement the conditions of multiple settlements as they relate to LIW. The Settlement Stipulation and Agreement from Docket UE-180680 authorizes the sale of indirect interests in PSE and includes commitments that will benefit low-income customers in PSE's service area.³⁵ PSE indicates they will work with internal and external parties to determine how to spend funding from a special contract between Microsoft and PSE, which is intended for emerging technology, distributed generation, and/or repairs for energy-efficient measures.³⁶ See the section on PSE's targeted electrification pilot (TEP) below for more information on LIW.

Staff review finds that higher cost LIW measures, as compared to the last biennium, are associated with PSE's efforts to assist low-income residential customers to access LIW measures. Staff also finds the implementation of the settlement conditions outlined above will further increase access to LIW measures. Staff recommends PSE continue to improve the implementation of LIW measures.

Pilot Programs

In the 2024-2025 biennium, PSE is discontinuing two residential pilot programs. Additionally, PSE's one electric commercial customer pilot was converted into a program with certain savings. PSE intends to continue to implement adaptive management and make "pilot-like" adjustments for their residential and business pilot programs, which attempt to find new ways of delivering products with known energy savings.

³⁵ *Redacted Final Order 06, Approving Multiparty Settlement; Authorizing Proposed Transactions*, Docket UE-180680, Redacted Final Order 06, Approving Multiparty Settlement; Authorizing Proposed Transactions p. 17-18 (March 7, 2019).

³⁶ *Order 06; Order Approving Settlement Agreement*, Docket UE-161123, Order 06; Order Approving Settlement Agreement, p. 38-39 (July 13, 2017).

For example, PSE intends to implement the Localized Demand Response (DR) Pilot, which will evaluate DR options applicable to identified non-wires alternative projects. This will allow PSE to gain experience pertinent to DR programs, which will help determine the cost-effectiveness of future DR efforts.

Additionally, PSE 's Space Heat Program provides incentives and encourages the installation of efficient natural gas and electric space heating systems. PSE intends to provide advanced duct sealing through the Space Heat Program and will monitor the market to determine how this technology affects the overall program.

Staff recommends that PSE continue to explore potential new conservation measures with its Conservation and Resource Advisory Committee (CRAG).

General Rate Case Commitment - Targeted Electrification Pilot

The 2022 PSE General Rate Case (GRC) revenue requirement settlement required that PSE conduct a TEP aimed at engaging 10,000 customers through two of the following three pathways: rebates, electrification assessments, and education.³⁷ The TEP will run through June 2024, and includes 1) free in-home electrification assessment for residential single-family natural gas customers, 2) rebates to both natural gas or electric customers that cover installation costs of heat pump systems that fully replace previous natural gas furnaces or boilers, 3) home weatherization and heat pump space and/or water heating upgrades at no cost for up to 50 low-income customers, and 4) electrification outreach to multi-family buildings and small-to-medium businesses. The design of these individual programs allows for alignment with funding available from the IRA.

PSE intends to present findings from the TEP in the 2026-2027 BCP, with consideration for the findings being assessed in consultation with PSE 's CRAG.

Funding Opportunities

With funding opportunities for conservation programs becoming available through the IRA, the IJA, and the Climate Commitment Act, PSE indicates they are engaging in general advocacy to state and federal agencies for program requirements that will align with existing programs and benefit Name Communities and energy-burdened customers.

For IRA funding, PSE is monitoring federal requirements to understand how to develop programs. In the 2024-2025 biennium, PSE intends to align residential program priorities with efficiency and electrification projects, seek clarity on Department of Energy requirements for home efficiency audits, efficiency rebates, and limited electrification assessments, and work with

³⁷ *Redacted Final Order 06, Approving Multiparty Settlement; Authorizing Proposed Transactions*, Docket UE-180680, *Redacted Final Order 06, Approving Multiparty Settlement; Authorizing Proposed Transactions* p. 17-18 (March 7, 2019).

the Washington State Energy Office and peer utilities to better understand customer experience with electrification projects.

For IJA funding, PSE indicates new funds for the LIW program will come from the State Weatherization Assistance Program and are being used by Commerce as a federally leveraged funding source to support increased weatherization via the agency network across the state.

Demand Response

PSE included details of its new demand response programs in this 2024-2025 BCP as well as in their 2023 Biennial CEIP Update. Staff comments on PSE's Biennial CEIP update, rather than this document, will cover demand response.

Summary of Analysis

Staff review finds that the decrease in PSE's overall savings targets and increase in overall budget is consistent with trends experienced by other utilities. Specifically, Staff notes the circumstances regarding inflation-adjusted measure costs, increased vendor costs, contractor availability, higher incentives, and increased program support and administration. Staff also notes that PSE is making significant progress towards the incorporation of equity goals into its conservation portfolio. In the 2024-2025 biennium, Staff encourages PSE to look for new programs that show potential for new pilot offerings and to continue to improve upon its existing conservation programs, measures, and processes.

Summary

At this time, Staff believes each company met the reporting requirements outlined in RCWs 19.285.040(1)(b) and WAC 480-109-120(1), as applicable to electric utilities. After reviewing the comments filed by other parties in this matter, Staff intends to present its final recommendations regarding the targets, including potential conditions discussed with companies and interested persons and parties, at the Commission's January 17, 2024, Recessed Open Meeting.