

# Washington Conservation Working Group

Working Document as of 4/21/11

## Areas of Emerging Consensus/Principles<sup>1</sup>

Setting Targets *[this topic will be discussed in detail at the May 18<sup>th</sup> meeting]*

Targets should be developed based on a comprehensive CPA and a utility's most recent IRP. Utilities should exercise their judgment, taking into account their actual experience and input from their customer advisory groups, and build achievable targets from the bottom up.

Question: For the current biennium, all three utilities used different approaches to develop or identify a target – what is (or should be) the process, guidelines and expectations re development of the target?

As a general concept, utilities should be held responsible for what they can control (responsibility should be linked to authority) and that is what should be included in its target with some possible additions. These additions may include (1) implementation of code changes mid-biennium (including where utilities have advocated for change), (2) regional activities to increase conservation (NEAA), (3) acquisition of conservation outside of a utility's service territory, (4) ARRA funding and customers leveraging that subsidy and not the utilities, and (5) other?

Benefits: Certainty (utilities/advisory groups/WUTC know what is expected); assessing compliance is more streamlined (accounting is simplified and relies less upon guesstimates about other sources of conservation); equity (if utilities are subject to penalties, compliance should be within their control to the extent possible and be operational, not academic); *[other?]*

### Questions/Further Work:

1. Further thinking about additions outside of utilities' control (subgroup working on codes)

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<sup>1</sup> It was noted that a good outcome from these discussions might be some general principles or guidelines (advisory, not prescriptive). There is a concern regarding limiting utility and advisory group flexibility, especially at this early stage. That said, many of the above principles appear to have broad support/consensus.

2. Should projection/target include demand management strategies? (If a utility plans on load control program contributing energy savings, possibly (e.g., sheds energy, not shifts use.)
3. Questions regarding consistency with the Council methodology<sup>2</sup> (the Council looks to conservation across the region and does not draw a distinction between utility and non-utility sources of conservation). How to handle disconnect between utilities establishing 10-year conservation forecasts based on the Council's premise that over time 85% of what's possible is saved, whether or not it comes through utility programs, and setting biennium targets that are limited to what is achievable through utility programs and agreed-upon exceptions? Can this be addressed by having the utilities change what is included in conservation forecasts (some may have already?)?
4. Get greater clarity on what is meant precisely by what the utilities can "control"<sup>3</sup>

As a general rule, targets will not be adjusted within a biennium (although, as described below, programs will be adaptively managed). What is experienced within a biennium will be used to prospectively modify targets as appropriate.

1. What happens during a biennium will impact the new conservation forecast. Because of this, every biennium potentially has a new baseline. How should

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<sup>2</sup> Should also remember that Company methodology does not need to be consistent with Council methodology, if it is explained, as allowed for in WAC 480-109-010(1)(b)(i): "A utility may, with full documentation on the rationale for any modification, alter the conservation council's methodologies to better fit the attributes and characteristics of its service territory."

<sup>3</sup> Here is how force majeure is defined in PSE's conservation tariff schedule: **Force Majeure** means factors, events or conditions beyond the control of the Company that negatively impact customer participation in its Energy Efficiency Programs, such as, but not limited to, a local economic recession or natural disaster.

Mitigation text from the Electric Conservation Incentive Mechanism (Schedule 121):

The Company may ask the Commission for mitigation of the penalty amount provided the Company can demonstrate that factors occurred after annual energy efficiency targets were established and (i) such factors are beyond the Company's control, and (ii) the factors affected Customer participation in the Company's energy efficiency programs. Factors may include, but are not limited to, significant local economic recession or major natural disaster.

this be handled - should the utilities true up their targets to the new baseline at the beginning of each biennium?

#### Meeting the Target/What Should Count<sup>4</sup>

The content of the target should not constrain the utilities from doing what is in the best interest of its customers.

The Commission is not obligated to accept savings identified in the plan and the utility must demonstrate the prudence and cost-effectiveness of its conservation programs to the Commission after the savings are achieved.

During a biennium, the utilities need flexibility to modify their plan (deemphasize and reemphasize certain measures), as things do not always happen as expected (for example, certain programs/customer segments may not be ready for investments at a certain time).

There should be symmetry between the claiming of energy acquisition and the establishment of the acquisition target. In general, targets are based upon assumptions, and, in the absence of something extraordinary, the counting of deemed savings towards a biennium target of conservation acquisition will rely on savings estimates at the point the target was established (it was noted that as the utilities are just finishing up the first biennium, it might be appropriate to have further consideration of the standards used to establish savings estimates based upon what is experienced this biennium). Specifically,

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<sup>4</sup> The following was a comment PC provided to a previous draft. May no longer apply to the above language as it has been substantially revised, but want to make sure that the issue is still noted for further discussion, as appropriate.

*“Count what they put in their plan” has at least one more variant and could be expanded by thinking about measures vs. deemed savings values. Count savings from efficient appliances if they were used to establish targets is a case of measure is in the target and the savings from the measure should be counted toward meeting the target. An example of values is what happens if the qualifying equipment efficiency or savings value per unit changes (or should be changed) during the biennium? How is this counted toward meeting the target? I think we want to have a discussion at broader level with some specific cases including the cases outlined above in addition to early adoption of building codes. The understanding or approach to counting may (will likely?) vary by these different types of subsets.]*

- Utilities shall establish an acquisition target based upon the expected energy savings of an efficiency measure under fixed normal operating conditions. Over the course of the biennium the utility will perform EM&V to improve their understanding of the resource characteristics, including the energy savings, related to that measure. However, the energy savings claimed towards the acquisition target will be based upon the same per unit energy savings under normal operating conditions that was utilized in developing the acquisition target.

It is understood that measures which are demonstrated to be cost-ineffective based upon updated analysis should be discontinued if program optimizations cannot be enacted that will improve program performance to cost-effective levels, barring extenuating circumstances such as significant market transformation or unquantifiable program benefits. The acquisition achieved through these terminated programs will be captured based upon the assumptions incorporated into the establishment of the acquisition target.

Similarly, measures that were found to be cost-ineffective at the time that the target was established, and therefore not included within the acquisition target, are eligible measures if additional information or revised program implementation strategies are able to offer that measure in a cost-effective manner. Acquisition from these programs would be captured based upon the findings of independently verified impact evaluations at the close of the biennium. Energy savings from all measures that are not incorporated into the establishment of the acquisition target on the basis of savings per physical unit (site-specific and similar projects) will also be based upon the findings of the independently verified impact evaluations. Energy acquisition levels will be based upon fixed normal operating conditions.

There should be consistency with how conservation is counted and what was used to develop a utility's conservation target. For example, whether savings should be counted at the site<sup>5</sup> or at the bus bar would be determined by how savings were described in the plan.

- Utility encouragement of code adoption *[subgroup still discussing]*
  - Consensus
    - Energy acquisition achieved through quantifiable improvements in code compliance achieved through education, training or enforcement are eligible towards achieving RCW 19.285 acquisition targets. The base case for the measurement of these

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<sup>5</sup> PSE specified this when it filed its target "at the customer meter level".

improvements will be the expected level of compliance in the absence of intervention. The intervention need not involve financial support by the utility of any particular program nor is the utility prohibited from working with other parties towards achieving these improvements. The utility may count all energy acquisition attributed to the code compliance improvement program even if there are other partner entities involved in the effort.

- Distribution efficiency measures
  - Consensus:
    - Any quantifiable improvement to the efficiency with which electricity is transported between the generation unit and the customer meter are within the scope of eligible measures for RCW 19.285. The standards of measurement of these savings will be based upon those which are feasible at the time of implementation of the project and taking into consideration the measurement costs. The base case that the efficiency improvements would be measured against will be the pre-existing condition.

**Differing Perspectives Where the Working Group has not Reached Agreement**

## **Foundational Materials/Sources**

### Statutory

Energy Independence Act - Chapter 12.285 RCW

### Administrative Rules

Acquisition of Minimum Quantities of Conservation and Renewable Energy as Required by the Energy Independence Act - Chapter 480-109 WAC (WUTC)

### Definitions

The Conservation Working Group is developing a set of definitions that will be included in the foundational information.