DRAFT

Washington Conservation Working Group

Consensus Document as of June 2, 2001

Consensus[1]

Setting Biennial Conservation/Acquisition Targets

In general, a utility should develop conservation forecasts and set Biennial Conservation targets (or target range) in reliance on the most time relevant and representative data; namely, a utility's most recent ten-year achievable conservation potential assessment (CPA) and integrated resources plan (IRP) or the Northwest Power and Conservation Council's most recently adopted 5-year regional plan. If a utility uses the Council's plan, it should make adjustments to the Council's calculator to include any known adjustments for additional available information to ensure that the forecast and targets use the most time relevant and representative data relating to specific differences within the utility's service territory.

In defining its target, in addition to core programs, a utility can choose to include (i) implementation of code changes mid-biennium; (ii) regional activities to increase conservation (NEEA)); and (iii) naturally occurring conservation. *[PacifiCorp comment re the remainder of this paragraph - Not clear what this means, it sounds like it is putting another requirement on the utilities during the development of our forecasts and biennial targets. Need to understand better before we can commit to this as consensus.]* If a utility has limited its target to its program, it will need to provide relevant data at the time the target is approved to demonstrate how it will exclude other conservation from determining whether its target has been met. If a utility adopts the Council's approach, the utility will have to measure all conservation and provide data at the end of a biennium for purposes of determining whether the target has been met. A utility may adopt different approaches for different measures (for example, the utility may conclude that its

[1] The term "consensus" or this "consensus document" should not be misconstrued to mean "standard practice" or a "standard practice document". Consensus means something that all of the Conservation Working Group Members can live with at this point in time, even if it is not their preference. It was noted that a good outcome from these discussions might be some general principles or guidelines (advisory, not prescriptive) based on current information. Some participants are concerned, however, that these principles or guidelines not limit utility and advisory group flexibility, especially at this early stage. That said, many of the above principles appear to have broad support/consensus.

historic experience is widely different than the CPA and it would like to apply an adjustment for a measure). In all events, the utility will need to tell the story and explain the comprehensive basis for its target.

The biennial acquisition target will not be adjusted within a biennium (although, as described below, programs will be adaptively managed). What is experienced within a biennium *[will/may?]* be incorporated in revisions to the subsequent 10-year CPA, conservation forecast and biennial targets as appropriate.

Meeting the Biennial Conservation Target after Commission Approval

During a biennium a utility needs flexibility to modify the implementation of its programs (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 or updated resource information may modify program cost-effectiveness).

To the extent practicable, there should be consistency between the use of prescriptive unit energy savings estimates in the establishment of the biennial target[2] and the reliance on those same savings estimates in the utility's demonstration that it met the target. For measures where definable unit energy savings are possible, targets are to be based upon those savings estimates. The counting of *ex ante* savings estimate for prescriptive measures towards a biennial target of conservation acquisition will rely on the same energy savings as those applied within the establishment of the target.

[PacifiCorp Note - I'm not sure we have resolved the following yet, whether the reported savings are to be based on engineering modeling and program commissioning requirements for the purposes of reporting against the target, later to be validated by independent evaluation results used to modify modeling parameters on a go forward basis, or whether all non-deemed must be adjusted based on post biennial period independent verification and penalties be assessed or avoided based on post period findings.] The counting of savings towards a biennial target of conservation acquisition will rely on two types of energy savings. First, energy savings from prescriptive measures (which have established unit energy savings) will be based on unit-energy savings estimates at the time the target was established adjusted, as appropriate, for verified installations. Second, energy savings from site-specific and similar non-prescriptive projects will be based upon the findings of independently *[PSE would delete "independently"]* verified impact evaluations.

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[2] It should be noted that while the statute requires a biennial target, the annual plans filed for the 2nd year of the 2-year period also contain a target as to what the utility believes can be achieved that 2nd year.

Such *ex ante* savings estimates for prescriptive measures shall be based upon RTF estimates where available or alternative estimates based on generally accepted impact evaluation data and/or other reliable and relevant source data used in the development of the conservation forecast and biennial targets. *[PacifiCorp suggests we rely on established language (approved in the conditions list) rather than new language.]* As new measures are introduced or prescriptive measure savings are changed, data source information is to be presented to the Advisory Group for comment. [Note: need text re: expectations regarding custom / site specific savings calculations – to be discussed by work group (important that it be developed consistent with Commission's order)] At the conclusion of the biennium, utility reported savings *[shall/may??]* be reviewed by an independent third-party to determine a realization rate of actual achievement during the biennium compared to the biennial target. *[PacifiCorp question - only a 3rd party survey verifying installation rates or an entire impact evaluation?]*

OR

Evaluation and realization rates resulting from new information about unit energy savings will inform the next conservation potential assessment, conservation forecast and biennial target and will not be used to determine whether a target for the current biennium is met (utilities are obligated to keep track of changes for future application). *[All parties agree this applies where there is third-party evaluation. Some parties believe this applies to all programs whether they are measured internally or by a third party – Public Counsel/WUTC staff still considering whether this would extend to customer site-specific programs where there is internal measurement.] NWEC agrees that where there is only internal assumptions and evaluation there MAY need to be an adjustment to the savings acquisition level within the biennium.*

Specifically,

> Utilities will establish an acquisition goal for a particular efficiency measure based upon the expected summation of energy savings of an individual measure under fixed normal operating conditions. Over the course of the biennium the utility will likely perform some type of EM&V to improve its understanding of the resource characteristics, including the energy savings, related to that measure or program, and to verify its installation. *[Public Counsel has two comments related to this statement: 1) As drafted it did not appear to contemplate that actual savings achieved may be adjusted based upon the realization rate. Our understanding is that actual savings would reflect the realization rate determined by an independent 3rd party. 2) We are interested in having the group consider using ex ante estimates for prescriptive measures for an annual vs. biennial period. In our view, EM&V may be available in the 1st year of the 2-year cycle that would inform and adjust ex ante estimates for the 2nd year. Our understanding is that this is how PSE has been operating, for example. This also is consistent with 'adaptive management,' and recognition that programs*

may terminate or begin during the course of the 2-year period. .] However, the energy savings claimed towards the biennial acquisition target will based upon the same per unit energy savings under normal operating conditions that was utilized in setting the Commission-approved acquisition target. *[To avoid the utility having two sets of numbers (one for 937 compliance and one for IRP purposes) should there be an opportunity for the utility to "declare" if they will commit to assumed savings or if they want to make mid-term corrections? (NWEC)] [We may want to consider clarifying that this applies only to 'widgets', but this was captured within the language modifications above and may be redundant to state again here (unless additional clarity is necessary – AVA].*

It is understood that, in consultation with its advisory group, a utility should discontinue measures and programs (i) which are demonstrated to be not cost-effective based upon updated analysis if program optimizations cannot be enacted that will improve program performance to cost-effective levels, barring extenuating circumstances such as but not limited to significant market transformation opportunities or unquantifiable program benefits or (ii) which are discontinued pursuant to its tariff. Any reported savings for programs terminated during the biennium would be based upon achievement prior to program termination, using ex ante savings estimates, but would be subject to review and adjustment as part of the realization rate analysis.

Similarly, measures and programs that were found to be not cost-effective at the time that the biennial target was established, and therefore not included within the biennial acquisition target, are eligible measures and programs 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 assessed based upon the findings of independently verified impact evaluations at the close of the biennium. *[PacifiCorp comment - Not sure this has been decided for any program and don't want to see it called out specifically for programs or measures whose economics change within a biennial period. For instance, what if we are talking about a measure with an established RTF value, do we need a full impact evaluation or only an independent verification/sampling to warrant reported installations?]*

Energy savings from all measures or programs that are not incorporated into the establishment of the acquisition target on the basis of savings per physical unit (site-specific and similar custom projects) or measures newly found to be cost-effective in the biennium will also be based upon the findings of a verification *[reference to submittal of revision to business/annual plan]. [PacifiCorp has same comment as preceding one – full impact or only a sample verification of installation numbers?]* Conservation energy savings acquisition levels will be based upon normal operating conditions. *[PC would delete the foregoing sentence.]*

As discussed above, savings estimates shall be based upon RTF estimates or generally accepted impact evaluation data and/or other reliable and relevant source data used in the development of the conservation forecast and biennial targets. *[PacifiCorp suggests we rely on established language (approved in the conditions list) rather than new language.]*

There should be consistency with how conservation savings are counted and what was used in setting a utility's Commission-approved conservation biennial target. For example, whether savings should be counted at the site or at the bus bar would be determined by how savings were described in the Commission-approved Ten-Year Achievable Conservation Potential and Biennial Conservation Target.

NEEA energy efficiency measures/programs can be credited toward utility targets, provided there is no double counting of savings (some of the utilities include NEAA measures/programs as conservation programs in their approved tariff schedules). *[PacifiCorp Note - PPW doesn't tariff its support of NEEA.]* While some savings from codes and standards will be captured through the NEEA approach, some will not. Claiming additional savings from codes and standards for the current biennium would have required an update to a utility's Conservation Plan. To calculate the impact of regionally delivered programs, including NEEA measures and programs, the utility should *BRING OVER RESULTS FROM SUBGROUP*

Behavioral Programs *[PC would delete this section]*

A utility may count savings from behavioral programs, including education, where savings can be quantified (this is in addition to the 10% budget allowance in the utility conditions lists for programs for which savings cannot be measured). In order to do so, in consultation with its advisory group, a utility must identify the program in its business plan/Biennial Conservation Plan and pre-define the expected methodology for a rigorous measurement that will be used to verify the savings and demonstrate the persistence of those savings over time. So long as the utility then follows these procedures, the quantified savings will be counted towards the utility's Commission-approved biennial target.

The utilities and advisory groups should have some discretion when designing a business plan/conservation plan to pursue behavioral programs that might be difficult to document and verify in order to encourage the utilities to pursue the right programs. The programs should be well thought out, documented in the plan, and then counted in accordance with the plan. It is recognized that as measures are further up the supply curve, some parties want to spend more time and effort on the behavioral and educational programs that are more challenging to measure, and advisory groups and utilities should be encouraged to pursue such programs.

Distribution efficiency measures

[PC - We are not aware of the need for discussion of this topic since it is addressed in the statute]

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 conservation programs under 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. *[Public Counsel comment on foregoing sentence - This sentence in particular seems vague and appears to create a highly subjective standard.]* The base case that the efficiency improvements would be measured against will be the efficiency gains from a business as usual upgrade compared to efficiency gains from a high efficiency upgrade unless the Council methodology is different. *[NWEC Comment - We understand that the savings from a distribution efficiency upgrade conducted prior to need could, like a similar EE retrofit, be counted as the difference between the new high efficiency line and the original line, while savings from an upgrade conducted at the time of need would be measured against a business as usual upgrade.]*

Measure Life *[PC would delete this section]*

There is no limitation on the average measure life that can be claimed, so long as it is cost effective as long as the Council's discount rate is used. *[PacifiCorp comment – if this section stays in, should note that the IOUS are not bound by the Council's discount rate.]* Conservation programs may continue to produce conservation energy savings beyond their first year, even if the first-year savings are only measured for compliance purposes.

Aggregation of energy savings

For purposes of comparison between the target established and the measurement of energy savings acquisition towards that target within any particular biennium, the energy savings from all eligible measures will be aggregated in the interest of permitting the utility the flexibility necessary to achieve acquisition targets at the lowest possible cost.

Emerging Consensus

Thermal efficiency measures

Improvements in the efficiency which electricity is used within thermal generating stations should be incorporated within the establishment of the acquisition target as well

as being recognized as an eligible measure for purposes of meeting that acquisition target. The base case that the efficiency improvements would be measured against will be the pre-existing condition. *[NWEC Comment - We likely need to indicate that there is no consensus on this item, as some parties would focus solely on efficiency improvements within the facility (e.g., through lighting change-outs) and others would include actual turbine replacements.]*