

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

**In the Matter of Puget Sound Energy  
2022-2023 Biennial Conservation Report**

**DOCKETS UE-210822 and UG-210823**

**In the Matter of Avista Corporation d/b/a  
Avista Utilities 2022- 2023 Biennial  
Conservation Report**

**DOCKETS UE-210826 and UG-210827**

**In the Matter of PacifiCorp d/b/a Pacific  
Power & Light Company 2022-2023  
Biennial Conservation Report**

**DOCKET UE-210830**

**In the Matter of Northwest Natural Gas  
Company d/b/a NW Natural 2022-2023  
Biennial Conservation Report**

**DOCKET UG-210831**

**In the Matter of Cascade Natural Gas  
Corporation 2022-2023 Biennial  
Conservation Report**

**DOCKET UG-210838**

**COMMISSION STAFF COMMENTS REGARDING  
ELECTRIC AND NATURAL GAS UTILITY  
CONSERVATION ACHIEVEMENTS UNDER  
RCW 19.285 and 80.28 and WAC 480-109**

**(2022-2023 BIENNIAL CONSERVATION REPORTS)**

**July 24, 2024**

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## INTRODUCTION

The Energy Independence Act (EIA), codified in RCW 19.285 and Chapter 480-109 WAC, mandates electric utilities with at least 25,000 customers in Washington set and meet energy conservation targets.<sup>1</sup> In addition to the EIA, electric utilities must comply with the Clean Energy Transformation Act, or CETA.<sup>2</sup> CETA became law in May 2019, with the final rules made public in December 2020. The rules state that electric utilities must pursue all cost-effective, reliable and feasible conservation, efficiency resources, and demand response; maintain safe, reliable, balanced systems; and ensure that all customers are benefiting from the transition to clean energy through equitable distribution of energy and nonenergy benefits.<sup>3</sup> Similarly, RCW 80.28.380 mandates all gas companies acquire all available and cost-effective conservation.

On January 18, 2022, the Washington Utilities and Transportation Commission (Commission) approved the 2022-2023 biennial conservation targets, subject to conditions, in each of Puget Sound Energy's (PSE),<sup>4</sup> Avista Corporation d/b/a Avista Utilities' (Avista),<sup>5</sup> PacifiCorp d/b/a Pacific Power & Light Company's (PacifiCorp),<sup>6</sup> Northwest Natural Gas Company's (NW Natural),<sup>7</sup> and Cascade Natural Gas Corporation's (Cascade)<sup>8</sup> Biennial Conservation Plans (BCPs).

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<sup>1</sup> RCW 19.285.040(1)(b) (requiring biennial conservation targets).

<sup>2</sup> RCW 19.405.040.

<sup>3</sup> WAC 480-100-610.

<sup>4</sup> *In re Puget Sound Energy's 2022-2023 Electric Biennial Conservation Plan*, Docket UG-210822, Order 01 (Jan. 18, 2022) and *in re Puget Sound Energy's 2022-2023 Natural Gas Biennial Conservation Plan*, Docket UG-210823, Order 01 (Jan. 18, 2022).

<sup>5</sup> *In re Avista Corporation's 2022 Gas Biennial Conservation Plan*, Docket UG-210827, Order 01 (Jan. 18, 2022) and *in re Avista Corporation's 2022 Electric Biennial Conservation Plan*, Docket UE-210826, Order 01 (Jan. 18, 2022).

<sup>6</sup> *In re PacifiCorp's 2022-2023 Biennial Conservation Plan*, Docket UE-210830, Order 01 (Jan. 18, 2022).

<sup>7</sup> *In re NW Natural's 2022-2023 Biennial Energy Efficiency Plan*, Docket UG-210831, Order 01 (Jan. 18, 2022).

<sup>8</sup> *In re Cascade's 2022-2023 Biennial Conservation Plan*, Docket UG-210838, Order 01 (Jan. 18, 2022).

On May 31, 2024, PSE, Avista, and PacifiCorp filed their respective 2022-2023 Biennial Conservation Reports (BCRs) with the Commission in the same dockets as their corresponding BCPs. On June 14, 2024, the gas utilities, NW Natural and Cascade followed suit. The Commission must determine whether utilities have acquired enough conservation resources to comply with the conservation targets established in their BCPs.<sup>9</sup> On June 24, 2024, the Commission issued a notice of opportunity for public comment in each company’s BCP docket.

**Definitions and Summary of Achievements**

Each utility report has unique formatting and occasionally uses slightly different terminology. To provide clarity for review, Staff uses the terms defined in Table 1 (Electric terms) and Table 2 (Gas terms) in these comments.<sup>10</sup>

**Table 1: Definition of Savings Terms Used in 2022-2023 Electric BCRs**

EIA Target	All cost-effective conservation potential as required by RCW 19.285. Includes the conservation potential assessment (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, which may rely on standard practice to set investor-owned utility’s (IOU) conservation targets. Generally, the EIA target minus the Northwest Energy Efficiency Alliance (NEEA) savings from “program measures” and “codes and standards” not included in the CPA. The EIA penalty threshold can be equal to the EIA target. If a utility

<sup>9</sup> WAC 480-109-120(5).

<sup>10</sup> Washington Statewide Advisory Group agreed upon many of the electric terms during its convening. See Docket UE-171087, Report on 2018 Washington State Investor-Owned Utility Energy Efficiency Joint Advisory Group Activities and Outcomes (Jun. 11, 2019).

	fails to meet the EIA penalty threshold, it must pay an administrative penalty to the state of Washington. There is an exception to this law. <sup>11</sup>
Decoupling Penalty Threshold	Five percent of the EIA target. This penalty threshold increases utility’s biennial conservation target and is a result of a general rate case (GRC) proceeding. The Commission determined applicable penalties as part of the utilities’ respective GRCs.
Total Conservation Goal	EIA target plus decoupling threshold and any additional savings identified outside of the EIA target.
Total Conservation Achievement	Conservation achieved by each utility that is liable to EIA penalty. Includes excess savings applied per WAC 480-109-100(3)(c) and the company’s share of regional savings from NEEA.
EIA Penalty-Liable Achievement	Conservation achieved by each utility that is liable to EIA penalty. Includes excess savings applied per WAC 480-109-100(3)(c). Excludes the company’s share of regional savings from NEEA.

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<sup>11</sup> According to RCW 19.285.060, “a qualifying utility that fails to comply with the energy conservation ... targets established in RCW 19.285.040 shall pay an administrative penalty to the state of Washington in the amount of fifty dollars for each megawatt-hour of shortfall.” The law provides an exception, RCW 19,285.040(1)(e): if a utility experiences events beyond its reasonable control that prevented it from meeting the conservation target, the RCW considers a utility to comply. Such events include:  
 “(i) Natural disasters resulting in the issuance of extended emergency declarations;  
 (ii) the cancellation of significant conservation projects; and  
 (iii) actions of a governmental authority that adversely affects the acquisition of cost-effective conservation by the qualifying utility.”

**Table 2: Definition of Savings Terms used in 2022-2023 Gas BCRs**

Biennial Acquisition Target	All available cost-effective conservation potential as required by RCW 80.28.380. May include other adjustments.
Decoupling Commitment	This penalty threshold increases utility’s biennial conservation target and is a result of a GRC proceeding. The Commission determined applicable penalties as part of the utilities’ respective GRCs. Avista and PSE have gas decoupling commitments equal to five percent of the Biennial Acquisition Target. The gas-only companies do not have decoupling commitments in this biennium.
Total Conservation Goal	Biennial acquisition target plus decoupling commitment and any additional savings identified outside of the Biennial Acquisition Target.

Tables 3, 4, and 5 summarize the conservation targets and achievements for all five utilities.

**Table 3: 2022-2023 Electric Total Conservation Targets and Achievements (MWh)**

<b>Company</b>	<b>PSE</b>	<b>Avista</b>	<b>PacifiCorp</b>
Total Conservation Goal	536,717	106,644	98,921
Total Conservation Achievement	515,443	84,827	86,961
Total Conservation Achievement / Total Conservation Goal	96%	80%	88%
Decoupling Penalty Threshold <sup>12</sup>	24,878	5,078	4,711
Decoupling Penalty Threshold Achieved	3,604	0	0
Decoupling Penalty Threshold Deficit	(21,274)	(5,078)	(4,711)

**Table 4: 2022-2023 Electric EIA Penalty Thresholds and Achievements (MWh)**

<b>Company</b>	<b>PSE</b>	<b>Avista</b>	<b>PacifiCorp</b>
EIA Penalty Threshold	469,182	91,054	87,436
EIA Penalty-Liable Achievement	467,933	67,889*	80,523
EIA Penalty-Liable Achievement / EIA Penalty Threshold	99.7%	75%	92%

\* Please see Avista Electric on page 15 for details.

<sup>12</sup> Part of Total Conservation Goal.



**Table 5: 2022-2023 Gas Conservation Targets and Achievements (Therms)**

<b>Company</b>	<b>PSE</b>	<b>Avista</b>	<b>Cascade</b>	<b>NW Natural</b>
Total Conservation Goal	9,791,327	2,302,056	1,931,751	620,915
Total Conservation Achievement	9,327,416	1,263,481	1,540,723	739,694
Total Conservation Achievement / Total Conservation Goal	95%	55%	80%	119%

### **Extenuating Circumstances and Adaptive Management**

In July 2021, the legislature passed a new provision in RCW 19.285<sup>13</sup> allowing the Commission to consider electric utilities in compliance with their EIA conservation targets when special circumstances prohibit the companies from meeting those targets. There is no analog to this RCW for gas utilities.

Utilities continued to face challenges outside their control connected to the COVID-19 pandemic in the 2022-2023 biennium; only one utility, NW Natural, met its conservation target. Lingering effects of COVID-19, including customer financial challenges, the drop in customer demand, and labor and supply chain shortages, continued to hamper utilities’ ability to meet their targets.

As noted in Staff’s comments for the previous biennium, utilities also experienced challenges to achieving their targets beyond complications directly caused by the pandemic. These challenges, including consumer demand shifts, the depletion of easily obtainable energy efficiency options, and code advancements, continued to impede utilities in 2022 and 2023. In the company-specific sections, Staff explains how each company experienced challenges and extenuating circumstances and adaptively managed its programs during the biennium.

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<sup>13</sup> Subsection 1(e) of RCW 19.285.040 states that, “a [...] utility shall be considered in compliance with an annual target in (a) of this subsection if events beyond the reasonable control of the utility that could not have been reasonably anticipated or ameliorated prevented it from meeting the renewable energy target.”

For extenuating circumstances to apply, Staff must establish a standard and needs to see evidence of two items: 1) an identification of extenuating circumstances, and 2) demonstration of adaptive management as discussed in WAC 480-109-100(1)(a)(iv). Examples of adaptive management include continuous review and updates to adapt to changing conditions and technologies. Some utilities were more successful in applying adaptive management than others; for instance, Cascade showed reluctance to switch strategies during COVID-19, resulting in delayed improvements.<sup>14</sup> Furthermore, for Staff to recommend the Commission find that a utility has complied with statute and rule, utilities must provide evidence of improved performance that coincides with the lifting of COVID-19 restrictions. Washington State Governor Jay Inslee announced the end of Washington’s state of emergency on October 31, 2022;<sup>15</sup> federally, the Public Health Emergency ended on May 11, 2023.<sup>16</sup> Therefore, to cite the COVID-19 pandemic as an extenuating circumstance, the utility’s performance should demonstrate improvement once emergency protocols were lifted. Because these emergency protocols were lifted so far into the biennium, companies’ total achievements (see Table 6) may not necessarily reflect a late-coming improvement.

### **Equitable Distribution of Benefits in Washington for Named Communities**

Equity is a key consideration when assessing any utility action. The Commission, in the 2021 Cascade GRC Order, stated that “[r]ecognizing that no action is equity-neutral, regulated companies should inquire whether each proposed modification to their rates, practices, or operations corrects or perpetuates inequities.”<sup>17</sup>

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<sup>14</sup> *Wash. Utils. & Transp. Comm’n v. Cascade Natural Gas Corp.*, Docket UG-210755, Final Order 09 at 16-17, ¶ 52 and at 19, ¶ 58 (Aug. 23, 2022) (2021 Cascade GRC Order).

<sup>15</sup> *Inslee announces end to remaining COVID-19 emergency orders and state of emergency by October 31*, Office of Governor Jay Inslee (Sept. 8, 2022). Available at: <https://governor.wa.gov/news/2022/inslee-announces-end-remaining-covid-19-emergency-orders-and-state-emergency-october-31> (Accessed: July 15, 2024).

<sup>16</sup> *Fact Sheet: End of the COVID-19 Public Health Emergency*, U.S. Department of Health and Human Services (May 9, 2023). Available at: <https://www.hhs.gov/about/news/2023/05/09/fact-sheet-end-of-the-COVID-19-public-health-emergency.html> (Accessed: July 15, 2024).

<sup>17</sup> *Wash. Utils. & Transp. Comm’n v. Cascade Natural Gas Corp.*, Docket UG-210755, Order 09 at 19, ¶ 58 (Aug. 23, 2022). (Cascade GRC Order).

May 19, 2024, marked the fifth anniversary of CETA. Under CETA, conservation serves as a powerful tool offering many non-energy benefits, including improved health, affordability, and community-building. Many of these benefits are directed at highly impacted and vulnerable populations.<sup>18</sup> Over the past five years, companies have found themselves in a precarious position, facing many challenges as new, stringent Washington building codes go into effect. Meanwhile, the Commission’s ongoing equity docket engages IOUs and other stakeholders in addressing broader equity issues within the energy sector.<sup>19</sup> Despite operating under some of the nation’s most progressive equity and clean energy laws, IOUs appear reluctant to fully commit to leadership in these initiatives. Their tendency to await Commission guidance, rather than taking decisive action, reflects a missed opportunity to set a strong example in advancing equity.

Washington's clean energy initiatives represent one of the most impactful developments in energy regulation in the country. This progress has been an iterative process involving many regulatory bodies, tribal authorities, and various non-company stakeholders. An emerging trend in these efforts has been the collaborative engagement between IOUs and their Equity Advisory Groups, a practice that has become a consistent feature across companies. Furthermore, the IOUs are educating customers on changing rules and regulations in terms of the Washington clean energy transformation efforts. A significant allocation has been made for education through technology demonstrations (Avista) or behavioral energy efficiency programs (NW Natural and PSE), for example.

The Investor-Owned Utilities (IOUs) began the biennium with varying levels of commitment to equity. Each utility's equity efforts are informed by input from their respective Equity Advisory Group (EAG), with each EAG naturally having different ideas about which equity-related projects and programs would best serve their communities. Many companies are addressing their equity blind spots, and Staff acknowledges their efforts to grow. However, Staff has observed that progress has been inconsistent.

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<sup>18</sup> RCW 19.405.020(23) “High impacted community”; RCW 19.405.020(40) “Vulnerable populations.”

<sup>19</sup> *In re Commission Policy Statement to Address the Application of Equity and Justice in Commission and Regulated Companies' Processes and Decisions*, Docket A-230217.

Despite these challenges, all IOUs have engaged with their EAGs and have published materials in non-English languages pertinent to their service areas. Staff encourages the continued implementation and expansion of these efforts, as they are essential to advancing energy justice.

### Gas Companies' Previous Conservation Achievements

The 2022-2023 period marks the first biennium that gas utilities must comply with RCW 80.28.380, which mandates utilities identify and acquire all available and cost-effective conservation measures. Tables 6 and 7 provide an overview of gas targets and the percentage of their achievement over the past five years.

Table 6 and 7 cells with underachieved targets are gray. Overall, each utility showed fluctuations in both absolute conservation achievements and the percentage of targets met. This data suggests that gas utilities do not have a strong record of consistently meeting their conservation targets over the past five years.

**Table 6: 2019-2023 Gas Conservation Achievements (Therms)**

Company	2019	2020	2021	2022	2023
PSE	3,228,159	4,102,810	2,364,471	4,670,011	4,555,198
Avista	504,113	595,332	792,955	612,149	651,333
NW Natural	372,948	320,170	360,313	435,640	306,399
Cascade	747,540	649,963	1,234,997	627,941	912,782

**Table 7: Percentage of Targets Met from Annual Conservation Reports**

Company	2019	2020	2021	2022	2023
PSE	103%	89%	70%	74%	104%
Avista	70%	64%	102%	48%	51%
NW Natural	101%	94%	89%	134%	107%
Cascade	106%	91%	118%	72%	86%

## PSE’S CONSERVATION TARGETS AND ACHIEVEMENTS

### Electric

In Order 01 of Docket UE-210822, the Commission established PSE’s electric 2022-2023 EIA penalty threshold at 469,182 MWh (as shown in Table 7). Per the original decoupling agreement in Order 07, Docket UE-121697, PSE has a decoupling penalty threshold of 5 percent of its EIA target, or 24,878 MWh. PSE's total EIA penalty-liable reported savings are 467,933 MWh. PSE’s report shows that it did not meet its Total Utility Conservation Goal, Total Conservation Target, nor its EIA Penalty Threshold. PSE fell short of its EIA penalty-liable target by about 5.3 percent.

**Table 8: PSE’s Electric Targets and Savings (MWh)**

A	Total Conservation Goal	536,717
B	Decoupling Penalty Threshold <sup>20</sup>	24,878
C	Total Conservation Achievement	515,443
D	% of Total Conservation Goal Achieved (C/A X 100%)	96%
E	EIA Target	497,564
F	EIA Penalty Threshold	469,182
G	EIA Penalty Threshold plus Decoupling	494,060
H	Excess Savings Applied	0
I	EIA Penalty-Liable Achievement	467,933
J	% of EIA Penalty Threshold Achieved (I/F X 100%)	95%

The total resource cost (TRC) score of the electric portfolio went up from 1.72 provided in the BCP to a reported 1.96. PSE detailed to Staff that they attempt to achieve high levels of precision when determining cost-effectiveness, but various factors can impact TRC scores.

<sup>20</sup> “Included in Total Conversation Goal (Row A).”

## Natural Gas

In Order 01 of Docket UG-210823, the Commission established PSE's 2022-2023 Two-Year Conservation Target of 9,262,931 therms,<sup>21</sup> Utility Conservation Goal of 9,791,327 therms,<sup>22</sup> and Decoupling Commitment of 463,147 therms, pursuant to Order 08 in Docket UG-170034<sup>23</sup> (as shown in Table 8). After making a savings adjustment of 102,207 therms resulting from a Home Energy Report evaluation to PSE's total conservation, PSE's verified penalty savings are 9,327,416.<sup>24</sup> PSE fell short of its penalty-liable target by about 4 percent.

**Table 9: PSE's Natural Gas Targets and Savings (Therms)**

A	Total Conservation Goal	9,791,327
B	Decoupling Penalty Threshold <sup>25</sup>	463,147
C	Total Reported Savings	9,225,209
D	Home Energy Report Evaluation Adjustment	102,207
E	Total Conservation Achievement	9,327,416
F	% of Total Conservation Goal Achieved (E/A X 100%)	95%

Like its electric portfolio, PSE's natural gas portfolio TRC of 1.33 approved in the BCP increased to 1.48. The same reasons for this change cited above apply.

Despite failing to meet its savings targets for both electric and natural gas, PSE saw improvement in meeting its targets from 2022 to 2023. PSE indicated in conversation to Staff

<sup>21</sup> The two-year conservation target includes PSE's CPA and adjustments for expected site-specific conservation opportunities.

<sup>22</sup> The Total Two-Year Utility Conservation Goal incorporates the Two-Year Conservation Target, the Decoupling Commitment, projected 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. PSE did not have savings from NEEA or pilots in this biennium.

<sup>23</sup> Docket UG-170034, Order 08, ¶250, 261.

<sup>24</sup> On July 18, 2024, PSE filed an updated 2022-2023 BCR that corrects an error identified after the initial filing. PSE initially misreported its actual total conservation savings for natural gas, which did not reflect an additional 200,482 therms in savings from PSE's final Home Energy Report evaluation.

<sup>25</sup> Included in Row A total.

that PSE saw increased savings achievement towards the end of 2023. This supports PSE's argument that the impact of the COVID-19 pandemic, and PSE's responsive adaptive management, was correlated with PSE's improved performance. PSE achieved roughly 81 percent of its conservation goals in 2021 and 2022, respectively, and achieved 102 percent of its goal in 2023. Likewise, for natural gas PSE achieved roughly 69 percent and 74 percent of its goals in 2021 and 2022, respectively, and achieved 104 percent of its goal in 2023. This may indicate that the COVID-19 Pandemic and associated impacts continued to have a declining effect on achievable conservation.

PSE maintained a strategy of adaptive management tactics, designed to address the challenge of customer participation, in response to the adverse effects of the COVID-19 pandemic. These efforts included increased measure incentives, extended limited time offers, virtual outreach events, and increased email and social media marketing to adapt to changing circumstances this biennium. Specific examples cited by PSE for residential include limited time offers of an extra \$500 for single family heat pumps, an extra \$500 for multi-family ductless heat pumps, and appliance offers of \$125 off washers and \$100 off dryers. For the commercial and industrial retrofit electric program, PSE attempted to increase participation by increasing incentives, adding a technical account manager to focus outreach, and collaborating with surrounding utilities to streamline customer offers and incentives.

## **AVISTA'S CONSERVATION TARGETS AND ACHIEVEMENTS**

### **Electric**

In Order 01 of Docket UE-210826, the Commission established Avista's 2022-2023 EIA penalty threshold at 91,054 MWh. Per the original decoupling agreement in Order 05, Docket UE-140188, Avista has a decoupling penalty threshold of 5 percent of its EIA target of 5,078 MWh. Avista applied 4,841 MWh of excess savings from the previous biennia to this year's conservation achievement. Avista's total EIA penalty-liable reported savings are 79,213

MWh. Avista’s report shows that Avista did not meet its targets, namely Total Conservation Goal, EIA Target, and EIA Penalty Threshold.

**Table 10: Avista's Electric Targets and Achievements (MWh)**

A	Total Conservation Goal	106,644
B	Decoupling Penalty Threshold <sup>26</sup>	5,078
C	Total Conservation Achievement	84,827
D	% of Total Conservation Goal Achieved (C/A X 100%)	80%
E	EIA Target	101,566
F	EIA Penalty Threshold	91,054
G	EIA Penalty Threshold plus Decoupling	96,132
H	Excess Savings Applied	4,841
I	EIA Penalty-Liable Achievement	79,213
J	% of EIA Penalty Threshold Achieved (H/F X 100%)	87%

Avista achieved 11,324 MWh of conservation in this biennium through the generation, transmission, and distribution (GTD) program.<sup>27</sup> Staff commends Avista for implementing this effort that will deliver robust savings to the ratepayers. Staff sees, however, a conflict of the matching principle when Avista includes distribution system savings into the EIA penalty-liable achievement. Avista did not account for these potential savings in its BCP or CPA. In other words, they were not part of the initial conservation goal. Although Staff could agree with including these savings in total conservation achievement, Staff disagrees with including them in EIA penalty-liable achievement. Adding distribution system savings during the reporting phase without including them during the EIA penalty threshold setting phase distorts the evaluation because the BCP/CPA target for these savings was essentially zero. Please see the revised Table 11 for updated numbers. The EIA penalty-liable achievement changes to 67,889 MWh, bringing the achieved share of the EIA penalty threshold to 75 percent down from 87 percent.

<sup>26</sup> Included in Total Conservation Goal (Row A).

<sup>27</sup> *In re Avista's 2022-2023 Biennial Conservation Plan*, Docket UE-210826, 2023 Annual Conservation Report at 107 (May 31, 2024).



Staff is in continued conversations with Avista regarding this revision due to GTD savings and will make a final recommendation at the open meeting.

**Table 11: Avista's Revised Electric Targets and Achievements (MWh)**

A	Total Conservation Goal	106,644
B	Decoupling Penalty Threshold <sup>28</sup>	5,078
C	Total Conservation Achievement	84,827
D	% of Total Conservation Goal Achieved (C/A X 100%)	80%
E	EIA Target	101,566
F	EIA Penalty Threshold	91,054
G	Excess Savings Applied	4,841
H	EIA Penalty-Liable Achievement	67,889
I	% of EIA Penalty Threshold Achieved (H/F X 100%)	75%

The TRC ratio of the electric portfolio went down from 2.57 in Avista’s BCP to 1.65 in their BCR. Table 12 presents Avista’s electric conservation achievements by sector.

**Table 12: Avista's Electric Targets and Achievements by Sector (MWh)**

Sector	Target (MWh)	Achievement (MWh)	% Achieved
Residential	16,969	5,831	34%
Low-income	1,579	809	51%
Non-Residential	78,401	56,408	72%

Avista attributes its inability to meet targets to several causes, including post COVID-19 challenges, finding willing and eligible participants, navigating continued increases in labor and material costs, and delays in receiving products. Further, Avista cites a mechanism of the conservation target calculation as one of the factors. Specifically, RCW 19.285.040(1)(b) and WAC 480-109-100(3)(b) state that the biennial conservation target must be no lower than one-fifth of the utility’s ten-year conservation potential. If the CPA projects more savings in the near term, a utility will have more savings available for the biennium than it needs, which allows for

<sup>28</sup> Included in Total Conservation Goal (Row A).

more flexibility and overachievement of targets. If the CPA projects more savings further in the longer term, a utility will have less savings available for the biennium than it needs. A utility can potentially cover such a deficiency with the excess savings it accumulated in the previous biennia.<sup>29</sup>

In the case of Avista's 2022-2023 conservation, Avista's electric integrated resource plan (IRP) shows that cumulative available cost-effective conservation would amount to 69 GWh (or 69,000 MWh).<sup>30</sup> Using a pro-rated conservation goal of 101,566 MWh, that means Avista would need to find about 45 percent more conservation than projected as cost-effective in the IRP for the first two years. Avista applied the excess savings from the previous biennia toward the 2022-2023 target, but they were not enough to cover the full deficiency.

Staff is concerned about the continued low achievement rate of the residential program. In its BCP, Avista projected over 50 percent of its residential conservation to come from the Always-On program. Public Counsel, NW Energy Coalition, and Staff voiced concerns about the program feasibility in their respective comments.<sup>31</sup> Avista reported zero kWh in savings attributed to Always-On in this biennium. The program's second pilot stage ended in June 2024. Avista cited several challenges that prevented it from calculating tangible savings from Always On, including inability to analyze large data internally and long third-party evaluation cycle as well as no technical capacity to produce robust customer communication.<sup>32</sup>

Despite not meeting its biennial targets, Staff believes Avista demonstrated its commitment to improvement through adaptive management. As an example, Avista introduced the midstream program in 2023 which brought tangible savings above projected levels. Avista also launched a popular direct-install lighting program for small businesses that allows for low- to no-cost

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<sup>29</sup> WAC 480-109-100(3)(c) and RCW 19.285.040(1)(c)(i)-(ii).

<sup>30</sup> Avista 2021 IRP, Fig. 5.5 at 5-8.

<sup>31</sup> See Docket UE-210826, Parties' Comments submitted on Dec. 17, 2021.

<sup>32</sup> Avista's Energy Efficiency Advisory Group, Q1 2024 Meeting, slide "In-House Always On Behavioral Pilot" (Feb. 27, 2024).

lighting upgrades. Avista achieved 106 percent of its 2023 electric savings target in 2023 (106,644 MWh divided by two years). The dramatic increase over 2022 (53 percent of 2022 target) illustrates that these efforts may be working.

In sum, Avista’s electric conservation experienced a shortfall in 2022 but showed a robust recovery in 2023. Avista’s residential behavioral program remained an untapped potential for Avista.

### Natural Gas

In Order 01 of Docket UG-210827, the Commission established Avista’s 2022-2023 acquisition target of 2,192,434 therms. Per the original decoupling agreement in Order 05, Docket UG-140189, Avista has a decoupling penalty threshold of 5 percent of its acquisition target of 109,622 therms. Avista’s total reported savings are 1,263,481 therms. Avista’s report shows that Avista did not meet the total conservation goal nor its acquisition target, achieving 55 percent of the total conservation goal.

**Table 13: Avista's Natural Gas Targets and Savings (Therms)**

A	Total Conservation Goal	2,302,056
B	Decoupling Penalty Threshold <sup>33</sup>	109,622
C	Total Reported Savings	1,263,481
D	% of Total Conservation Goal Achieved (C/A X 100%)	55%

RCW 80.28.380 states that conservation targets must be based on a CPA, but in comparison to the electric RCW 19.285.040(1)(b) and WAC 480-109-100(3)(b), the law does not specify a pro-rata condition. That difference gives gas utilities more flexibility in determining their biennial conservation targets. Avista added the CPA forecast for 2022 and 2023 to arrive at its gas conservation target.

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<sup>33</sup> Included in Row A total.

In this biennium, Avista showed the lowest percentage of gas conservation achievement out of four utilities (see Table 5). Avista attributes its failure to perform to multiple factors, including post-COVID-19 recovery and the inability to diversify gas programs to the same extent as their electric programs due to the nature of gas consumption (mainly water and space heating). Staff is working with Avista and requires more information regarding these causes’ influence on Avista because they are market-level and not Avista-specific, meaning all gas companies face them.

**Table 14: Avista's Gas Targets and Achievements by Sector (Therms)**

<b>Sector</b>	<b>Target (Therms)</b>	<b>Achievement (Therms)</b>	<b>% Achieved</b>
Residential	1,443,092	910,436	63%
Low-income	48,550	26,454	55%
Non-Residential	811,786	196,658	24%

Avista is an active participant in NEEA, and this biennium NEEA only delivered 19 percent of the forecasted gas savings which contributed to Avista’s underachievement.<sup>34</sup> Further, the realization rate for the residential sector in 2023 was very low, only 65 percent, which means out of reported 670 thousand therms of savings only 435 thousand therms passed evaluation. Aside from post-COVID-19 recovery, several other factors might have influenced consumers’ decisions to invest in gas conservation, such as unclear future of the Climate Commitment Act after November 2024 and the new Washington State Energy Code that the State Building Code Council delayed several times since 2021 and made effective on March 15, 2024. The non-residential and low-income sectors showed some growth from 2022 to 2023 while the residential sector showed a slight decline.

The TRC ratio of the gas portfolio went down from 2.41 in Avista’s BCP to 1.42 in its BCR. While most of the sector portfolios remained cost-effective and some TRC values saw increase from 2022 to 2023, Staff would like to highlight Avista's low-income gas TRC ratio in 2023 — a

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<sup>34</sup> NEEA delivered about 130 of projected 697 thousand therms in this biennium.

mere 0.13. Despite low-income programs not needing to be cost-effective, Staff would like to point out that this number is abnormally low. For comparison, please refer to Table 15.

**Table 15: Avista's Low-Income Program TRC Values**

<b>Fuel Type</b>	<b>2022-2023 BCP</b>	<b>Actual 2022</b>	<b>Actual 2023</b>
Electric	2.41	1.17	0.73
Gas	0.85	0.66	0.13

Staff is unclear about the source of such a low value. Low TRC value could point to several issues under the utility's control, for example, poor design and targeting, or inefficient program implementation, or undercounting of nonenergy impacts. Staff looks forward to further discussions with Avista on its management of the low-income gas program.

Despite many challenges, Avista showed willingness to adapt and improve its conservation efforts. Avista's midstream program and direct-install lighting initiatives yielded significant benefits, indicating that targeted, innovative approaches can lead to success. Moving forward, Avista should focus on refining its residential programs and addressing the inefficiencies in its low-income gas initiatives. Continued collaboration with interested parties and persons will be crucial in overcoming obstacles and achieving future conservation targets.

## PACIFICORP'S CONSERVATION TARGETS AND ACHIEVEMENTS

**Table 16: PacifiCorp's 2022-2023 Electric Targets and Savings (MWh)<sup>35</sup>**

A	Total Conservation Goal	98,921
B	Decoupling Penalty Threshold <sup>36</sup>	4,711
C	Total Conservation Achievement	86,961
D	% of Total Conservation Goal Achieved (C/A X 100%)	88%
E	EIA Target	94,210
F	EIA Penalty Threshold	87,436
G	EIA Penalty Threshold plus Decoupling	92,147
H	Excess Savings Applied	0
I	EIA Penalty-Liable Achievement	80,523
J	% of EIA Penalty Threshold Achieved (I/F X 100%)	92%

In Order 01 in Docket UE-210830, the Commission established PacifiCorp's 2022-2023 EIA penalty threshold at 87,436 MWh, with a corresponding decoupling penalty threshold of 4,711MWh.<sup>37</sup> PacifiCorp did not apply excess savings from previous biennia to its 2022-23 conservation achievement.

When including all savings achieved locally by the utility, PacifiCorp's share of regional savings, and other non-local savings, PacifiCorp's total reported savings was 86,961 MWh. Per Order 12 in Docket UE-152253, PacifiCorp has a decoupling penalty threshold of 5 percent of its EIA target or 4,711 MWh. PacifiCorp reports that it did not meet its Total Utility Conservation Goal, Total Local Biennium Target, or EIA Penalty Threshold. NEEA contributed 6,438 MWh of savings during the biennium.

<sup>35</sup> *In re PacifiCorp's Revised 2022-2023 Biennial Conservation Report*, Docket UE-210830, PacifiCorp's Revised 2022-2023 Biennial Conservation Report at 04 (June 21, 2024).

<sup>36</sup> Included in Total Conservation Goal (Row A).

<sup>37</sup> *In re PacifiCorp's Biennial Conservation Plan*, Docket UE-210820, PacifiCorp's Biennial Conservation Plan Order 1 at 06 ln. 25 (January 18, 2022).

PacifiCorp faced several challenges related to the COVID-19 pandemic during this biennium, such as labor issues, costs for raw materials, supply chain shortages, and less new construction projects. Also, some projects were canceled or delayed due to general uncertainty. PacifiCorp also asserted that the social cost of greenhouse gases (SCGHG) cost adder made energy efficiency targets too high to obtain.

PacifiCorp implemented several adaptive management strategies during this biennium, including increased incentives, online instant coupon offers, an improved web platform for trade allies, and limited time offers with reduced pricing.

During the 2022-2023 biennium PacifiCorp’s adaptations were equity focused. PacifiCorp expanded direct installation to target highly impacted communities and vulnerable populations through a no-cost product installation of LED bulbs, smart thermostats, and duct sealing. PacifiCorp continued the use of their outreach coordinator to increase the results of applications, by using targeted outreach for business customers.

**Table 17: PacifiCorp's 2022-2023 Low-Income Weatherization Savings and Budget<sup>38</sup>**

2022-2023				
Savings in kWh/year	Total Estimated Low-Income Savings SBC*	Actual	Percent	Difference
	299,230	416,322	139%	117,092
Estimated Expenditures vs. Budget	Budget in Dollars	Actual Expenditures	Percent	Difference
	\$2,131,159	\$1,870,176	88%	-\$260,983

\*System Benefits Charge: The System Benefits Charge is designed to recover costs incurred by PacifiCorp associated with providing demand-side management services and programs to customers.

Staff commends PacifiCorp’s low-income program accomplishments this biennium, as shown in Table 17 above. PacifiCorp exceeded their low-income weatherization targets by 139 percent,

<sup>38</sup> *In re PacifiCorp’s Revised 2022-2023 Biennial Conservation Report*, UE-210830, PacifiCorp’s Revised 2022-2023 Biennial Conservation Report at 12 (June 21, 2024).

thanks to effective adaptive management strategies aimed at conservation goals. Additionally, PacifiCorp only utilized 88 percent of its budget to achieve greater savings than originally planned.

## NW NATURAL’S CONSERVATION TARGETS AND ACHIEVEMENTS

**Table 18: NW Natural’s 2022-2023 Natural Gas Targets and Achievements (Therms)<sup>39</sup>**

A	Total Conservation Goal	620,915
B	Decoupling Penalty Threshold <sup>40</sup>	N/A
C	Total Reported Savings	739,694
D	% of Total Conservation Goal Achieved (C/A X 100%)	119%

In Order 01 in Docket UE-210831, the Commission established NW Natural’s 2022-2023 Two-Year Acquisition Target of 619,200 therms and a Total Two-Year Conservation Goal of 619,200 therms.<sup>41</sup> Impressively, their actual biennial savings reached 739,694 therms, achieving 119 percent of their goal.<sup>42</sup> NW Natural operates in Clark, Klickitat, and Skamania counties, with 92,000 customers across southwest Washington.

Staff notes that NW Natural achieved 133 percent of their projected savings goal of 430,470 therms in 2022.<sup>43</sup> A single project closed in 2022 contributed significant savings. The strongest performers were gas furnaces, smart thermostats, Energy Performance Score new construction, and windows in the residential sector. In 2023, the Energy Trust reached 90 percent of the annual

<sup>39</sup> *In re NW Natural’s 2022-23 Biennial Energy Efficiency Report*, Docket UG-210831, Biennial saving summary at 4 (June 15, 2024) (2022-23 BEER).

<sup>40</sup> Included in Row A total.

<sup>41</sup> *In re Northwest Natural Gas Company d/b/a NW Natural’s 2022-2023 Biennial Acquisition Target*, Docket UG-210831, Order 01 at 06 ln. 22 (January 18, 2022).

<sup>42</sup> NW Natural did not use NEEA savings in their forecast. They achieved 29,647 therms from NEEA. Market transformation savings exhibit significant volatility, which undermines confidence in relying on these forecasts.

<sup>43</sup> *In re NW Natural’s 2022 Annual Energy Efficiency Report*, Docket UG-210831, Portfolio Summary at 4 (June 15, 2023) (2022 AEER).



goal for commercial and residential programs, with major projects highlighting strategic energy management activities. The cost-effectiveness tests that NW Natural used for their total Washington portfolio showed improvement in 2022-2023. NW Natural's 2020 conservation portfolio Utility Cost Test (UCT) ratio was 1.7, and the TRC ratio was 1.0. NW Natural's 2021 conservation portfolio UCT ratio was 2.58, and the TRC ratio was 1.71. In 2022, the UCT was 3.58 and the TRC was 2.34. Lastly, in 2023, there was a UCT and TRC of 2.86 and 2.09, respectively.

Staff recognizes that while NW Natural has achieved its biennial goal, there has been a downward trend in savings within their residential incentive and low-income weatherization programs. Spending on residential incentive programs increased by 5 percent, yet NW Natural only reached 94 percent of their biennial goals. The Washington Low-Income Energy Efficiency (WA-LIEE) program, their low-income program, saw a significant decrease: NW Natural spent only \$149,460 against a budget of \$302,16, or 51 percent less than projected. NW Natural has stated that COVID-19 was a limiting factor for the WA-LIEE program. NW Natural also navigated pandemic-related issues while working with the local Community Action Partner.

Staff is concerned that the WA-LIEE program may be encountering a limiting factor within the community that NW Natural has not yet identified or addressed. The WA-LIEE program raised the contribution limit to \$4,000 for each weatherization project in collaboration with Clark County's Department of Community Services. In 2023, they served ten homes, while in 2022, they served eight homes. On average, they reimbursed each home \$7,639.61 for an estimated thermal savings of 101,471 therms. They continue to fund the Northwest Energy Efficiency Alliance (NEEA).

## CASCADE’S CONSERVATION TARGETS AND ACHIEVEMENTS

**Table 19: Cascade Company Targets and Savings (Therms)**

A	Total Conservation Goal	1,931,751
B	Decoupling Penalty Threshold	N/A
C	Total Reported Savings	1,540,723
D	% of Total Conservation Goal Achieved (C/A X 100%)	80%

Cascade had a difficult time meeting their 2022-2023 conservation achievement targets. The COVID-19 pandemic resulted in persistent challenges, including financial difficulties for customers, shifts in customer demand, and shortages in labor and supply chains. These factors compounded the existing challenges utilities already encounter in meeting conservation goals within the region. Cascade further noted industrial and commercial customer confusion regarding building codes, as well as a steep decline in new home energy efficiency rebate participation among residential customers.

Cascade used several adaptive management strategies during this challenging biennium. Cascade greatly expanded its trade ally program and point of sale offerings. Cascade responded to confusion over building codes with increased in-person outreach. Despite these efforts, Cascade did not meet its gas savings target for the 2022-2023 biennium.

Staff further highlights Cascade’s historic pattern of using large custom Commercial/Industrial (C/I) projects to meet its biennial conservation goals (see Table 20 below). Every other year Cascade has been able to achieve a large custom project that has helped buoy Cascade’s conservation numbers. In Docket UG-210838 Staff noted that “... Cascade did not meet its residential or low-income targets and would not have met its overall target if not for this single large project.”<sup>44</sup> Cascade was unable to achieve a large custom C/I project in 2022 or 2023.

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<sup>44</sup> Docket UG-210838, 2020-2021 ACR BCR Staff Memo at 7 (July 26, 2022).

**Table 20: Cascade’s 2014-2024 Therms Saved Through Custom C/I Projects**

<b>Year</b>	<b>Custom C/I Therms</b>
2014	56,328
2015	485,136
2016	42,442
2017	105,635
2018	65,893
2019	153,377
2020	30,285
2021	510,000
2022	98,789
2023	47,666

Staff opines that if this is a compliance strategy, it is an inherently risky strategy that did not work this biennium. Staff urges that in future biennia utilities are not shielded from the consequences of such compliance strategies failing to deliver adequate savings.

## **CONCLUSION**

Like their customers, utilities faced extraordinary challenges in the 2022-2023 biennium. The COVID-19 pandemic created significant challenges across investor-owned utilities in Washington state, making it difficult to achieve conservation targets. Each utility adaptively managed their portfolios to address economic upheaval and limitations on in-person activities, and companies typically saw improvement in meeting their targets once pandemic restrictions ended. Staff notes that next biennium, performance from all companies should see marked improvement in a post-pandemic environment to be considered in compliance with statute and rule. As a next step, Staff will review stakeholder comments and provide a recommendation at the August 22, 2024, recessed open meeting.