

DRAFT

Washington Conservation Working Group

Consensus¹ Document as of ~~May 18~~ June 2, 2001²

[KMW Note — While some of these statements may appear duplicative or inconsistent — I wanted to test them individually with you and, based upon your response, then decide whether they can be collapsed or should be deleted.]

Consensus³

Setting Biennial Conservation/Acquisition Targets

~~In general, the preferred approach to the utility should development of conservation forecasts and set of Biennial Conservation targets (or target range) in reliance on should should rely them on the most time relevant and representative data; namely, —which currently is be developed based on~~ a utility's most recent ten-year achievable

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conservation potential assessment (CPA) and ~~the utility's most recent~~ integrated resources plan (IRP) ~~or the~~ The Northwest Power and Conservation Council's most recently adopted 5-year regional plan. ~~—A utility should exercise its judgment, taking into account its actual experience and input from its advisory groups, and build achievable targets from the bottom up. [KMW Note — we have different preferences regarding what we call the advisory group — should it be customer advisory group (PSE), conservation advisory group (Staff), or simply advisory group? I will insert whatever you decide throughout the remainder of this document.] [The Northwest Power and Conservation Council's most recently adopted 5-year regional plan can may be used as a comparator or marker in assessing the target level. —Danielle thinking re whether the foregoing sentence can be deleted given the “most relevant data” clause above]. Alternatively, a utility may use the Northwest Power and Conservation Council's (“Council”) most recently adopted 5-year regional plan to develop its targets (or target ranges). 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 ~~that is available to ensure that the forecast and targets are using~~ use the most time relevant and representative data relating to specific differences within the utility's service territory. possible~~

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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 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 into ~~the~~ revisions to the target-setting process for ~~the~~ subsequent 10-year CPA, conservation -forecast and -and subsequent biennial targets

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as appropriate. *[KMW Note— need clarity on whether this is applicable to target or target and CPA (NWEC).]*

Meeting the Biennial Conservation Target after Commission Approval

The specific measures used in developing the biennial conservation target does not constrain a utility from doing what is in the best interest of its customers (offering additional programs, discontinuing programs, etc.) while working to achieve its target, but the utility is not obligated to acquire conservation beyond the Commission approved target.

~~include~~ The Commission is not obligated to accept savings estimates identified in the plan and the utility must demonstrate the prudence of its conservation programs to the Commission after the savings are achieved. *[?? This goes without saying— why does this need to be a consensus item? NWEC]*

During a biennium a utility needs flexibility to modify the implementation of ~~their~~ 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).

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To the extent practicable, there should be ~~symmetry-consistency~~ between the use of prescriptive unit energy ~~claiming of savings estimates in~~ acquisition and the establishment of the ~~annual or~~ biennial acquisition target⁴ and the reliance on those same savings estimates in the utility's demonstration that it met the target ~~or savings target.~~ *[First sentence seems unclear— NWEC]* 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 *[KMW Note— three choices follow]*

on the same energy savings as those applied within the establishment of ~~the~~ of the target. (AVA)

[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]

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⁴ ~~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.~~

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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, and the realization rates resulting from verification of the number of measures installed. (Verification can be based on two things – realization rates or verification that measures were installed.) 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. ~~(Staff)~~

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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.

~~or rigorous and verifiable impact evaluation.~~ [Note: ~~placeholder need for~~ 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?], (PC)

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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). [KMW Note – Or, if PC comments above are selected, delete this sentence.] [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.

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Specifically,

Utilities will establish an acquisition target 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. ~~KMW – PC suggests that the following sentence be deleted and requests – Please see PC comment requesting discussion of 1 year period for ex ante savings estimates.~~] However, the energy savings claimed towards the biennial acquisition target will be 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? (NWECC)] [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. Is this paragraph needed given the previous one? (NWECC) I think so, it speaks specially to discontinued programs (PPW)

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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?]*

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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 the independently verified impact evaluations 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.]*

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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 ~~rigorous and verifiable impact evaluation research.~~ *[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.

~~When comparing individual utility savings with their pro-rata share of Council's savings, it must be kept in mind that there are differences between measurement methodologies that will need to be reconciled in order for there to be an apple to apple comparison. For example, utilities count savings at the site and the Council counts savings at the bus bar. As such, in order to compare utility savings with their pro-rata share of the Council's savings, the utilities' savings need to be grossed up. Utilities will describe the necessary adjustments as part of their submittals to the Commission. [PC would delete the foregoing paragraph—This seems unnecessarily detailed for this kind of document, and also not consistent with the earlier statement that targets should be developed using~~

~~IRP/CPA.]PPW would agree this paragraph is not necessary—we don't support a need to continue to compare our forecast and targets against the Council calculator if we elect to use our CPA and IRP as the basis for our targets]~~

NEEA energy efficiency measures/programs can be credited toward utility targets, provided there is no double counting of savings (some of the utilities include NEEA measures/programs as conservation programs in their approved tariff schedules). ~~[PacifiCorp Note - PPW doesn't tariff its support of NEEA.]—since these programs are considered Conservation programs in the utilities' tariff.~~ 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.

~~claim all documented adoption of energy efficiency products and services except those which have been otherwise claimed by the local utility (AVA)~~

~~or~~

~~start with the total measure or program savings from (Staff) the NEEA program/measure, remove the local utility claimed savings and claim the remaining net market effects and baseline savings for each individual program. This is not a consensus item at this point—still discussion about net market effects. (NWECA)~~

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

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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]

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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. *[NWECC 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.]*

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Measure Life [PC would delete this section]

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There is no limitation on the average measure life that can be claimed, so long as it is ~~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

Setting Targets

As a general concept, utilities should include in the biennial target programs they can control (responsibility should be linked to authority) and that is what should be included in the Commission approved target, with some possible exceptions/additions. These exceptions/additional programs for inclusion in setting the biennial target may include (1) ~~[PC would delete this clause]~~ implementation of code changes mid-biennium (including where utilities have advocated for change), and (2) regional market transformation activities to increase conservation (NEEA, or other regional cooperative ventures or trade associations), or (3) ~~[KMW Note — some questions re appropriateness of this clause]~~ acquisition of conservation savings (PSE) outside of a utility's service territory, inside or outside the state of Washington (PSE), should be reasonably quantified and excluded (Staff) (4) (Staff would delete (4)) ARRA funding and customers leveraging ARRA funding (PSE), and (5) other?

Comment [L1]: Public Counsel believes that utilities should be held accountable to targets that are based on issues and areas they can reasonably be expected to have control over. We do not believe that code changes, and acquisition outside of the service territory, are consistent with that overarching principle.

Utility encouragement of code adoption

~~[still being discussed by subgroup] [PC would remove since this is still being contemplated by the subgroup]~~

Energy conservation savings acquisition achieved through quantifiable improvements in code compliance achieved through education, training or enforcement are eligible towards achieving RCW 19.285 conservation acquisition targets. The base case for the measurement of these improvements will be the expected level of compliance in the absence of intervention. The utility will file a program in its conservation plan and tariff to claim these savings (Staff). The utility may allocate energy conservation acquisition attributed to the code compliance improvement program even if there are other partner entities involved in the effort. ~~[Can we be specific about how this will be measured within the utility's service territory, & how such credit will be calculated vis a vis NEEA? (NWECC)]~~

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. ~~[NWECC Comment - We likely need to indicate that there is no~~

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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.

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