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December 18, 2012

SENT VIA E-MAIL & ABC LMI
David Danner
Executive Director and Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Pk. Dr. S.W.
P.O. Box 47250
Olympia, WA 98504-7250

RE: **PacifiCorp's 2012-2013 Revised DSM Business Plan, Docket UE-111880, Avista's 2013 Electric DSM Business Plan Docket UE-111882, PSE's 2013 Annual Conservation Plan, Docket UE-111881 (electric) UG-111911(gas), and NW Natural's 2013 Energy Efficiency Plan, Docket UG-121886**

Dear Mr. Danner:

Public Counsel submits this letter in advance of the Commission's December 21, 2012, Recessed Open Meeting on conservation-related filings. These comments address the annual demand-side management (DSM) business plans filed by the various utilities listed in the above dockets. Public Counsel appreciates the opportunity to provide comment on the annual DSM business plans. We also commend the Commission for its approach to addressing the conservation-related filings in a separate Open Meeting. We believe this approach will encourage a careful review of the filings and allow for a robust discussion on the items presented. Public Counsel's comments provide a high-level review of the annual 2013 DSM business plans of the electric utilities, as these are essentially "updates" to the biennial conservation plans. We also discuss our review of the gas conservation plans for Northwest (NW) Natural and Puget Sound Energy (PSE). Our comments on the DSM business plans highlight important issues and areas of interest for ongoing review for Public Counsel. Additionally, we discuss updates on conservation policy issues including the joint proposal of PacifiCorp, PSE and Avista related to the approach to counting NEEA savings.

Public Counsel Recommendation

Public Counsel recommends that the Commission take no action regarding PacifiCorp's 2012-2013 Revised DSM Business Plan, Docket UE-111880, Avista's 2013 Electric DSM Business Plan, Docket UE-111882, PSE's 2013 Annual Conservation Plan, Docket UE-111881 (electric) and UG-111911(gas), and NW Natural's 2012 Energy Efficiency Plan, Docket UG-121886.

I. REVIEW OF DSM ANNUAL PLANS BY COMPANY

A. PacifiCorp (Docket UE-111880).

PacifiCorp's budget for 2013 is $9,983,410 and the Company is forecasting electric savings of 54,431,092 kWh. In addition to savings and budget updates, the revised business plan reflects the following key updates:

- **Education-Only Schools Program**
  The revised business plan includes a new energy education in schools program which replaces the Schedule 113 schools program that was cancelled at the end of the 2011-2012 school year due to technical challenges and cost-effectiveness issues.[1] The new energy education in schools program is "education only" with no savings attributed to the program. The program will be funded pursuant to Order 01 in Docket UE-111880 which allows the Company to spend up to ten percent of its conservation budget on programs without savings attributed to them. The total budget for this program in 2013 is $82,000. Public Counsel supports the Company's efforts to develop a new-education only program and these program details and costs appear reasonable.

- **Energy Project Manager for Energy FinAnswer Program**
  The Energy Project Manager (EPM) is a new addition to Energy FinAnswer Program. The EPM provides utility co-funding to large industrial customers for a dedicated energy project manager position, subject to a minimum energy savings goal. Program savings must be verified and if a customer does not achieve the energy savings goals developed, repayment of co-funding is required. This program change was filed on November 1, 2012, in Docket UE-121756 and was allowed to go into effect on November 29, 2012. The budget for the EPM offering is $75,000 for 2013 and savings are anticipated to be approximately 3 million kWh. These amounts are included in the Company's revised budget and savings forecast in this filing. Public

[1] Public Counsel supported the Company's decision to remove its Schedule 113 schools program from its DSM portfolio and to explore an alternative education-based program in the future. *See* Public Counsel Comments Re: Residential Energy Efficiency Program-Energy Education in Schools, Docket UE-120701, June 22, 2012.

Counsel supports this new program.[2]

- **Home Energy Reports Program**
  The Home Energy Reports program was introduced in the June 4, 2012, revised business plan and was implemented in August, 2012. This behavior-based program is designed to modify energy usage with the goal of reducing overall electric consumption. The Company estimates 5,049,207 kWh in savings for 2013 with a forecasted budget of $132,120.[3] Actual savings for the purpose of reporting towards the achievement of the Company's 2012-2013 biennium target will be based on third-party ex-post verification, scheduled to be completed prior to June, 2014. In its revised DSM business plan the Company says that net savings are included in the forecast in order to avoid double-counting of savings attributed to other programs.[4] However, this limited detail does not provide confirmation that the methodology used by the Company avoids double-counting of savings in its forecast or whether upstream programs are addressed.[5] We anticipate addressing this issue further in response to the Company's annual and biennial conservation reports.

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[2] Public Counsel has reviewed the EPM and believes it is a good addition to the Energy FinAnswer program that will encourage further industrial customer energy efficiency savings. We are also pleased that the Company has modeled the program off a similar BPA program and appears to be following best practices.
[3] PacifiCorp's 2012-2013 Demand-Side Management Plan, Revision 2, November 1, 2012, Table 1, p.5.
[4] See Note 4 for Table 1 on page 6 of PacifiCorp's Revised DSM business plan. Double-counting of savings was an issue raised by Public Counsel in our comments filed on July 6, 2012, in Docket UE-111800. Specifically, Public Counsel recommended that the Company use a methodology to ensure there is no double-counting of savings associated with the program and that this methodology include addressing upstream programs such as CFL's consistent with the recommendations in a Lawrence Berkeley National Laboratory (LBNL) report on evaluation, measurement and verification of behavior based programs. See: State and Local Energy Efficiency Network, 2012. *Evaluation, Measurement, and Verification (EM&V) of Residential Behavior-Based Energy Efficiency Programs: Issues and Recommendations,* Prepared by A. Todd, E. Stuart, S. Schiller, and C. Goldman, Lawrence Berkeley National Laboratory. Available at: http://behavioranalytics.lbl.gov.
[5] The Company agreed to comply with Public Counsel's recommendations with respect to methodology for double-counting savings. See PacifiCorp Comments, PacifiCorp's Demand-Side Management Business Plan Revisions, Docket UE-111880, July 6, 2012. In order to confirm the methodology used by the Company, Public Counsel sent the Company a data request with this inquiry on 12/14/12. At the time of filing this letter we have not yet received a response.

- **EM&V Updates**
  The Order approving PacifiCorp's 2012-2013 biennial conservation plan requires PacifiCorp to perform a third-party verification of its 2012-2013 DSM portfolio. Public Counsel has learned that a competitive request for proposals for the verification is scheduled to be issued this month (December, 2012). The Company further stated that it is on track to have the third-party verification of its 2012-2013 portfolio completed and will provide it as part of the Company's 2012-2013 Biennial Conservation Report to be filed June 1, 2014. We encourage the Company to share the responses to its RFP once received so that the advisory group may have the opportunity to provide feedback on the scope of the work.

B. NW Natural, Docket UG-121886.

NW Natural's budget for 2013 is approximately $1,500,000 and the Company is forecasting 220,000 in therm savings. Notable updates in the Energy Efficiency Plan for 2013 are discussed below.

- **Measures Being Discontinued or Revised**
  The Company continues to monitor all measures for cost-effectiveness in its portfolios and submits certain revisions to address measures that are no longer cost effective. In some cases, the Company has decided to stop offering a measure, and in other cases reduce the incentive pending future results, depending on each unique scenario. In the case of measures that are being discontinued, the decision to remove these measures is supported by a cost-effectiveness analysis.[6]

- **Upcoming Federal Furnace Standard Changes**
  Public Counsel was interested in learning whether NW Natural was anticipating major changes in furnace savings in 2013 given the impending new federal furnace standard that is likely to take place in 2013.[7] The new standard is scheduled to become effective May, 2013, increasing baseline furnace efficiency from 80% to 90%. Interestingly, despite the impending new standard, NW Natural's forecasts for furnace units sold and total savings actually increased rather than decreased between 2012 and 2013. The Company explained that this is because it was assumed there may be a push to complete projects in 2013 before the incentive goes away with the

[6] Measures the Company is removing from its portfolio include: tankless water heaters for existing homes and duct sealing and duct leakage tests for existing homes. Measures the Company is revising include air sealing for existing homes (incentive is reduced from 50% of cost up to $275 to a flat $150 per installation) and commercial radiant heating (incentive is revised from a flat $6.50 per kBTU per hour input a two-tier incentive structure).
[7] For details of standards adopted by the U.S. Department of Energy, *see* http://www1.eere.energy.gov/buildings/appliance_standards/residential/pdfs/cacfurn_dfr_final-version.pdf

implementation of new federal standard. This explanation makes sense to Public Counsel, however, we note that the impact to savings and possibly cost-effectiveness for the furnace program may be an issue going forward, and we anticipate this will be closely tracked by the Company and further addressed if necessary in 2013.

C. PSE (Dockets UE-111880 and UG-121911).

PSE's Annual Conservation Plan (ACP) indicates that the budget for PSE's 2013 electric conservation programs is $94,401,000 and estimated savings are 333,520 MWh.[8] The budget for PSE's 2013 gas conservation programs is $13,181,000 and estimated savings are 4,618,000 therms.[9]

In addition to the program plans for 2013, the ACP provides a detailed update on the Company's condition compliance for the 2012-2013 biennium in the text of the ACP and Exhibit 9.[10] PSE provides updated versions of the Condition Compliance Checklist included in Exhibit 9 in its quarterly updates and at CRAG meetings. This document is helpful for understanding how the Company is progressing, and how the various actions of the utility fit within the conditional framework.

Public Counsel does not have any recommended changes related to the programs or plans included in the ACP. Instead, these comments will highlight a few areas of particular interest and/or concern. While Public Counsel has some limited concerns regarding these issues, it is important to note that each is relatively minor in light of the size and scope of the Company's complete portfolio. These issues and areas of interest are described below.

- **Energy Star Refrigerators**
  PSE is expanding this program to provide rebates for "all levels of Energy Star refrigerators."[11] This means the Company will now provide rebates not previously offered for refrigerators that qualify as Energy Star, but are in the lower tiers of efficiency. PSE states that this will "ensure that the customer experience is at the highest, most inclusive level" and "[limit] customer confusion around what levels of Energy Star refrigerators do and do not qualify." While Public Counsel recognizes

[8] ACP, p 29. Compared to the electric conservation budget and savings estimates included in the 2012-2013 Biennial Conservation Plan (BCP), this update reduces the budget by $652,983 and increases estimated savings by 4,220 MWh. *See,* ACP, p. 30 for summary of Key Drivers of Budget Revisions for the electric conservation programs.
[9] ACP, p 29. Compared to the gas conservation budget and savings estimates included in the 2012-2013 BCP, this update reduces the budget by $16,646 and decreases estimated savings by 53,480 therms. *See,* ACP, p. 31 for summary of Key Drivers of Budget Revisions for the gas conservation programs.
[10] ACP, pp. 18-23. These conditions are enumerated in Dockets No. UE-111881 and UE-100177 (electric) and in Docket No. UG-011571 (gas).
[11] ACP, p. 34.

that these are efficient measures, and appreciates that the Company will use an RTF unit energy savings for this program, we are concerned that this program may not achieve additional incremental conservation, but will instead offer incentives for a segment of the market that has already transformed. Additionally, we are concerned that offering a broader range of rebates may not be the correct solution for a problem related to customer education. We will be interested to see the results of PSE's evaluation of this program, and whether the additional incentives impact customer purchase decisions.

- **Generation and Distribution Efficiency**
  PSE states that its 2013 program generation and distribution efficiency targets have been reduced due to budget constraints. These "budget constraints" are more fully described in the Company's 2012 Semi-Annual Report, where PSE attributed some of the 2012 underachievement of its Generation and Distribution Efficiency program savings goal to the fact that the program is not receiving conservation Rider funding under Schedule 120 (as had been planned in the 2012-2013 BCP).[12] Public Counsel does not believe that this is an adequate justification for not pursuing these savings.

  Questions about the funding source for these programs were raised during the review of the BCP and related tariffs in December 2011.[13] PSE revised its tariff filing to remove funding for this program from Schedule 120. While the Company stated at that time that it may seek to raise the funding issue in a separate filing, it has not done so. Instead, PSE has decided it will not be able to meet this target without the dedicated funding from Schedule 120, despite the fact that it has not been determined that collection of funds from Schedule 120 would be appropriate. Public Counsel supports the position, as stated in Staff's December 29, 2011 Open Meeting Memo:

  > "Because generation and distribution is part of the company's duty to provide facilities to deliver electricity that is 'safe adequate and efficient' (80.28.010(2)RCW) this new conservation schedule activities will <u>not</u> be funding (sic) through the conservation tariff rider, schedule 120."[14]

  Public Counsel believes that the Company ultimately has the responsibility to pursue these cost-effective, reliable, available, achievable, savings as a part of the prudent

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[12] PSE 2012 Semi-Annual Conservation Acquisition Report, p. 28.
[13] *See,* Docket No. UE-111860, Replacement pages on behalf of Puget Sound Energy From Tom DeBoer, December 27, 2011; Open Meeting Memo, December 29, 2011; and Comments on Behalf of Public Counsel, December 23, 2011.
[14] Docket No. UE-111860, Open Meeting Memo, December, 29, 2011.

operation of its system, and should achieve the savings in its 2012-2013 BCP. It is not reasonable for PSE to argue that these savings are no longer achievable simply because the Company is not recovering these costs through its preferred source of funding.

- **Gas Residential Energy Management Programs**
  Due to lower natural gas avoided costs and improvements in code, PSE is no longer offering incentives for furnaces in the Single-Family New Construction Program or the Multi-Family New Construction programs. In fact, at this time, there are few residential gas measures remain that cost-effective for the Company to provide. Additionally, the Residential Energy Management Program is shifting heavily to measures and programs with a low cost unit cost per customer. For example, Home Energy Reports will account for roughly 18% of the residential portfolio, and showerheads will account for approximately 9%.

- **ACP Content**
  The quantity and quality of information that PSE provided the CRAG and stakeholders at the time of, and in advance of, this filing was impressive. Public Counsel believes that PSE continues to set the standard with how information is provided to the CRAG and the Commission in the Annual and Biennial planning and reporting documents. Specifically, it was very useful to receive a draft, so if necessary, concerns could be ironed out before the final draft was filed with the Commission. Moreover, PSE's draft included useful information for stakeholders that incorporated and built upon information the Company previously provided in the 2012-2013 BCP and the 2012 Semi-Annual Conservation Acquisition Report. By providing information that clearly stated how the plan and budget for the second half of the biennium are tied to the original 2-year plan as well as what has been observed and accomplished in the first year of the biennium, PSE was able to clearly outline how the 2013 plan fit within the scope developed by the BCP. Finally, Exhibit 1, which contains budget and savings detail, is exceptional. The Excel file directly links the granular level program- and measure-level details—including UES values, number of units estimated to be to distributed,[15] incentive amounts, and budget detail by category—to a one page, summary spreadsheet with totals by program, sector, and portfolio. This document is tremendously useful, and Public Counsel applauds PSE's EES staff for its work creating and maintaining this file, and for the efforts made to respond to stakeholder suggestions in its development. It would be useful if

[15] In the Biennial conservation Report, PSE provided this same document, but with reported actual results rather than estimates.

all utilities provided this type of clear documentation of budget and savings information.

D. Avista (UE-111882).

Avista's DSM business plan outlines acquisition of 53,441 MWh of electric end-use energy efficiency in Washington in 2013, at a budget of $14.7 million. In addition, Avista anticipates regional market transformation savings from NEEA of 12,264 MWh.[16] The Company anticipates a cost-effectiveness ratio of 1.35 on a net Total Resource Cost (TRC) basis.[17]

Some noteworthy highlights of the business plan are described below.

- **Electric-Only Plan**
  Avista has petitioned to temporarily discontinue its natural gas DSM portfolio because it is no longer cost-effective. Accordingly, Avista's 2013 DSM business plan is electric-only. The plan does discuss the Company's analysis and history regarding the natural gas portfolio.[18]

- **New Residential Behavior-Based Program Planned to Launch in 2013**
  Avista plans to launch a very large residential behavior-based program in 2013, possibly with as many as 60,000 participants. The anticipated savings of this program in the second year are 21.6 million kwh, which is nearly equal to the size of the residential programs for 2013 (23 million kwh, excluding the residential behavior program).[19] The business plan states that the control group may be as small as 200 customers, which is substantially smaller than other behavior-based programs implemented in Washington.[20]

  The Advisory Group first learned of this new program by reviewing the proposed program summary in the 2013 DSM Business Plan. Public Counsel would like an opportunity for review and input, to ensure that the program design and the evaluation plan follow recent best practices for such programs as outlined by the Lawrence Berkeley National Laboratory.[21] We are pleased that Avista concurs

[16] Docket UE-111882, Avista Utilities 2013 Electric DSM Business Plan, p. 40 (Acquisition Summary) and p. 44 (NEEA).
[17] Docket UE-111882, Avista Utilities 2013 Electric DSM Business Plan, p. 51.
[18] Docket UE-111882, Avista Utilities 2013 Electric DSM Business Plan, pp. 4-8.
[19] Avista Response to Public Counsel Informal Data Request No. 3, December 6, 2012.
[20] Docket UE-111882, Avista Utilities 2013 Electric DSM Business Plan, p. 85.
[21] State and Local Energy Efficiency Network, 2012. *Evaluation, Measurement, and Verification (EM&V) of Residential Behavior-Based Energy Efficiency Programs: Issues and Recommendations,* Prepared by A. Todd, E.

that providing for review and input from the Advisory Group is appropriate. When the program details are fully defined for this program, including an evaluation plan, Avista will file an update to the DSM Business Plan.[22]

- **Program Terminations**
  Avista is terminating certain programs that are no longer cost-effective. One such program is residential ductless heat pumps. The impact evaluation of this program found that a majority of participants were using natural gas as the backup heating source, substantially reducing electric savings.

- **Comparison of Avista TRM to RTF Unit Energy Savings (UES) Values**
  Avista is currently comparing the UES values in its TRM to those adopted by the Regional Technical Forum (RTF).[23] The Company recently convened the Advisory Group Technical Committee in a webinar on this topic.

- **Distribution Efficiency EM&V**
  The projected savings outlined in the 2013 DSM business plan do not include savings from distribution efficiency efforts. Savings from distribution efficiency represent about 30% of Avista's biennial conservation target for 2012-2013. The Commission therefore required Avista to conduct independent third-party EM&V of its distribution efficiency savings.[24] Avista has been working with NEEA staff on the evaluation design, and intends to issue an RFP in 2013.[25]

- **Portfolio EM&V**
  The DSM budget includes $741,000 related to EM&V in Washington, primarily for third-party evaluation and verification of portfolio savings for 2012.[26] Avista will retain Cadmus as third-party evaluation consultant for 2012-2013.

E. Cascade Natural Gas.

Unlike all of the other Washington investor-owned utilities, Cascade has not filed an energy efficiency plan with a budget and savings forecasts for 2013. The

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Stuart, S. Schiller, and C. Goldman, Lawrence Berkeley National Laboratory. Available at: http://behavioranalytics.lbl.gov.

[22] Docket UE-111882, Order 01, ¶ 28 (condition 6(d)).

[23] Docket UE-111882, Avista Utilities 2013 Electric DSM Business Plan, p. 35.

[24] UE-111882, Order 01, ¶ 28 (condition 6(g)).

[25] UE-111882, Avista Utilities 2013 Electric DSM Business Plan, p. 63.

[26] UE-111882, Avista Utilities 2013 Electric DSM Business Plan, p. 10. Public Counsel is seeking clarification from Avista regarding the higher allocation of EM&V expenses to Washington (87%).

Company, instead, says that "Cascade uses the IRP process to identify conservation goals and targets."[27] Public Counsel recommended in our comments filed in Docket UG-121592 that the Company be required to file an annual DSM business plan with a budget and savings forecasts.[28] We understand the Company believes filing an energy efficiency plan is redundant and would increase costs. Public Counsel continues to advocate for this for the sake of consistency among the utilities, but more importantly because we believe it provides essential information, such as a DSM budget, that is not provided elsewhere by the Company.

II. POLICY ISSUES

Public Counsel filed comments addressing the three electric utilities biennial conservation reports on August 2, 2012. A common theme in our comments was consistency in reporting conservation savings among the three utilities. To address these consistency issues, Public Counsel recommended that certain policy and regulatory issues be addressed through a policy proceeding that could be result in an Interpretive and Policy Statement. We recommended that these issues be resolved by March, 2013, prior to beginning of the work process of the utilities to determine biennial targets for 2014-2015.

One of the issues raised by Public Counsel was the consistency of the approach of the utilities in counting savings for NEEA. The Commission specifically acknowledged this issue and ordered the utilities to develop a joint proposal for a consistent methodology for counting NEEA savings. The utilities timely filed a joint proposal on October 31, 2012.This proposal is still being reviewed by stakeholders and we look forward to continuing to work with Staff and other parties to review and provide feedback on the proposed new methodology. Other outstanding policy issues that Public Counsel believes still need to be resolved are as follows:

- Time frame for updating unit energy savings values
- A common definition of critical terms such as "baseline"
- Reporting of conservation achievement
- EM&V Consistency, specifically third-party portfolio verification
- Assessment of DSM Prudence

These issues are described in detail in our August 2, 2012 Comments in Dockets UE-100170, UE-100176 and UE-100177. We continue to recommend that these issues be reviewed, possibly

[27] Cascade Comments in Cascade Natural Gas Annual PGA Filing, Docket UG-121592, p. 2, October 22, 2012.
[28] Public Counsel Comments in Cascade Natural Gas Annual PGA Filing, Docket UG-121592, p. 1, October 19, 2012.

through a policy docket. We look forward to working with Staff and other stakeholders to move forward in the review of these issues.

III. CONCLUSION

Public Counsel appreciates the opportunity to provide comments on the electric and gas utility DSM business plans updates for 2013. In summary, we recommend that the commission take no action and acknowledge the receipt of these business plans.

Mary Kimball and Stefanie Johnson will attend the December 21, 2012, Open Meeting on behalf of Public Counsel and will be available to respond to any questions regarding these comments.

Sincerely,

for

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