Agenda Date:	September 25, 2025
Item Numbers:	A6, E3, E4, and E5
Dockets:	**UG-250411** **UG-250416** **UG-250429** **UG-250430**
Companies:	Cascade Natural Gas Corporation Puget Sound Energy Northwest Natural Gas Company d/b/a NW Natural Avista Corporation d/b/a Avista Utilities
Staff:	Wesley Franks, Regulatory Analyst Joshua Dennis, Regulatory Analyst Sofya Atitsogbe, Regulatory Analyst Emily Gilroy, Regulatory Analyst

Recommendation

Issue Orders in Dockets UG-250411, UG-250416, UG-250429, and UG-250430 approving the conservation potential assessments for the 2026-2027 biennium subject to the conditions in Attachment A of Commission Staff's Open Meeting memo.

Background

RCW 80.28.380 requires each Washington gas utility to base its gas conservation target on a conservation potential assessment (CPA) prepared by an independent contractor and approved by the Washington Utilities and Transportation Commission (Commission).

Each CPA identifies the technical and achievable technical potential for gas conservation within the utility's service territory over the integrated resource plan (IRP) and the integrated system plan (ISP) horizon. The CPA is both a key input to a company's IRP and to its Biennial Conservation Plan (BCP). For the BCP, the CPA results help each company identify all cost-effective energy efficiency resources and design its portfolio.

Avista Corporation d/b/a Avista Utilities (Avista), Cascade Natural Gas Corporation (Cascade), and Puget Sound Energy (PSE) each filed their 2025 gas CPAs on May 30, 2025, in dockets UG-250430, UG-250411 and UG-250416, respectively. Northwest Natural Gas Company (NW Natural) filed its gas CPA on June 2, 2025, in docket UG-250429.

Discussion

Public Process and Data Transparency

The Commission consistently emphasizes the importance of transparency in utility planning,[1,2] including CPAs. In prior orders, the Commission directed utilities to provide supporting documentation for CPA filings.[3] In this round, however, the utilities filed their workpapers inconsistently, with only PSE filing the workpapers with the initial filing, and only one company, NW Natural, providing access to the full CPA model. Commission Staff (Staff) nevertheless commends companies for engaging collaboratively with Staff to provide their workpapers and facilitate the review upon request.

Consistent with RCW 80.28.380, third-party consultants develop utilities' CPA models, which can fall under proprietary restrictions. Therefore, Staff recommends the following transparency conditions to balance usability with the said restrictions. Staff further recommends that utilities engage with Staff and IRP technical advisory groups early in the CPA process. Early engagement supports consistency, resolves disputes in advance, and facilitates more efficient review.

Proposed conditions:

1. Public Process and Data Transparency. For every CPA filing under RCW 80.28.380:

    a. The company must file applicable input data, assumptions, and outputs in native and spreadsheet formats.
    b. The company must provide documentation that explains the model's structure, such as a diagram or flowchart, showing major modules, data inputs, and outputs.
    c. The company must give Staff access to the model environment, either through screen-share sessions, consultant-facilitated workshops, or other secure methods.

Alternative Achievable Economic Potential Scenarios

Table 1 summarizes the achievable economic potential[4] for Avista, Cascade, NW Natural, and PSE. While Staff does not have immediate concerns with the achievable economic potential proposed for the 2026-2027 biennium, Staff believes that the Companies can better support the BCP process by including different scenarios in the CPA showing how avoided cost assumptions

[1] WAC 480-100-620(14).

[2] *In re the Proceeding to Develop a Policy Statement Addressing Alternatives to Traditional Cost of Service Rate Making*, Docket U-210590, Policy Statement Addressing Initial Reported Performance Metrics (Aug. 2, 2024).

[3] Dockets UG-210094, UG-210450, UG-210461, and UG-210462, Order 01 (Oct. 14, 2021).

[4] Achievable economic potential represents the cost-effective amount of savings that is both technically feasible and economically viable, after market barrier and cost constraints are applied.

that align with Washington's statutory greenhouse gas (GHG) reduction requirements effect achievable economic potential.

Table 1. Achievable Economic Potential, by Utility (in thousand therms)

Company	**Avista**	**Cascade**	**NW Natural**	**PSE**
Base year[5]	2021	2023	2026	2025
Cost-Effectiveness Test[6]	TRC	UCT	TRC	TRC
2027 Cumulative Achievable Economic Potential by Sector (thousand Therms)				
Residential	452	485	207	2,099
Commercial	1,067	359	286	2,291
Industrial	33	199	10	615
Transportation	231	N/A	69	3,784
Total (excluding Transportation)	**1,552**	**1,043**	**503**	**5,005**

Washington law establishes aggressive GHG emissions limits, with a final reduction target of 5 million metric tons by 2050.[7] In its acknowledgement letter for Avista 2025 IRP, the Commission affirms that, given the that implementation of the Climate Commitment Act (CCA) is in its early stages, "it is reasonable to assume that compliance rules will be an iterative process to maintain the balance between emission reductions and affordability."[8, 9] While there currently

[5] Base year in a CPA is the specific historical or a modeled future year that serves as a benchmark for measuring future energy savings.

[6] The Utility Cost Test (UCT) includes costs and benefits experienced by the utility system, while the Total Resource Cost (TRC) includes costs and benefits experienced by the utility system as well as those experienced by participating customers. All Washington companies are required to account for the Social Cost of Greenhouse Gases regardless of whether the UCT or the TRC is their primary test.

[7] RCW 70A.45.020(1)(a).

[8] *In re Avista Corporation d/b/a Avista Utilities' 2025 Natural Gas Integrated Resource Plan,* Docket UG-240207, Commission Acknowledgement Letter at 6 (Aug. 22, 2025).

[9] The Commission goes on to note that "The future, therefore, may include increased customer choice away from natural gas and building code alignment with state law, each of which may reduce demand for natural gas. Further, additional experience implementing the CCA and allowance markets may lead to higher or lower than expected allowance prices and changes in the price ceiling unit policies."

is no company- or sector-specific emissions cap, Staff believes that gas companies should examine potential conservation outcomes associated with different emission reduction strategies, especially those that would proportionately reduce company emissions in line with State emissions limits.[10]

Under a scenario where there are fewer and/or more expensive carbon allowances, gas companies might need to rely on other compliance strategies, such as alternative fuels, to meet emissions mandates. This could mean that the marginal cost of serving the last therm of gas could be many times higher than current gas prices. Some companies, such as Cascade, have already begun to explore this scenario. In its 2025 IRP, Cascade found that customer bill impacts would increase by approximately $320 per month by 2050 under a scenario where they must procure renewable natural gas to comply with Washington clean energy laws.[11] In such a scenario, greater amounts of relatively expensive energy efficiency measures may look more cost-effective when they avoid high-cost, low-emission fuels.

Providing alternative achievable economic potential based on a scenario aligned with State emissions reduction limits would help inform program design, subsequent resource acquisition targets, as well as long-term prudency. This information would allow the company, the Commission, and energy efficiency advisory group members to better understand the energy efficiency potential that might be necessary to reduce customer costs and better support customer affordability. Staff notes that including alternative achievable economic potential based on different scenarios is not a new concept, as Avista included in its 2025 CPA scenarios based on its Preferred Resource Strategy, Electrification, and High Growth [within the gas system].[12] Staff commends Avista for including this information and notes the value it provides the Commission and other interested parties in understanding achievable economic potential.

Staff recognizes that given the new planning paradigm established with House Bill (HB) 1589, this concern may not be directly relevant to PSE anymore. Under HB 1589, PSE may not offer any form of rebate, incentive, or other inducement to residential gas customers to purchase any natural gas appliance or equipment.[13] Additionally, under its new integrated system plan requirements, PSE will be pursuing cost-effective and targeted electrification programs and conducting various electrification scenarios that will help assess the outcomes of a potentially shrinking gas system. Staff notes that electrification scenarios do not necessarily align with a scenario where CCA compliance and allowance markets rules are revised to align with State emissions reduction limits. However, Staff does not propose a specific condition for PSE to

[10] Staff notes that this recommendation aligns with the Commission's recommendations for Avista's 2025 gas IRP, specifically to include a wider range of assumptions regarding demand, customer counts, and decarbonization.

[11] *In re Cascade Natural Gas Company's 2025 Gas Integrated Resource Plan,* Docket UG-231023, 2025 Integrated Resource Plan at 9-49 (May 23, 2025).

[12] *In re Avista Corporation d/b/a Avista Utilities' 2025 Conservation Potential Assessment,* Docket UG-250430, 2025 Conservation Potential Assessment, Attachment B (May 30, 2025).

[13] Laws of 2024, Chapter 351, Section 8(1).

provide an achievable economic potential for the reasons outlined above. However, Staff recommends PSE examine a scenario in line with State emissions limits within the ISP process.

Proposed condition:

2. Alternative Achievable Economic Potential Scenarios. For every CPA filing under RCW 80.28.380, Avista, Cascade, and NW Natural must provide, at minimum, an additional achievable economic potential based on alternative avoided costs resulting from a scenario aligned with State emissions limits.

Building Codes

Each company incorporates local, state, and federal building codes and standards to account for changing potential in available conservation. Building codes are relevant to the CPAs because they define the baseline from which conservation savings are measured. Any conservation potential claimed by a company must be above and beyond the baseline established by the building code. Washington has a legally-mandated trajectory towards a seventy percent reduction in annual net energy consumption in buildings by 2031.[14] Further, RCW 19.27A.020(2)(a) calls for the state building code council to set standards for constructing "increasingly energy efficient homes and buildings that help achieve the broader goal of building zero fossil-fuel greenhouse gas emission homes and buildings by the year 2031." As building codes become more stringent to achieve this goal, the conservation potential from buildings diminishes. Companies will see reduced potential and savings from buildings as they are electrified, demolished, or otherwise removed from the building stock and replaced with new, up-to-code buildings. Because of this, the CPA is not just about efficiency, it also determines how much gas demand will disappear entirely from a company's system under future code-driven electrification scenarios.

Due to these new building code requirements, some companies chose to assume no new gas load from new construction in some sectors in their model. Cascade assumes no new load from new residential or commercial construction in its CPA, though it anticipates approximately 8 percent growth in energy use by its industrial customers over its study period (2026 to 2045).[15] PSE also assumes zero growth in residential customer accounts,[16] and assumes a positive customer account growth rate of about 9 percent over the study period (2025 to 2050) for commercial customers. Avista assumes zero residential customer increase, a commercial customer decline of

[14] RCW 19.27A.160.

[15] *In re Cascade Natural Gas Company's 2025 Conservation Potential Assessment*, Docket UG-250411, 2025 Conservation Potential Assessment at 38 (May 30, 2025).

[16] *In re Puget Sound Energy's 2025 Conservation Potential Assessment*, Docket UG-250416, 2025 Conservation Potential Assessment at pg. 2 (May 30, 2025).

just under 1.5 percent, and an industrial customer decline of about 19 percent over its study period (2026-2045). [17]

NW Natural chose to continue modeling gas use in residential new construction,[18] though the company acknowledges that the Washington building codes promote electrified space and water heating. Specifically, NW Natural emphasizes conservation potential from gas fireplaces in new residential construction as secondary heating and as an aesthetic choice. NW Natural projects their residential customer count to rise nearly 24 percent over the study period (2026-2050). [19] Staff intends to comment on this projection in the IRP proceeding. Additionally, NW Natural projects a commercial compound annual growth (CAGR) rate of 1.1 percent (26.4 percent across the study period), and an industrial CAGR decline of 0.77 percent (or 20.79 percent across the study period).[20] Staff highlights that NW Natural's service territory is the smallest of the four gas companies in Washington, so percent changes in NW Natural's customer count appear especially large.

Staff notes that, except for the small decrease in commercial customer count modeled by Avista, no company CPA directly discusses a decline in customer count or building stock attrition in the residential or commercial sectors. Staff believes it is reasonable to consider modeling a decline in residential and commercial customer counts in future CPAs across all companies. Staff looks forward to future conversations on this dynamic and expects each company to explore the impact this will have on their gas system and conservation potential in future CPAs.

PSE discusses additional legislation, notably RCW 19.27A.160, and the Clean Buildings bill, in its CPA parameters. Other companies used vague language while discussing the inputs to their baseline. Staff found that the lack of clear language outlining the inputs to the baseline assumptions hindered our overall analysis. Therefore, we propose the following condition to ensure that future CPAs clearly identify the basis for these fundamental input assumptions.

Proposed condition:

---

[17] *In re Avista Corporation d/b/a Avista Utilities' 2025 Conservation Potential Assessment*, Docket UG-250430, 2025 Conservation Potential Assessment at 77 (May 30, 2025).

[18] In an email from NW Natural, the Company asserted that "quantitative information on the [2021 WSEC]'s impact on fuel and equipment choices in new construction is currently limited." As such, Lighthouse included the 2018 code supplemented by a 2023 evaluation from the Northwest Energy Efficiency Alliance and discussed this choice on page 16 of their CPA.

[19] *In re Northwest Natural Gas Company's 2025 Conservation Potential Assessment*, Docket UG-250429, 2025 Conservation Potential Assessment Figure 6. at 14 (June 2, 2025).

[20] *Ibid.* at 13-16.

3. Building Codes. For every CPA filing under RCW 80.28.380, the company must explicitly list the relevant federal, state, and local codes and standards and building stock assessments used to determine the conservation potential baseline.

Accounting for Equity in CPA

The 2025 CPAs demonstrate varied approaches to equity among Washington's investor-owned gas utilities. Cascade segmented customers by income and climate zone. PSE applied an equity cost multiplier, incorporated non-energy impacts, such as health, safety, and comfort, and found differentiated conservation potential based on vulnerable populations, further segmenting them by county with Residential Customer Survey data. NW Natural segmented customers by Clark County area median income and found that 38 percent of residential savings potential (about 4.9 million therms) lies with low- and moderate-income households. However, it did not differentiate adoption rates, leaving equity treatment descriptive and not reflective of actual participation barriers.

Staff notes the difficulty in accounting for equity in complex models and commends each company for the work they have done to date on accounting for equity within their conservation potential assessments. Staff notes that accounting for equity is an emerging practice and therefore requires continued active engagement and iteration. Staff recommends that, in future CPAs, the companies consult with Staff and their energy efficiency and equity advisory groups on how to incorporate equity considerations into their analyses. This consultation may include, but not be limited to, geographic analysis, differentiated adoption assumptions, and the application of equity cost multipliers.[21] For companies that already implemented a methodology for incorporating equity, Staff expects consultation with advisory groups to assess whether updates or refinements are appropriate. Staff looks forward to seeing how these equity-focused elements identified in CPAs translate into program design and delivery in the upcoming BCPs.

Proposed condition:

4. For every CPA filing under RCW 80.28.380, the company must consult with Staff, its energy efficiency advisory group, and equity advisory group on how to appropriately incorporate equity considerations into its analysis.

CPA and IRP Timing

RCW 80.28.380 does not provide a deadline for filing or approving a CPA, and there are no Commission gas conservation rules that do so either. In the last two BCP cycles, Staff coordinated with the investor-owned gas utilities for an agreed upon June 1 filing deadline for the CPAs, which the Commission approved by order in BCP conditions. This timing works as each gas utility files its BCP by November 15 of odd-numbered years, including proposed conservation targets based on an approved CPA. The CPA is a crucial input to the IRP and it's through the IRP process that Companies calculate the amount of *cost-effective* conservation.

[21] Staff acknowledges that incorporation of equity into conservation potential assessments is still a developing concept and provides these above examples for illustrative purposes.

Currently, there is a disconnect between when Companies file their IRPs and CPAs. The CPA approval process is siloed from the IRP review process, meaning Staff and interested parties conduct their CPA analysis without the necessary context within IRPs. This further creates a barrier for Staff to explore whether the inputs and assumptions that inform the conservation target are appropriate. Aligning the CPA filing and approval timeline with IRP filings would be a process improvement that allows for streamlined review and comprehensive analysis.

Staff notes that while NW Natural concurrently issued its 2025 IRP and 2025 CPA, the company elected to rely on the 2023 CPA within the 2025 IRP. The 2025 CPA shows a 35 percent reduction in two-year cost-effective potential across all sectors, yet the IRP incorporates the higher 2023 figures, resulting in a misalignment with RCW 80.28.380's requirement for current cost-effectiveness analysis.

Staff intends to address the misalignment in timing of filings between company CPAs and IRP filings within the appropriate filing.

Transportation Conservation Potential

The role of transportation customers in conservation planning continues to develop. In its 2021 CPA comments, Staff advocated for a condition to require utilities to include transportation customers in their next CPA.[22] The Commission declined to adopt this condition, finding RCW 80.28.380 ambiguous on that matter and indicating that additional information would be helpful in future proceedings.

In this cycle, three companies voluntarily completed a transportation customer CPA. Staff observes that this segment presents substantial conservation potential, much higher than the industrial sector, and in PSE's case even higher than the commercial sector, as outlined in **Table 1** above. Staff commends companies for providing this information and notes its significance in comprehensively understanding energy efficiency savings in Washington. Staff looks forward to discussing the implications of these findings with the utilities during the BCP process later this year.

Cascade's Achievability Factors

Cascade's CPA reports that it adapts the Northwest Power and Conservation Council's methodology for estimating conservation potential. However, Cascade applies lower achievability factors[23] for several residential measures compared to other gas utilities. For example, Cascade applies a 60 percent achievability factor to clothes dryers, pool heaters, stoves/ovens, water heaters – solar system. In contrast, both NW Natural and PSE set a minimum achievability of 85 percent across their portfolios. Cascade also uses an 85 percent maximum

[22] Dockets UG-210094, UG-210450, UG-210461, and UG-210462, Staff's Comments (Sep. 27, 2021).

[23] Achievability factors are the maximum proportion of the potential that a utility could acquire over the study period.

achievability for the commercial thermostat measure, while PSE and NW Natural apply a 95 percent factor.[24] Cascade should consult with its conservation advisory group and provide support for achievability assumptions that deviate from peer utilities.

Companies' Engagement

Staff engaged directly with the companies to negotiate the proposed conditions. During these discussions, the companies expressed support for many of the conditions, provided constructive feedback, and raised specific concerns. Staff worked collaboratively with the companies to identify areas of alignment and, where appropriate, adjusted. All companies agreed to the revised conditions 1a-1c, 3, and 4. As a result of this process, Staff eliminated the following two conditions to reach common ground:

> The Company must conduct, at Staff's request, up to three reruns of the model using Staff-proposed inputs and assumptions and provide updated results, with Staff's intent to reasonably quality control the model.

Staff believes that it is premature to include this condition but will monitor developments and revisit this matter as appropriate.

Staff removed this second condition due to NW Natural raising its concerns:

> CPA in IRP/ISP Process. In the IRP or ISP process, each company must consult with Staff and its IRP/ISP technical advisory group at least once before finalizing key inputs to the CPA model, such as ramp rates, avoided costs, measure achievability, and equity considerations.

Upon further review, Staff agrees that this condition largely duplicates 2024-2025 BCP Condition 6e:

> e) [The Company] must notify Advisory Group members of all public meetings scheduled to address [the Company]'s integrated resource plan. [The Company] must also coordinate a meeting with Advisory Group members and the entity conducting the CPA addressing the scope and design of the CPA. <u>This meeting must be held early enough in the integrated resource plan public process to incorporate the group's advice.</u>[25]

Staff looks forward to discussing this topic further and iterating the prior condition in the upcoming 2026-2027 BCP process.

---

[24] At this time, Staff cannot comment on Avista's achievability factors because its workpapers did not explicitly state them.

[25] *In re Northwest Natural Gas Company d/b/a NW Natural's 2024-2025 Biennial Acquisition Target Under RCW 80.28.380,* Docket UG-230944, Order 1, Attachment A, Condition 6e at 8 (Jan. 17, 2024, emphasis added) (similar documents filed in Dockets UG-230893, UG-230898, and UG-230937).

Through informal discussions, NW Natural opposed the initial language of Condition 2 (Alternative Achievable Economic Potential Scenarios). Although Staff removed a reference to proportional share of emissions, NWN remains opposed to referencing a scenario aligned with State emissions limits.

Staff appreciates the collaborative dialogue with Washington gas utilities to iteratively improve transparency and accuracy of the CPA filings. The information obtained through this condition will provide data points to mitigate the risks and benefits of electrification, policy shifts, and equitable outcomes that impact Washingtonians.

Staff also informed members of the conservation advisory groups of the proposed conditions by email and has not received any feedback as of September 17, 2025.

The conditions proposed by staff in Attachment A have received support from Avista, Cascade, and PSE. Staff has been unable to come to full agreement concerning the language surrounding emission limits in proposed condition 2 with NW Natural.

Conclusion

Issue Orders in Dockets UG-250411, UG-250416, UG-250429, and UG-250430 approving the conservation potential assessments for the 2026-2027 biennium subject to the conditions in Attachment A of Staff's Open Meeting memo.