

## Attachment A – Docket UE-190908

### Proposed Conditions for 2020-2021 Pacific Power & Light Company Electric Conservation

#### 1) **Ten-Year Potential/Biennial Conservation Target – Acceptance and Conditions.**

- a) The following conservation targets are accepted for the Pacific Power & Light Company (Pacific Power or Company), with conditions pursuant to RCW 19.285.040(1)(e) and WAC 480-109-120(1). This acceptance is subject to the Conditions described in Paragraphs (2) through (11) below.
  - i. *Ten-Year Potential*: 509,495 megawatt-hours.
  - ii. *Biennial EIA Target*: 93,189 megawatt-hours.
  - iii. *EIA Penalty Threshold*: 86,979 megawatt-hours.
  - iv. *Decoupling Penalty Threshold*: 4,660 megawatt-hours, pursuant to Order 12 of Docket UE-152253.
  - v. *Total Utility Conservation Goal*: 97,849 megawatt-hours.
- b) By April 15, 2020, Pacific Power must file a petition to modify or retain the biennial EIA target, penalty threshold, decoupling commitment, and ten-year potential incorporating the effects of the Clean Energy Transformation Act to the degree possible. The petition must detail how the social cost of greenhouse gas emissions has been included in evaluating conservation targets and why the methodology used is appropriate.
- c) The Commission accepts the above targets and thresholds as measured at the customer meter, with the exception of the ten-year potential, which is expressed at the generator. All planning and reporting must include savings data as measured at the customer meter.
- d) As part of Pacific Power's biennial conservation acquisition efforts, Pacific Power must continue to invest in regional studies and market transformation, in collaboration with funding from other parties and with other strategic market partners in this biennium that complements Pacific Power's energy efficiency programs, planning, services, and measures.

- 2) **Pacific Power Retains Responsibility.** Nothing in these conditions relieves Pacific Power of the sole responsibility for complying with RCW 19.285 and WAC 480-109. Specifically, the conditions regarding the need for a high degree of transparency, and communication and consultation with external stakeholders, diminish neither Pacific Power's operational authority nor its ultimate responsibility.

#### 3) **Advisory Group.**

- a) To meet the requirements of WAC 480-109-110, Pacific Power must continue to use its Demand-Side Management Advisory Group (DSM Advisory Group), initially created under the June 16, 2000, Comprehensive Stipulation in Docket UE-991832, which the Commission approved in the August 9, 2000, Third Supplemental Order in that Docket, and its Integrated Resource Plan public input process created under WAC 480-100-238.
- b) Pacific Power has a separate Washington low-income advisory group (Low-Income Advisory Group) that includes members representing customers with limited income.

Any issues related to conservation programs for customers with limited income will be considered and reviewed by the Low-Income Advisory Group as well as by the DSM Advisory Group.

- c) Pacific Power must notify DSM Advisory Group members of all public meetings scheduled to address Pacific Power's integrated resource plan. Pacific Power must also coordinate a meeting with Advisory Group members and the entity conducting the conservation potential assessment (CPA) addressing the scope and design of the CPA. Such a meeting must address the assumptions and relevant information utilized in the development of Pacific Power's integrated resource plan as they apply to development and/or modification of the ten-year conservation potential. This meeting must be held early enough in the integrated resource plan public process to incorporate the group's advice. Pacific Power must notify DSM Advisory Group members of IRP advisory group meetings that present the Company's natural gas and energy price forecasts and generation resource cost assumptions used in the development of the Company's integrated resource plan, as these assumptions will inform the ten-year conservation potential.
  - d) Pacific Power must consult with the DSM Advisory Groups starting no later than July 1, 2021, to begin to identify achievable conservation potential for 2022-2031 and to begin to set annual and biennial targets for the 2022-2023 biennium, including necessary revisions to program details. See RCW 19.285.040(1)(b); WAC 480-109-120.
  - e) Pacific Power must inform the Advisory Group members when its projected expenditures indicate that Pacific Power will spend more than 120 percent or less than 80 percent of its annual conservation budget.
  - f) Prior to filing the Biennial Conservation Plan, Pacific Power must provide the following information to the Advisory Group: draft ten-year conservation potential and two-year target by ~~August~~ **September** 2, 2021; draft program details, including budgets, by **September 15**, 2021; and draft program tariffs by October 1, 2021.
- 4) **Annual Budgets and Energy Savings.** Pacific Power must provide its proposed budget in a detailed format with a summary page indicating the proposed budget and savings levels for each conservation program, and subsequent supporting spreadsheets providing further detail for each program and line item shown in the summary sheet. Pacific Power allocate a reasonable amount of its program budget towards pilot programs, research, and data collection.
- 5) **Program Details.** Pacific Power must maintain its conservation tariffs on file with the Commission. Program details about specific measures, incentives, and eligibility requirements must be filed and updated in its Annual Conservation Plan in this Docket.
- 6) **Approved Strategies for Selecting and Evaluating Energy Conservation Savings.**
- a) Pacific Power has identified a number of potential conservation measures described in the BCP. The Commission is not obligated to accept savings identified in the BCP for purposes of compliance with RCW 19.285.

- b) When Pacific Power proposes a new or significant change to a program, pilot or tariff schedule, it must present the program to the DSM Advisory Group with program details fully defined, to the extent practicable. After consultation with the DSM Advisory Group in accordance with WAC 480-109-110(1)(h), the DSM Advisory Group may advise if a revision to the Conservation Plan in this Docket is necessary.
- c) Pacific Power must spend a reasonable amount of its conservation budget on evaluation, measurement and verification (EM&V), including a reasonable proportion on independent, third-party EM&V. Pacific Power must perform EM&V annually on a maximum four-year schedule of selected programs such that, over the EM&V cycle, all major programs are covered. The EM&V function includes impact, process, market and cost test analyses. The results must verify the level at which claimed energy savings have occurred, evaluate the existing internal review processes, and suggest improvements to the program and ongoing EM&V processes.
- d) An independent third-party must review portfolio-level electric energy savings reported by Pacific Power for the 2020-2021 biennial period, from existing conservation programs operated during that period, per WAC 480-109-120(4)(b)(v). The independent third-party reviewer must be selected through an RFP process and is intended to:
  - i. Verify the calculation of total portfolio MWh savings; and
  - ii. Provide a review of EM&V activities and application for best practices and reasonable findings, which includes the following:
    - (1) Validate the adequacy of Pacific Power’s savings verification process, controls and procedures;
    - (2) Validate savings tracking and reporting processes and practices;
    - (3) Review program process and impact evaluations completed during the biennium for appropriateness of evaluation approach/methodologies (program specific) and program cost-effectiveness calculations.
- e) A final report for the entire 2020-2021 biennium may be implemented in phases and delivered as a final product at an earlier date, as needed, by Pacific Power.

## **7) Program Design Principles**

- a) Modifications to the programs must be made consistent with the current program change process and filed with the Commission as revisions to tariffs or as revisions to Pacific Power’s current Conservation Plan, as determined in consultation with the DSM Advisory Group.
- b) Incentives and Conservation Program Implementation — Programs, program services, and incentives may be directed to consumers, retailers, manufacturers, trade allies or other relevant market actors as appropriate for measures or activities that lead to electric energy savings. Pacific Power must work with the Advisory Group to establish a balanced portfolio of measures that provides savings from a variety of savings types and meets the needs of a broad spectrum of Pacific Power customers.
- c) Conservation Efforts without Approved EM&V Protocol — Pacific Power may spend up to 10 percent of its conservation budget on programs whose savings impact has not yet been measured, as long as the overall portfolio of conservation passes the primary cost-

effectiveness test used by the Commission. These programs may include information-only, and pilot projects. Pacific Power may ask the Commission to modify this spending limit, following DSM Advisory Group consultation.

- i. Information-only services refers to those information services that are not associated with an active incentive program or that include no on-site technical assistance or on-site delivery of school education programs. Information-only services and behavior change services must be assigned no quantifiable energy savings value without full support of the Advisory Group.
- ii. If quantifiable energy savings have been identified and Commission-approved for any aspect of such programs, the budget associated with that aspect of the program will no longer be subject to this ten percent spending restriction.

#### **8) Cost-Effectiveness Tests**

- a) The Commission currently uses a modified Total Resource Cost Test (TRC), consistent with the Council, as its primary cost-effectiveness test. The modified TRC test includes all quantifiable nonenergy impacts, a risk adder, and a 10 percent conservation benefit adder. Pacific Power’s portfolio must pass the modified TRC test. All cost-effectiveness calculations will assume a Net-to-Gross ratio of 1.0, consistent with the Council’s methodology.
- b) Pacific Power must also provide calculations of the Program Administrator Cost Test (also called the Utility Cost Test) as described in the National Action Plan for Energy Efficiency’s study “Understanding Cost-Effectiveness of Energy Efficiency Programs.”
- c) Conservation-related administrative costs must be included in portfolio level analysis.

#### **9) Pilot Programs and Research Requirements**

- a) Pacific Power must develop a plan and conduct the research necessary to achieve sustained energy burden reductions for low-income households, with advice and review provided by the Advisory Group(s) outlined in 3(b). The low-income savings potential must be included in the 2022-2023 Biennial Conservation Plan along with a description of how the plan prioritizes energy assistance to low-income households with the highest energy burden and future actions under consideration to improve this prioritization.
- b) Pacific Power must design and implement pilot programs that serve some highly impacted communities and vulnerable populations. These pilots will be instrumental in identifying data gaps and other barriers to ensure an equitable distribution of energy and nonenergy impacts.
- c) Pacific Power must evaluate opportunities for location-targeted programs that provide non-wires alternatives to eliminate or delay the need for distribution system investments.

#### **10) Equitable Distribution of Nonenergy Benefits**

- a) During this biennium, Pacific Power must demonstrate progress towards identifying, researching, and developing a plan to properly value nonenergy impacts that have not previously been quantified. The nonenergy impacts considered must include the costs and risks of long-term and short-term public health benefits, environmental benefits, energy

security, and other applicable nonenergy impacts. These impacts and risks must be included in the 2022-2023 Biennial Conservation Plan.

- b) Pacific Power must identify the discrete nonenergy impacts and the monetized value used in cost-effectiveness testing for each electric conservation program. This must be provided in a detailed format with a summary page and subsequent supporting spreadsheets, in native format with formulas intact, providing further detail for each program and line item shown in the summary sheet in annual plans and reports.
- c) To the extent practicable, Pacific Power must begin to identify the distribution of energy and nonenergy benefits in annual plans and reports. This reporting must use currently quantified nonenergy impacts as well as values and estimates of additional impacts as they become available.

#### **11) Recovery through an Electric Conservation Service Rider**

- a) Scope of Expenditures — Funds collected through the Electric Conservation Service Rider (Schedule 191 – System Benefits Charge Adjustment or SBC) must be used on approved conservation programs and their administrative costs. Additionally, Rider funds may be used for other purposes when they have a benefit to Pacific Power customers, and is approved by the Commission.
- b) Recovery for Each Customer Class —Rate spread and rate design must match Pacific Power’s underlying base volumetric rates.
- c) Recovery of costs associated with distribution and production efficiency initiatives are not funded through the SBC because these programs are not *customer* conservation initiatives. These are company conservation programs. As such, these costs are recovered in the general rate making process over time and may be requested through a general rate case, a deferred accounting petition or other allowed mechanism. The method of cost recovery in no way diminishes its obligation as required in RCW 19.285 and WAC 480-109.
- d) Pacific Power must file revisions to its cost recovery tariff (Schedule 191) by June 1 each year, with requested effective date of August 1 of that same year. If Pacific Power files its cost recovery tariff early, a Draft Annual Report with completed savings evaluations (see section 6(d)) must accompany the filing.