

# I-937 Conservation Requirements Utility Perspective

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# Key Deadlines

- HB 1010 (Integrated Resource Planning)
  - Deadline September 2008
  - "To be consistent with I-937, the conservation part of the IRP should be essentially the same as the 'Conservation Plan' submitted for I-937 and be consistent with NWPCC methodology." (from CTED website)
- WAC 194-37-070 Documenting development of conservation targets.
  - (1) By January 1, 2010, each utility shall establish its ten-year cost-effective conservation resource potential. At least every two years thereafter, the public utility shall review and update this assessment...
  - (2) In January 2010, and each two years thereafter, each utility shall establish and make public a biennial conservation target. The utility's biennial target shall be no less than its pro rata share of its ten-year potential.
- WAC 194-37-060 Conservation reporting requirements.
  - Each utility shall submit an annual conservation report to the department by June 1 beginning in 2012. The conservation report shall document the utility's progress in meeting the conservation targets established in RCW 19.285.040

# Penalty Escalation

- RCW 19.285.060 Accountability and enforcement
  - (1) Except as provided in subsection (2) of this section, a qualifying utility that fails to comply with the energy conservation or renewable energy 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.
  - **Beginning in 2007, this penalty shall be adjusted annually** according to the rate of change of the inflation indicator, gross domestic product-implicit price deflator, as published by the bureau of economic analysis of the United States department of commerce or its successor.

Note that the amount of the penalty began increasing even before the compliance deadline. Based on a 3% 'deflator' value, by 2012 the value will be \$59.70 and by 2020 will be \$75.63 per MWh of shortfall.

# Recent Changes to Conservation Rules

- From CTED 'Concise Explanatory Statement'
  - Additional Guidance for Auditor to interpret intent behind WAC 194-37
  - WAC 194-37-070(3)(a) Production and Distribution System Efficiencies no longer considered 'additive' to calculator-derived utility targets
    - Initial assumption these measures were not included in Plan target.
    - Information provided to CTED showing numerous RTF meetings where these measures were discussed during development of the 5<sup>th</sup> Power Plan
    - From CES "CTED sees no alternative but to defer to Council Staff in matters regarding Council Methodology"
  - WAC 194-37-070(3)(a); -090(2)(a); -100(3) When using Modified Conservation Calculator, PE stamp not required when using production and/or distribution system efficiency measures with deemed values
  - WAC 194-37-080(11) Documentation of Conservation shortfalls due to lack of customer cooperation
    - Reinserted previously removed language allowing utilities to document 'good faith' efforts to solicit customer participation, even if customer chooses not to participate in a program
      - CTED reinserted language in the rules, but pointed out it is still the Auditor's decision whether or not to assess penalties

# Issues (1)

- WAC 194-37-060 Conservation reporting requirements.
  - ...Each utility can report using the default values embedded in the NWPCC's planning, tracking and reporting system or the utility may use its own inputs as documented per WAC 194-37-080 (8) and (9).
- WAC 194-37-080 Documentation of conservation savings.
  - (8) Conservation savings from utility programs...will be based on the per unit savings set by the NWPCC's regional technical forum "planning, tracking and reporting system," unless the utility documents its variations in electricity saving estimates from the regional technical forum.
  - (9) Conservation savings from utility programs...for custom measures shall be developed pursuant to the NWPCC's custom requirements available through the regional technical forum's "planning, tracking and reporting system" or through a similar analytical framework.

As currently structured, the PTR system will not allow changes to the embedded assumptions. Until this is corrected, documentation will need to be maintained in a file for the auditor.

# Issues (2)

- WAC 194-37-070 Documenting Development of Conservation Targets.

- (3)(b) If a portion of a utility's ten-year potential and biennial target includes...efficiency gains from utility production and/or distribution efficiency measures, that portion...not included in the list of measures approved by the regional technical forum and listed on the planning, tracking and reporting web site shall carry the stamp of a registered professional engineer licensed by the Washington department of licensing.

- “list of measures” - this change was made between the CR102 and CR103 revisions. As long as the measures are included on the PTR site, approval by a PE is not required.

Listed or non-listed, production and distribution system measures are submitted as custom measures through the PTR site and must be approved by BPA prior to installation. Under I-937, the utility can install and report any measure approved by a PE. A potential issue exists if BPA disagrees with the utility PE. I-937 allows utilities to report different values than the RTF and requires reporting through the PTR system, so can BPA allow a measure NOT to be claimed?

- Mason 3 has suggested to BPA that this could be resolved if a BPA PE reviewing PTR submissions were to become licensed in WA as well as OR. There may be liability issues preventing BPA from adopting this suggestion.

# Issues (3)

- WAC 194-37-080 Documentation of conservation savings.
  - (4) Each utility may count towards its biennial conservation targets the proportionate share of savings resulting in its service territory from the following conservation efforts during the one biennium in which either the measure or program was placed in service or the utility paid for the measure:
    - (a) End-use savings from region-wide conservation projects that are centrally funded by BPA and for which the utility shared in the funding through its BPA rates.
    - (b) Savings from regional market transformation efforts if the NWPCC includes the program measures in its most recently published Power Plan's conservation resource potential...Each utility will report a proportion of savings from these programs using established distribution methods, based on each utility's relative share of funding the regional market transformation effort through both direct funding and indirect funding through their BPA rates.

Per BPA's October 2007 EE newsletter, BPA provides approximately 50% of the NEEA budget through 2009. BPA has also undertaken 'end-use' improvements at several of dams and other federal facilities, which should qualify under (4)(a) for utilities to claim. While this is helpful to meet I-937 targets, prevention of 'double counting' removes these savings from BPA achievements. The Council needs to adjust the BPA target accordingly.

# Issues (4)

- WAC 194-37-080 Documentation of conservation savings.
  - (4) (c) Savings from improved federal minimum energy efficiency standards or Washington state building energy code improvements or improved state appliance codes and standards in the biennium in which they become effective, as proportionate to the utility's service territory. After that biennium, a utility may no longer include savings from those specific codes and/or standards in its next ten-year potential.
- This is NOT consistent with 'Council Methodology' as savings from 1991 WSEC, federal appliance standards, etc. are still counted as regional accomplishments
  - (5) Utilities may count savings from more stringent local building and/or local equipment codes and standards, including utility new service or connection standards, towards meeting their biennial conservation target in the biennium in which they become effective and in each biennium the local standards continue to be enforced and achieve incremental savings above minimum state energy codes or minimum federal energy standards.
- There is no current 'Council Methodology' to establish savings for new service or connection standards

# Concerns

- Non-utility comments during rulemaking
  - NW Energy Coalition, NW Energy Efficiency Council and others
    - “expressed concern the rules allowed loopholes that would make it less likely that all cost-effective conservation would be pursued”
    - “objects to the treatment of efficiency improvements in production and distribution systems”
    - “this change would substantially undermine the requirement that utilities pursue all cost-effective conservation...”

Prepare for public information requests (possibly including all internal communications related to compliance) and questioning of your plan at your Commission meetings

‘Suggestions’ to the Auditor on how interpret/apply rules?

# Opportunities (1)

- WAC 194-37-070 Documenting Development of Conservation Targets
  - (5) Modified conservation calculator option. A utility that chooses this option will document consistency with the NWPCC's methodologies by making the following adjustments to the...analysis in the NWPCC's most recently published power plan:
    - (a) Deduct conservation measures not applicable to the utility's service territory;
    - (b) Add conservation measures, that are not included in the NWPCC's list, but are applicable to the utility's service territory;
    - (c) Modify the number or ratio of applicable units, such as the ratio of electrically heated houses or square footage of commercial space, if the utility has data surveys indicating that their data on applicable units varies from the NWPCC's;
    - (d) Increase and/or reduce the per unit incremental savings for conservation measures
    - (e) Increase and/or reduce forecasted program costs;
    - (f) Increase or decrease retail sales growth rates; and
    - (g) Increase or decrease avoided distribution capacity cost savings

The Fifth Plan identifies 530 aMW (41%) of Residential Sector savings from CFL's. Due to the new federal standard, much of the future target could be shifted from a utility program requirement to achievement from new standards.

Residential Sector savings also include 195 aMW from heat pump water heaters, which by the Plan's own statements have not become as available as hoped for.

If not using the system analysis path, the modified calculator offers flexibility to adjust the target for local conditions.

# Opportunities (2)

- “CTED sees no alternative but to defer to Council Staff in matters regarding Council Methodology” - (from CES)
  - CTED developed rules, now up to Auditor to determine compliance
  - Based on this statement from CES, if RTF/Council concurrence can be obtained for a proposed policy/methodology/measure, there is no reason an Auditor should question its ‘consistency with Council Methodology’
- Utility Implementation Group ?
  - Share compliance ideas and rule insights
  - Approach RTF as group when seeking ‘consistency’ interpretations
  - Work with Auditor’s office as a group (?)

Volunteer for Coordinator?

Email group - Monthly conference calls?

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