

13. WASHINGTON

(1999 Utility Statistics from www.eia.doe.gov)

Population (2001 Census Estimate): 5,9887,973
Net Summer Capability (MW) 26,106
Electricity Consumption (MWh) 100,436,978

	Investor- Owned	Public	Federal	Coop- erative	Total
Number of Utilities	3	42	1	18	64
Percentage of Retail Sales	32.2	47.2	16.9	3.7	100.0

Mechanism: Surcharge, aka tariff or conservation rider
Creation: Regulatory
Duration: Various start dates; no sunset
Administration: Utilities
Budget: Varies with utility
Program Name: No single name
Benefit Cost Measure: Total Resource Cost and Utility Test
Utility Incentives: No lost revenue recovery. Cost Recovery. Some penalties.

Survey Questions

1. Process and timeline

Investor-owned electric utilities (IOUs) have been acquiring conservation resources using rate-based ratepayer funds for over twenty years in Washington.

2. Organizational structure

The investor-owned electric and natural gas utilities (IOUs) propose energy conservation programs and budgets to the Washington Utilities and Transportation Commission (WUTC) for consideration and approval, with costs to be recovered in rates. The IOUs administer the programs in their service territories for all customer sectors, with input from advisory boards (see below). In general, IOUs have the flexibility to move funds from one program to another within their conservation budgets. They must justify their program expenditures when held to a standard of prudence during their next rate case.

The programs and processes are fairly mature and stable, so the Commissioners themselves do not spend much time on these dockets. Program filings are often not controversial; cost recovery filings can be, if they involve a rate increase. Two WUTC staff members monitor and assist the IOU programs and attend Advisory Board meetings. Total effort of WUTC staff is estimated at 1.5 FTE.

The three electric IOUs have chosen to have separate Boards and pursue conservation independently of each other. Advisory Boards generally meet twice per year to review program delivery and results, discuss current issues and future programs, and provide input to the IOUs. The boards include environmental, consumer, low income, technical and State agency representatives.

3. Funding mechanisms

Each IOU sets a target for kWh or therm acquisition, and proposes conservation programs and budgets to the WUTC. A surcharge is set as a percent of revenue to generate the proposed budget amount. The allocation of program costs among customers is a decision unique to each utility. The WUTC approves allocation formulas after considering utility and stakeholder input. At the present time:

- The Puget Sound Energy (PSE) surcharge is 1.9% of electric revenues and generates \$20 million for electric conservation programs.
- The Avista surcharge is 1.48% of electric revenues and 0.5% of gas revenues, and generates \$4 million in electric rates and \$950,000 in gas rates for programs.
- The PacificCorp surcharge is 2.3% of revenues and generates \$4.5 million for electric conservation programs.
- Northwest Natural was authorized to defer gas conservation program expenditures, with recovery through Purchase Gas Adjustment filings. Annual expenditures are expected to be around \$350,000.
- Cascade Natural [gas] expects to spend about \$800,000 on a residential conservation program in 2003.

In some cases surcharges pay for past undercollections, in addition to present conservation programs. A utility has another option if it undercollects or overspends. It can request a rate increase for the next budget year. In 2001, all three electric IOUs overspent their conservation budgets. Two of the utilities requested rate increases on the order of 1% to recover costs. If a utility overcollects, it can carry the funds forward to support the following year's programs.

4. Degree of association with a long run resources plan

All electric IOUs must file Integrated Resource Plans using Least Cost Planning with the WUTC every two years by rule, so their conservation programs are examined in the context of a long run resources plan.

5. Guidelines for program effectiveness and success

According to WUTC staff, the primary goal of the conservation expenditures is to acquire conservation resources that conform to the IOUs' Least Cost Planning goals. Equity is not a strict goal on an annual basis. Over the long term, it is expected that cost-effective efficiency opportunities will be utilized in all customer sectors

- Avista has a target to conserve at least 40 million kWh and 240,000 therms each year in their multi-state service area. About 70% of these goals apply to Washington.
- PSE's goal is to save 133 million kWh annually, and over 2 million therms each year.
- PacificCorp's goal is to capture about 19 million kWh annually in electricity savings.

6. Pre-implementation program evaluation guidance

The IOUs, in collaboration with their Advisory Boards, set kWh and therm savings goals. The WUTC reviews these targets for appropriateness. The IOUs propose measure and verification procedures in their plans. Programs must meet cost-effectiveness guidelines using both the Total Resource test and the Utility test.

According to WUTC staff, Avista staff do their own measurement and verification (M&V). PacificCorp contracts for M&V. PSE's most recent filing included an evaluation plan with a mixture of self-reported and contracted M&V. In all cases, the advisory boards review the program evaluations. Avista's advisory board has the option of requesting an independent third-party evaluation, but has found the staff M&V to be adequate to date.

7. Results of program evaluation

The IOUs report savings, costs and evaluation results to the WUTC on a regular basis.

Recently Avista staff testified that they had spent \$18million and saved 197million kWh during a 32 month period in their multi-state service area. Their portfolio resulted in a Total Resource Benefit of 1.21 and a Utility Test Benefit of 2.71.

Generally, the IOUs meet their savings goals. Recently intervenors have not been happy with the performance of PSE, the largest IOU. As a result of negotiations among the parties in PSE's most recent filing, there will be shareholder penalties of up to \$750,000 if PSE does not meet its most recent two-year conservation targets.

8. Financial or performance incentives

The IOUs are allowed to recover costs in rates. Costs are initially recovered in annual WUTC filings when IOUs "true up" their conservation expenditures and revenues. That cost recovery can be "undone" in the next formal rate case, if the WUTC determines the expenditures were not prudent. There is no lost revenue recovery.

Issues/Special Situations

Regional Technical Forum (RTF)

The RTF, which provides technical advice about program design, conservation value and evaluation methodology to the Bonneville Power Administration (BPA), is having an impact on the conservation programs of the Washington IOUs. The RTF has become a credible third party authority on efficiency program effectiveness in the Pacific Northwest. Advisory Boards and the

public can compare IOU program offerings and evaluation methods to those supported by the RTF, and question differences. The RTF is creating a threshold for program standards that did not exist before. For more information on the RTF, see the BPA section of this report.

Resources

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Avista
www.avistautilities.com/saving/default.asp
For Avista's testimony on conservation spending and savings
Go to: www.wutc.wa.gov/
Choose "Energy"; Under "Key Historical Cases," choose "Avista Rate Case UE-011595"
Choose Direct Testimony of Bruce W. Folsom, December 2001.

Pacific Power, www.pacificpower.net/

Puget Sound Energy, www.pse.com/energy/index.html

Northwest Natural Gas, www.nng.com/home/home.asp

Cascade Natural Gas, www.cngc.com/index.asp

Northwest Energy Efficiency Alliance (NWalliance)
503-827-8416, www.nwalliance.org
All three electric IOUs provide funding to the NWalliance and have seats on its Board of Directors.