

Advocates for the West
 Affiliated Tribes of Northwest Indians
 AirWorks, Inc.
 Alaska Housing Finance Corporation
 Alliance to Save Energy
 Alternative Energy Resources Organization
 American Rivers
 A World Institute for a Sustainable Humanity
 Beneficial State Bank
 BlueGreen Alliance
 Bonneville Environmental Foundation
 Centerstone
 Citizens' Utility Board of Oregon
 City of Ashland
 City of Seattle Office of Sustainability & Environment
 Climate Solutions
 Community Action Center
 Community Action Partnership Assoc. of Idaho
 Community Action Partnership of Oregon
 David Suzuki Foundation
 Drive Oregon
 Earth and Spirit Council
 Earth Ministry
 Ecova
 eFormative Options
 Emerald People's Utility District
 EnergySavvy
 Energy Trust of Oregon
 Enhabit
 Environment Oregon
 Environment Washington
 HEAT Oregon
 Home Performance Guild of Oregon
 Home Performance Washington
 Housing and Comm. Services Agency of Lane Co.
 Human Resources Council, District XI
 Idaho Clean Energy Association
 Idaho Conservation League
 Idaho Rivers United
 Interfaith Network for Earth Concerns
 League of Women Voters Idaho
 League of Women Voters Oregon
 League of Women Voters Washington
 Montana Audubon
 Montana Environmental Information Center
 Montana Renewable Energy Association
 Montana River Action
 National Center for Appropriate Technology
 Natural Resources Defense Council
 New Buildings Institute
 Northern Plains Resource Council
 Northwest Energy Efficiency Council
 NW Natural
 NW SEED
 OneEnergy Renewables
 Opower
 Opportunities Industrialization Center of WA
 Opportunity Council
 Oregon Environmental Council
 Oregon Solar Energy Industries Association
 Oregonians for Renewable Energy Progress
 Pacific Energy Innovation Association
 Pacific NW Regional Council of Carpenters
 Physicians for Social Responsibility Oregon Chapter
 Physicians for Social Responsibility Washington Chapter
 Portland General Electric
 Puget Sound Advocates for Retired Action
 Puget Sound Cooperative Credit Union
 Puget Sound Energy
 Renewable Northwest Project
 Save Our Wild Salmon
 Sea Breeze Power Corp.
 Seattle City Light
 Seinerger
 Sierra Club
 Sierra Club, Idaho Chapter
 Sierra Club, Montana Chapter
 Sierra Club, Washington Chapter
 Smart Grid Northwest
 Snake River Alliance
 Solar Installers of Washington
 Solar Oregon
 Solar Washington
 South Central Community Action Partnership
 Southeast Idaho Community Action Agency
 Spokane Neighborhood Action Partners
 Sustainable Connections
 The Climate Trust
 The Energy Project
 Union Of Concerned Scientists
 United Steelworkers of America, District 12
 US Green Building Council, Idaho Chapter
 Washington Environmental Council
 Washington Local Energy Alliance
 Washington State Department of Commerce
 Washington State University Energy Program
 YMCA Earth Service Corps



August 31, 2016

Glenn Blackmon
 State Energy Office
 1011 Plum Street SE
 Olympia, WA 98504
 VIA email: eia@commerce.wa.gov

RE: Energy Independence Act rulemaking

Dear Mr. Blackmon:

We appreciate the opportunity to submit this second round of comments in the current EIA rulemaking process. Our comments, as reflected in the attached redline document, suggest specific improvements to the most recent rulemaking draft circulated by Commerce. At this stage in the rulemaking process, it seems most efficient to rely primarily on the redlined document to represent our suggestions.

Included in our comments are a number of small changes that we feel more adequately represent the 7th Plan methodology. In addition to suggested wording clarifications that improve consistency with the 7th Plan methodology, I would like to highlight two more substantive recommendations.

First, we recommend an additional section (new subsection 4 in the attached redline) to express clarification that utilities may use utility specific values in calculations; we emphasize, however, that this rule language should specify that these utility specific values must be consistent with the overall methodology of the 7th Plan.

We include this subsection recommendation here in deference to our efforts to collaborate with utility recommendations, primarily those of Tacoma Power, who asked for clarification in the rulemaking regarding utility ability to use specific values. We agree with Tacoma that utilities are clearly able to use utility specific values in their calculations, however, we also point out that these calculations must be consistent with the 7th Plan methodology.

In fact, the 7th Plan states, “Individual entities may have differing input values than the ones presented below, given specific needs, but the methodology to estimate the parameters should be consistent.” (7th Plan, page G-21).

Utility calculations must also be clearly documented to allow for review by agencies and stakeholders. This should be clear in the rules.

Our second recommendation is to include the specific formula presented in the 7th Plan Appendix G (page G-22) in the rules. Although the Coalition would typically be wary of including this level of detail in rulemaking, we feel that it is warranted in this case. The 7th Plan clearly states: “Conservation program managers, the Regional Technical Forum, and regulators should use the benefit/cost ratio method outlined below to determine cost-effectiveness...The ratio is calculated as follows...” (7th Plan, page G-21, 22). This language in the 7th Plan indicates that use of this formula is consistent with the Council’s intent.

The calculation of cost-effective conservation is a complex topic; the addition of the specific formula illustrates the methodology in a manner that is not easily replicated with text. We strongly encourage its inclusion in the rules as a way to add clarity to a complex methodology.

For the entirety of our current recommendations, please see the attached redline document. Please feel free to contact me with any questions regarding our comments.

Regards,

/s/ Wendy Gerlitz

Wendy Gerlitz
Policy Director

FOR DISCUSSION PURPOSES -- Possible Changes to Existing Rule Language

WAC 194-37-070

Development of conservation potential and biennial conservation targets.

(1) Ten-year potential. By January 1st of each even-numbered year, each utility shall identify its achievable cost-effective conservation potential for the upcoming ten years.

(2) Biennial target. By January 1st of each even-numbered year, 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 the ten-year potential identified pursuant to subsection (1) of this section.

(3) Each utility must document the methodologies and inputs used in the development of its ten-year potential and biennial target and must document that its ten-year potential and biennial target are consistent with the requirements of RCW 19.285.040(1).

(4) Each utility may use utility specific values when identifying its achievable cost-effective conservation potential, as long as those values are calculated consistent with current Plan methodology in WAC 194-37-045. Utilities should clearly document value calculations.

(4) Each utility must establish its ten-year potential and biennial target by action of the utility's governing board, after public notice and opportunity for public comment.

(5) The methodologies used by the NWPC in its most recently published regional power plan are summarized in this subsection:

(a) **Technical potential.** Determine the amount of conservation that is technically feasible, considering measures and the number of these measures or programs that could physically be installed or implemented, without regard to achievability or cost.

(b) **Achievable technical potential.** The amount of technical potential that is available within the planning period. To calculate, apply annualized achievability factors as appropriate to the technical potential of individual measures and programs to determine achievable technical potential in each year and for the total 10-year planning period.

(c) **Total resource cost.** Conduct a total resource cost analysis that assesses all costs and all benefits of conservation measures regardless of who pays the costs or receives the benefits. Perform a life-cycle cost analysis of measures consistent with the following formula:

$$NPV(\text{energy} + \text{capacity} + \text{other fuel} + NEI + \text{avoided periodic replacement}) \\ (\text{capital cost} * (1 + \text{admin}) + \text{annual O\&M} + \text{other fuel} + NEI + \text{periodic replacement})$$

Where NPV is the net present value and:

Energy = KWh i,bb * ((market price forecast by time segment + carbon cost forecast by time segment) + risk mitigation credit) * (1+10%)

AND

Capacity = KW peak,bb * (deferred transmission capacity credit + deferred distribution capacity credit + deferred generation capacity credit) * (1 + 10%)

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(i) The value of the conservation measure or program includes:

(aa) The value of the energy saved based on time the savings occurred using a value that represents the cost of the next increment of available and reliable power supply available to the utility for the life of the energy efficiency measures to which it is compared;

(bb) the value of the capacity savings that occur as a result of the energy efficiency, which is a factor of the:

1) value of deferred transmission and distribution based on the capacity savings of the measure or program;

2) the value of deferred generation benefits consistent with the contribution to system peak capacity of the conservation measures;

(dd) the increase or decrease in annual or periodic operations and maintenance costs due to conservation measures, including periodic replacement costs;

(ee) the expected social cost of carbon emissions avoided;

(ff) a risk mitigation credit for stochastic variation inputs to reflect the value of conservation in reducing risk associated with avoided non-conservation resources;
(gg) all non-power benefits and costs that a resource or measure may provide that can be quantified and monetized;

(hh) other fuel costs or savings resulting from the measure or program;

(ii) capital cost of the measure or program;

(ij) an estimate of program administrative costs;

(kk) the cost of financing measures using the capital costs of the entity that is expected to pay for the measure;

(mm) Include a ten percent credit for conservation measures as defined in 16 U.S.C. § 839a of the Pacific Northwest Electric Power Planning and Conservation Act;

(ii) When performing the NPV calculation, discount future costs and benefits at a discount rate based on a weighted, after-tax, cost of capital for utilities and their customers for the measure lifetime.

(d) **Economic achievable potential.** Establish the economic achievable potential, which is the conservation potential that is cost-effective, reliable, and feasible.

(i) When determining the economic achievable potential a utility must:

(A) Identify conservation measures or programs that pass the total resource cost test, by having a benefit/cost ratio of one or greater as economically achievable;

(B) Analyze the cost-effective potential of conservation resources over a range of potential futures. Analyze potential resource strategies, including a range of conservation acquisition amounts, based on a long-term least-cost objective and least-risk objective.

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▼ (C) Analyze the costs of estimated future environmental externalities in the multiple scenarios that estimate costs and risks.

(D) A utility may perform this analysis of multiple scenarios as part of its integrated resource planning process.

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