

**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 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 NWPCC in its most recently published regional power plan are summarized in ~~(a) through (e)~~ of this subsection:

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

~~Analyze a broad range of energy efficiency measures considered technically feasible;~~

(b) **Achievable technical potential.** Determine the amount of the conservation technical potential that is available within the planning period, considering barriers to market penetration and the rate at which savings could be acquired;~~Include estimates of the achievable conservation penetration rates for conservation measures;~~

(c) **Total resource cost.** Perform a life-cycle cost analysis of measures or programs to determine the net levelized cost:

(e) 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. ~~The NWPCC identifies conservation measures that pass the total resource cost test as economically achievable;~~

(ii), ~~I~~nclude~~ing~~ the incremental savings and incremental costs of measures and replacement measures where resources or measures have different measure lifetimes;

(d)iii) Calculate the value of the energy saved based on when it is saved. In performing this calculation, use time differentiated avoided costs to conduct the analysis that determines the financial value of energy and capacity saved through conservation;

(g)iv) Include the increase or decrease in annual or periodic operations and maintenance costs due to conservation measures;

(e)v) ~~Include~~ Set-avoided energy costs equal to a forecast of regional market prices, which 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;

~~(hvi)~~ Include deferred capacity expansion benefits for transmission and distribution systems ~~in its cost effectiveness analysis~~;

~~(vii)~~ Include deferred generation benefits consistent with the contribution to system peak capacity of the conservation measures;

~~(viii)~~ Include the expected social cost of carbon emissions avoided;

~~(ix)~~ Include a risk mitigation credit to reflect the value of conservation in reducing risk associated with avoided non-conservation resources;

~~(ix)~~ Include all nonpower benefits that a resource or measure may provide that can be quantified and monetized;

~~(jxi)~~ Include an estimate of program administrative costs;

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

~~(kxiii)~~ Discount future costs and benefits at a discount rate equal to the discount rate used by the utility in evaluating non-conservation resources based on a weighted, after tax, cost of capital for utilities and their customers for the measure lifetime;

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

**(d) Economic achievable potential. Establish the economic achievable potential, which is the conservation potential that is cost-effective, reliable, and feasible, by comparing the total resource cost of conservation measures to the cost of other resources available to meet expected demand for electricity and capacity.**

~~(in)~~ Analyze the cost-effective potential of conservation resources over a range of potential future outcomes. Analyze the results of multiple scenarios. This includes testing scenarios that accelerate the rate of conservation acquisition in the earlier years; and Analyze potential resource strategies, including a range of conservation acquisition amounts, based on both a least-cost objective and a least-risk objective. A utility may perform this evaluation of multiple scenarios as part of its integrated resource planning process;

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

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