194-37-070

Development of conservation potential and biennial conservation targets.

(5) The methodologies used by the NWPCC in its most recently published regional power plan are summarized in (a) through (o) of this subsection:

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

(b) Perform a life-cycle cost analysis of measures or programs, including the incremental savings and incremental costs of measures and replacement measures where resources or measures have different measure lifetimes;

(c) Set avoided 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;

(d) 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 saved through conservation;

(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;

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

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

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

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

(j) Include an estimate of program administrative costs;

(k) 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;

(l) Include estimates of the achievable conservation penetration rates for conservation measures;

(m) 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;

(n) Analyze the results of multiple scenarios. This includes testing scenarios that accelerate the rate of conservation acquisition in the earlier years; and

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

[Statutory Authority: RCW 19.285.080. WSR 15-07-002, § 194-37-070, filed 3/6/15, effective 4/6/15; WSR 14-04-015, § 194-37-070, filed 1/24/14, effective 2/24/14. Statutory Authority: RCW 19.285.080(2). WSR 08-07-079, § 194-37-070, filed 3/18/08, effective 4/18/08.]

Comment [CG1]: This methodology is a simplification of the Council's approach to setting the target, not truly our methodology. The Council's method for development of conservation potential is separated from the development of targets. The two things are combined in the title here.

First we identify potential, then we test how much of that is needed to produce a least-cost resources strategy. That produces targets that result in a least-cost plan. We don't get to step (f), identifying what is cost-effective, until we have analyzed all the alternatives under uncertainty and landed on targets that produce least-cost and least-risk resource strategy.

It may be worth separating the development of potential from the development of targets. Paragraphs (c) (e) and (f) plus (n) and (o) are more about steps to target-setting while the rest is about identifying potential.

Comment [CG2]: This phrasing is misleading. Regional market prices may not reflect the cost of reliable power supply for energy and capacity. Avoided costs for efficiency should include a risk mitigation credit to account for uncertainties in future market prices, fuel costs, loads, carbon prices, and other factors that are unknowable or uncontrollable but that affect the cost of alternatives to which efficiency should be compared.
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Comment [KS3]: I think if we expand on this to include capacity, risk, etc. then it would be covered.

Comment [CG4]: Now using energy AND capacity saved. And important distinction.

Comment [CG5]: Council plan method does not assign measure cost-effectiveness a priori. Rather it tests what levels of efficiency produce least-cost resource strategies. Maybe (f) is separable

Comment [TJ6]: Also include deferred generation as a capacity resource, representing size and timing of this resource. This is new for 7P and important to reflect the capacity contribution of EE in planning

Comment [TJ7]: Council uses a societal discount rate, though this is appropriate for the financing rate

Comment [CG8]: Council used a composite discount rate of 4 percent in the Seventh Plan – a mix of corporate and consumer perspectives. Appendix A in the 7P.

Comment [CG9]: What is unclear in this language is what happens to conservation targets as a result of this analysis. The Council method considers the impacts of these in establishing conservation targets for least-cost plan.