

ITEM NO. RM1

PUBLIC UTILITY COMMISSION OF OREGON
AHD REPORT
PUBLIC MEETING DATE: January 29, 2019

REGULAR ___ CONSENT ___ RULEMAKING X EFFECTIVE DATE Upon Filing

DATE: January 24, 2019

TO: Public Utility Commission

FROM: Sarah Rowe *SRW*

THROUGH: *dd* Diane Davis, *MG* Michael Grant *dd*

SUBJECT: OREGON PUBLIC UTILITY COMMISSION ADMINISTRATIVE HEARINGS DIVISION: (Docket No. AR 621) Adopt Rules Regarding Energy Efficiency Avoided Costs Reporting

AHD RECOMMENDATION:

Adopt the permanent rules attached to this memo, which include modifications to the proposed rules that:

- (1) Clarify that gas utilities will continue to include proposed avoided costs and avoided cost methodology in their Integrated Resource Plans (IRP), but will no longer be required to update those avoided costs 30 days after IRP acknowledgement;
- (2) Remove unnecessary language from the proposed rules describing the supporting data required from utilities, as this may be specified in the docket UM 1893 process;
- (3) Place the rules within Division 30, Residential and Commercial Energy Conservation, rather than create what is proposed as a new and separate Division 90, Energy Efficiency Avoided Costs for use by Nongovernmental Entity; and
- (4) Direct Commission Staff to report back to the Commission this summer with the proposed Energy Efficiency (EE) avoided cost reporting form template.

BACKGROUND:

This rulemaking is an outgrowth of a larger Commission investigation into the process for developing and updating EE avoided costs in docket UM 1893. In UM 1893, Staff and stakeholders are exploring two main issues: (1) how to allow for increased stakeholder participation within a streamlined avoided cost framework and avoided cost update process, and (2) how to more easily allow Staff and stakeholders to propose and explore new avoided cost methodology elements.¹ As a result of this work, the Commission opened this rulemaking to develop a regular and transparent framework for the updating of EE avoided costs.

Under the current EE avoided cost methodology, several data points are combined into an algebraic formula to create the avoided cost for an EE measure. In UM 1893, Staff provided a list of the data points that the Energy Trust of Oregon (ETO) uses in its avoided costs formulas, including forward market prices for energy, line losses, transmission & distribution deferral value, and several other elements.² In the past, the utilities reported avoided cost data directly to the ETO, the current nongovernmental entity approved to administer energy efficiency programs. An efficiency measure's avoided cost generally represents the largest quantifiable benefits in a cost-effectiveness test.³

These rules were developed through two Staff workshops during the summer of 2018. This rulemaking proposes new rules requiring certain energy utilities⁴ to report EE avoided cost components and supporting data annually to the Commission in a standardized reporting form.

On November 20, 2018, we filed a Notice of Proposed Rulemaking Hearing and Statement of Need and Fiscal Impact for this rulemaking with the Secretary of State, and we provided notice to all interested persons on the service lists established under OAR 860-001-0030(1)(b) and to legislators specified in ORS 183.335(1)(d). Notice of the rulemaking was published in the December 2018 Oregon Bulletin, establishing a hearing date of December 27, 2018, and a comment due date of January 3, 2019. At

¹ Staff Memo, Docket No. AR 621 (Oct 16, 2018).

² Staff Memo, Docket No. UM 1893 (Oct 4, 2017).

³ *Id.* at 5.

⁴ The subject utilities are Avista Corporation, dba Avista Utilities; Cascade Natural Gas Company; Northwest Natural Gas Company, dba NW Natural; PacifiCorp, dba Pacific Power; and Portland General Electric Company (PGE).

the rulemaking hearing, Staff gave a brief overview of the activities to date and of the purpose of the proposed rules.

No stakeholders made comment at the rulemaking hearing or by the deadline, and there are no known disputed issues in this rulemaking.

DISCUSSION:

To improve transparency and accuracy for updating and developing EE avoided costs, the attached rules establish an annual reporting process whereby the utilities will report avoided costs annually by October 15 to the Commission via a reporting form.⁵ The rules provide that the utilities may use avoided cost components from their IRPs, a rate case, or a more updated source with an explanation. The rules state that the utilities are to provide supporting data to allow stakeholders and Staff to verify the avoided costs. Finally, the rules provide that the Commission will consider approval of the avoided costs within 60 days of October 15 and that ETO may not use the avoided costs until the Commission approves the EE avoided costs.

The main benefit of the new rules is that they will provide for more accurate EE avoided costs with annual reporting (instead of every two years), and that the process will more easily lend itself to stakeholder participation and review, as all the information will be in one place, with a set timeline for filing and Commission action.

AHD recommends four potential modifications for the proposed rules.

(1) Section (4) of proposed OAR 860-090-0100⁶ stated that a gas utility subject to the EE reporting form would no longer be required to comply with OAR 860-030-0007. That rule contains two requirements. First, gas utilities must include proposed avoided costs and avoided cost methodology in their IRP. Second, OAR 860-030-0007 requires gas utilities to file updated avoided costs 30 days after IRP acknowledgement.

The EE reporting form rules should not change this first requirement, as the filing of proposed avoided costs and avoided cost methodology is an important aspect of the

⁵ In UM 1893, Commission Staff and stakeholders are developing the reporting form that will serve as a template for the annual reporting process.

⁶ In the attached rules, this new rule is numbered as 860-030-0011.

gas utilities' resource planning.⁷ The second requirement (which is not currently followed) should be removed as it is not necessary with the new annual EE avoided cost reporting form process.

Accordingly, AHD recommends that section 4 of the proposed OAR 860-090-0100 be removed as overbroad. The Commission also should remove the second sentence of OAR 860-030-0007 that requires natural gas utilities to submit updated avoided cost information within 30 days of Commission acknowledgement of an IRP and make a housekeeping change by revising reference to "least cost plans" to "integrated resource plans." AHD also recommends a housekeeping change to OAR 860-030-0000(2) to clarify that the rules in Division 030 apply to not only certain *electric* utilities but rather to certain *energy* utilities.

(2) AHD recommends cleanup edits to remove unnecessary language from the proposed rules about the supporting data required from utilities. The rules require utilities to complete the reporting form, and to submit supporting data. AHD recommends edits to clarify that supporting data may be from an acknowledged IRP, from a rate case, or from a more recent source with an explanation. The rules provide that the Commission may alter the data requirements or format in the future as needed.

(3) AHD recommends the rules be re-numbered so that they are placed within Division 30, Residential and Commercial Energy Conservation, rather than create the proposed new Division 90, Energy Efficiency Avoided Costs for use by Nongovernmental Entity. There are no other companion rules currently contemplated for Division 90. The rules will be easier to locate if they are located near the cost-effectiveness rule at OAR 860-030-0010.

(4) AHD recommends that the Commission direct Staff to present the EE reporting form for Commission review at a public meeting this summer. The rules state that the EE avoided cost reporting form will be approved by the Commission and posted on the Commission website. This recommendation will help ensure time for Commission review and posting of the form before the first reporting period in October 2019.

⁷ See Northwest Natural 2016 IRP, Docket No. LC 64, Chapter 5 and 6 (Aug 26, 2016).

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PROPOSED COMMISSION MOTION:

Adopt new permanent rules as attached to this report, with the modifications described above.

860-030-0000

Applicability

(1) Except as provided in section (2) of this rule, the rules contained in this Division do not apply to unincorporated associations and cooperative corporations or to investor-owned electric utilities that satisfy their public purpose obligations under ORS 757.612.

(2) These rules apply to investor-owned ~~electric~~**energy** utilities to the extent required by ORS 469.860 through 469.900.

(3) Upon request or its own motion, the Commission may waive any of the Division 030 rules for good cause shown. A request for waiver must be made in writing, unless otherwise allowed by the Commission.

Stat. Auth.: ORS 183, 756, 757 & 759

Stats. Implemented: ORS 756.040 & 757.612

Hist.: PUC 3-1999, f. & ef. 8-10-99 (Order No. 99-468); PUC 2-2001, f. & ef. 1-5-01 (Order No. 01-073); PUC 6-2011, f. & cert. ef. 9-14-11 (Order No. 11-346)

860-030-0007

Gas Utility Avoided Costs

(1) Investor-owned gas utilities shall file a proposed avoided-cost method and draft avoided costs with their ~~least-cost~~**integrated resource** plans pursuant to Order No. 89-507. ~~Final avoided-cost information shall be filed within 30 days of Commission acknowledgment of the least-cost plan to become effective 30 days after filing.~~ The avoided-cost method filed should be appropriate for determining the cost effectiveness of weatherization measures from the gas utility's perspective.

(2) A gas utility may propose or the Commission may require a gas utility to file the data described in OAR 860-030-0007(1) during the two-year period between filing ~~least-cost~~**integrated resource** plans pursuant to Order No. 89-507 to reflect significant changes in circumstances, such as acquisition of a major block of resources. Such a revision will become effective 90 days after filing.

(3) At least every two years, the gas utility must file with the Commission the data described in section (1) of this rule.

Stat. Auth.: ORS Ch. 183 469, 756 & 757

Stats. Implemented: ORS 756.040 & 469.631 through 469.645

Hist.: PUC 2-1993, f. & ef. 1-8-93 (Order Nos. 92-1793 & 93-035); PUC 1-1998, f. & ef. 1-12-98 (Order No. 98-016)

860-030-0011

Avoided Cost Data Reporting For Energy Efficiency

(1) An energy utility that provides customer funds to a third-party nongovernmental entity approved by the Commission to administer energy efficiency measures and programs, market transformation, or the above-market costs of new renewable energy resources in the utility's service are must submit data necessary to calculate its energy efficiency (EE) avoided costs for energy efficiency measures and programs in the manner and method specified in the Commission-approved reporting form. This form is available at:

https://www.puc.state.or.us/Pages/electric_gas/formrpts.aspx. The EE avoided cost

report must be submitted on or before October 15 of each year for use in the next energy efficiency program budget cycle.

(2) An energy utility must include all data to support the values in its EE avoided cost form.

(a) Relevant data may come from the energy utility's most recent integrated resource plan or integrated resource plan update that has been acknowledged by the Commission, or was used in the energy utility's most recent general rate case that has been resolved by a final order of the Commission; and

(b) An energy utility may include more recent data with a supporting explanation as to why the Commission should approve its avoided costs based on such data. The Commission may approve the use of more recent data at its discretion.

(3) At any time, the Commission may update the required data, format and methodology used to report specific values on the Commission-approved EE avoided cost reporting form. Any changes to the form that are approved by the Commission will take effect no less than 60 days following approval.

(4) For purposes of this report, unless the context requires otherwise:

(a) "Energy Efficiency avoided cost" or "EE avoided cost" means the value to an energy utility of avoiding the use of other resources to provide energy services to its customers through the use of an energy efficiency measure or program.

(b) "Energy efficiency measure" or "energy efficiency program" refers to an energy conservation measure or program that is designed to reduce energy consumption as a result of improved efficiency of energy use.

(c) "Energy utility" means a public utility as defined in ORS 757.005 to which these rules apply.

STATUTORY/OTHER AUTHORITY: ORS 756.060

STATUTES/OTHER IMPLEMENTED: ORS 756.040, 756.070

HISTORY: NEW

860-030-0013

Approval of EE Avoided Costs for Energy Efficiency Measures

The third-party nongovernmental entity identified in OAR 860-030-0011 may not use utility-specific EE avoided cost data in the administration of such measures and programs until the data is approved by the Commission. The Commission will generally consider approval of EE avoided costs for this purpose within 60 days from the filing deadline for the EE avoided cost report.

STATUTORY/OTHER AUTHORITY: ORS 756.060

STATUTES/OTHER IMPLEMENTED: ORS 756.040, 756.070

HISTORY: NEW