

December 23, 2010

SENT VIA E-MAIL & U.S. MAIL

David Danner
Executive Director and Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Pk. Dr. S.W.
PO Box 47250
Olympia, WA 98504-7250

**Re: Puget Sound Energy's Energy Efficiency Services (EES) Program Tariff filing
Docket Nos. UE-111860 & UG-111861**

Dear Mr. Danner:

Public Counsel submits this letter in advance of the Commission's December 29, 2011, Open Meeting. These comments address Puget Sound Energy's (PSE) EES program tariff filings, which are contained in the Company's Biennial Conservation Plan (BCP), filed October 28, 2011.

Public Counsel participated in CRAG meetings where the development of the BCP was discussed and we received a draft of the BCP on September 1, 2011. Since that time, Public Counsel sent several sets of questions to the Company related to its contents, and EES Staff provided timely responses to our queries to all CRAG members. Our comments highlight various items Public Counsel found of interest. Specifically, we discuss a number of changes being made to PSE's programs, the updated status of the Home Energy Reports program, the format and contents of the BCP, and important revisions to the tariffs regarding Schedule 292.

Public Counsel Recommendation:

Based on conversations with Staff, it is Public Counsel's understanding that, prior to the Open Meeting, PSE will provide a revised filing amending its tariffs to clarify that cost recovery for Schedule 292 will be through general rates. Once this updated filing has been made, Staff will recommend that the Commission will allow PSE's EES program tariff filings to take effect. Public Counsel supports that recommendation, contingent on the Commission receiving the updated filing from the Company.

A. Biennial Conservation Plan.

The 2012-2013 Biennial Conservation Plan is a useful compilation of documents that detail PSE's Energy Efficiency Services (EES) programs. The extensive content and documentation contained in the BCP is particularly important in light of the magnitude of PSE's conservation

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budget and programs. The BCP consists of a range of relevant information regarding PSE's conservation programs, including program and budget details, unit energy savings estimates, descriptions of measures and incentives. Additionally, the BCP includes PSE's EM&V framework and its attachments, which outline the policies, protocols, guidelines and processes PSE's EES Staff utilizes in order to improve the reliability of its estimated energy savings.

The BCP is noteworthy for its organization. Despite its size, the information contained therein is accessible and the document is user-friendly, largely because it has been logically ordered. Public Counsel appreciates the substantial work PSE's EES Staff has done to provide the Commission and stakeholders with this useful tool.

Additionally, Public Counsel would like to highlight PSE's efforts over the past two years to improve the EES-related budget information that has been included in the BCP. PSE's EES Staff has done an excellent job over the past biennium of compiling sector- and program-level budget details in a spreadsheet that is also provided electronically. Additionally, EES Staff has also worked with stakeholders to reorganize budget information related to costs that do not have energy savings directly attributable to them, in a manner that provides greater transparency.¹ Public Counsel is appreciative of the Company's continuing efforts in this filing to improve both the quantity and quality of information it provides to the CRAG and the Commission.

B. Changes to EES Programs.

This filing updates various parts of PSE's conservation programs. Many of these adjustments are in response to changing conditions, such as lower natural gas avoided costs, updates to codes and standards, and expiring federal tax incentives. Additionally, several changes are being made to add programs where the Company has identified new or additional potential. For example, PSE is modifying its approach to its Business Energy Management programs in order to overcome obstacles that have previously prevented some customers from participation in programs. Additionally, PSE is implementing new programs targeted at televisions and refrigerators, items in the home that consume large amounts of electricity. Public Counsel is looking forward to learning more about the progress and evaluation of these new programs over the upcoming biennium, particularly before any of these programs are expanded beyond their currently anticipated scope. Specifically, we will be interested to see if the programs affect customer's baseline energy use and provide cost-effective energy savings. Additionally, we look forward to evaluating whether the assumptions used in the savings calculations for new programs prove to be reliable for the measuring the actual impact of the programs.²

¹ These costs include information-only services that are not associated with an active incentive program, but often service the portfolio as a whole. PSE may spend up to ten (10) percent of its conservation budget on programs whose savings impact has not yet been measured, as long as the overall portfolio of conservation passes the Total Resource Cost Test (TRC). *See*, Docket No. UE-110177, 2010 Electric Conservation Settlement Agreement, Condition K(7)(d). On page 27 of the BCP, PSE projects these costs will be 3.8% of its electric conservation budget and 4.3% of its gas conservation budget for 2012-2013.

² Public Counsel anticipates that these evaluations will provide insight on the accuracy of underlying assumptions (e.g. baseline usage and hours of use) of the savings estimates for these programs. We also expect evaluation could reveal any other factors, such as free ridership, which may have an effect on the measurable impact

With respect to the natural gas portfolio, PSE has made several modifications, due in large part to the lower avoided cost of natural gas. For example, some programs such as residential hot water heating have been put on indefinite hiatus as they are no longer cost-effective. Public Counsel supports these program modifications, as they help ensure that ratepayer funds are allocated in the most effective and efficient manner to support cost-effective energy efficiency programs.

C. Home Energy Reports

PSE's Home Energy Report (HER) program, administered by OPOWER, is a behavior-change program that is based upon social psychology research regarding persuasion and social messaging. PSE will continue this program in 2012-2013, and will for the first time claim savings based upon the results of an independent third-party evaluation. There are several key areas of inquiry to be addressed in that evaluation that are of particular importance to Public Counsel. The evaluation will examine potential double-counting based upon participation in other PSE programs, as well as upstream programs (e.g. CFLs and NEEA). The evaluation will also seek to understand the specific actions customers are taking to reduce consumption, which is necessary to inform the cost-effectiveness analysis of the program.³ In addition, during CRAG review of the program we learned that the majority of the savings are attributable to high-use customers, and therefore the evaluation and the CRAG will continue to examine that trend to help determine whether the program should be refined to focus on that customer segment.⁴ Lastly, the evaluation will also examine savings persistence among approximately one-third of the original pilot group no longer receiving monthly or quarterly HER reports.

D. Schedule 292—Production and Distribution Facilities

It is Public Counsel's understanding that, prior to the Open Meeting, PSE will provide a revised filing to amend the tariffs as they relate to cost recovery for Schedule 292. These changes will clarify that recovery for costs associated with Schedule 292 will be through general rates and not through the Schedule 120 Tariff Rider. Public Counsel believes that this is the appropriate method of cost recovery of these items and that they should not be included in the Company's conservation tariff rider. We are pleased the Company has committed to revise its filing to reflect this approach.

E. Conclusion.

of a program, and that would need to be taken into account in the Company's energy savings estimate for that program.

³ This analysis will examine the extent to which reduced consumption is due to behavior changes (e.g. turning off lights) and/or due to customer investments in more efficient technology (e.g. CFLs, new appliances).

⁴ For example, when pre and post program consumption is analyzed by quartile of pre-program consumption, reduced electric consumption was over nine (9) times higher among the highest 25% compared to the lowest 25% (445 kwh annually for the highest 25% compared with 46 kwh for the lowest 25%). Among the lowest 25%, consumption actually increased for both the treatment and control groups. PSE's October 18, 2011 Responses to Public Counsel Questions.

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Public Counsel appreciates the opportunity to comment on this filing. As discussed above, Public Counsel supports the Staff recommendation to allow PSE's proposed program tariffs to take effect, subject to the revised filing that will be made by the Company prior to the December 29, 2011, Open Meeting. .

I will attend the December 29, 2011, Open Meeting and will be available for any questions regarding these comments.

Sincerely,

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