

December 16, 2013

Filed Via Web Portal

Mr. Steven King
Executive Director and Secretary
Washington Utilities and Transportation Commission
P.O. Box 47250
Olympia, Washington 98504-7250

Re: Comments on Conservation Dockets:

- **Docket UE-132032, PSE Electric Tariff Revisions: Electricity Energy Efficiency Programs;**
- **Docket UE-132043, Puget Sound Energy's Report Identifying Its Ten-Year Achievable Conservation Potential and 2014-2015 (Biennial) Conservation Target Pursuant to RCW 19.285.040 and WAC 480-109-010**

Dear Mr. King,

Puget Sound Energy, Inc. ("PSE") submits these comments in response to comments submitted by Commission Staff and Public Counsel in the above-referenced dockets. Based on the comments submitted, there is no dispute that Conservation Voltage Regulation ("CVR")¹ and phase balancing associated with CVR constitute conservation, as defined in the Energy Independence Act and PSE's tariff currently on file with the Commission. However, there is disagreement as to whether the incremental costs associated with PSE undertaking these conservation measures should be recovered through Schedule 120, PSE's conservation rider. PSE has proposed revisions to Schedule 292, which would allow recovery of incremental costs related to CVR and phase balancing to be recovered through its conservation rider. The projected dollar value of these incremental expenditures is \$321,800, a relatively small amount in the 2014-15 biennium, as PSE begins to ramp up this program. Ultimately, if the conservation measures are successful in allowing customers to reduce energy consumption, PSE expects to increase the distribution efficiencies performed in the upcoming years. For this reason, it is important to include the incremental costs relating to this conservation measure in the conservation rider.

The NW Energy Coalition supports recovery of these incremental costs of phase balancing associated with CVR through PSE's conservation rider. Commission Staff and Public Counsel do not support such recovery. For the reasons set forth below, and in PSE's Advice Letter

¹ Also referred to at times by parties as "Conservation Voltage Reduction."

revising Schedule 292, filed November 1, 2013, PSE requests that the Commission allow the proposed revisions to Schedule 292 go into effect, and by so doing, allow PSE to recover through Schedule 120 the incremental costs related to distribution efficiencies, such as phase balancing, that reduce customer energy consumption.

What is CVR and Phase Balancing?

CVR minimizes the voltage delivered to the customer and, as concluded in NEEA's 2007 Distribution Efficiency Initiative report, lowering the voltage generally reduces the energy consumed within the customers' homes or businesses.

As part of its CVR program, PSE plans to undertake phase balancing, which helps to enhance the effectiveness of CVR. Phase balancing involves equalizing the amount of load on the three phases of a substation circuit. This allows the system voltage to be reduced further, thereby optimizing energy savings.

How Does PSE Propose To Recover Costs Related to CVR?

The only costs that would be recovered through the conservation rider are the one-time O&M costs associated with phase balancing, *if PSE must use outside contractors for this work*. If PSE's employees are available to do the phase balancing, then these incremental, one-time costs would *not* be charged to the conservation rider. The proposed line item in the conservation rider budget anticipates all this work will be performed by outside contractors, but if utility staff is available when needed to do the work, the costs would not be charged to the conservation rider.

PSE is *not* proposing to recover through its conservation rider the \$800,000 of capital necessary to install the CVR equipment. Nor is PSE proposing to recover on-going operations and maintenance ("O&M") costs associated with that equipment, which will be recovered through normal utility operations.

CVR Is Conservation

CVR meets the statutory definition of conservation set forth in RCW 19.285.030(6), which defines conservation as "any reduction in electric power consumption resulting from increases in the efficiency of energy use, production, or distribution." CVR and phase balancing are distribution efficiencies undertaken by the utility designed to reduce customers' electric power consumption.

Moreover, distribution efficiencies such as CVR and phase balancing have been accepted by the Commission as conservation programs under PSE's Electricity Conservation Service Tariff. Schedule 83 states that individual [conservation and energy efficiency] programs are described under tariff schedules numbered between 200 and 299. Schedule 292 is one of these programs, titled "Electricity Energy Efficiency Program, Company Owned or Operated Facilities." CVR and phase balancing are expressly listed as energy efficiency measures in Schedule 292.

Previous Commission Orders and the 1996 Merger Stipulation Broadly Authorize Recovery of PSE Conservation Expenditures

Although Commission Staff acknowledges that CVR is “conservation” that PSE should pursue under the Energy Independence Act, Commission Staff takes the position that PSE should not be permitted to recover any of the costs of these conservation measures through its conservation rider. This is inconsistent with the Commission’s previous orders establishing the conservation rider, and Commission Staff’s previous position in the merger stipulation. In the 1996 merger order, the Commission approved a stipulation that authorized PSE to establish the conservation rider that exists today:

Electric conservation expenditures after December 31, 1996 (including those expenditures resulting from PSE’s commitment to conservation or public purposes funding under the Comprehensive Regional Review) will be subject to recovery through an alternative recovery mechanism to be proposed by PSE in a separate filing subsequent to the merger approval.

Docket UE-960195, Stipulation, Section III.A.4.a, page 8 (emphasis added). Commission Staff and Public Counsel executed the merger stipulation.

As anticipated in the merger stipulation, in 1997 PSE filed a petition for an order authorizing deferral of electricity conservation expenditures and approving a tariff rider for recovery of such expenditures. The Commission approved the conservation tariff rider mechanism, Schedule 120, in Docket UE-970686, citing the language of the Merger Settlement quoted above,² and has authorized recovery of PSE’s requested conservation related expenditures through Schedule 120 since that time.

As noted above, the language of the merger stipulation that Commission Staff and Public Counsel executed, anticipated broad recovery of conservation expenditures, “including those expenditures resulting from PSE’s commitment to conservation.” Commission Staff and Public Counsel have now reversed course and take the position that although CVR and phase balancing are conservation, they should not be recoverable through Schedule 120.

Rather than look to the orders establishing PSE’s conservation rider, Commission Staff relies on an agreed-upon condition in PacifiCorp’s 2012-13 biennial conservation plan, in which PacifiCorp agreed that it would not seek recovery of its distribution efficiencies in its conservation tracker.³ But the order in that proceeding lacks any substantive discussion or

² Docket UE-970686, Order, p. 2.

³ *Id.* ¶ 32 The agreed-upon condition in Section 11(d) states:

Distribution and Production Efficiency Costs — Recovery of costs associated with Distribution and Production Efficiency initiatives are not funded through the SBC because these programs are not customer conservation initiatives; these are company infrastructure conservation programs. As such, these costs are recovered in the

analysis of this important issue because the parties to the docket had agreed on the condition prior to the Commission issuing the order.⁴ In essence, the Commission approved the conditions that the parties to that docket had agreed to.

In contrast, the stipulation language laying the groundwork for the PSE conservation rider is broad and mandatory: “Electric conservation expenditures after December 31, 1996 (*including those expenditures resulting from PSE’s commitment to conservation or public purpose funding under the Comprehensive Regional Review*) *will be subject to recovery through an alternative recovery mechanism* to be proposed by PSE in a separate filing subsequent to merger approval.” In reading the above language of the stipulation it is important to give meaning both to the phrase “[e]lectric conservation expenses” and the further defining phrase “including those expenditures resulting from PSE’s commitment to conservation.” The second phrase, “including those expenditures resulting from PSE’s commitment to conservation,” is intended to reference something in addition to “Electric conservation expenditures” undertaken by customers. It is reasonable to assume that this language means that PSE will be allowed to recover expenditures relating to conservation and energy efficiency measures PSE commits to undertake relating to its own facilities, as well as conservation expenditures undertaken by customers. In this case, where CVR and phase balance undertaken at PSE’s substations result in reductions in energy consumption by customers, there should be no question that the conservation measures are to be recovered through the conservation rider.

As previously noted, although the language of the merger stipulation authorizes PSE to recover all of its conservation expenditures through the conservation rider, PSE is not proposing to do so. PSE proposes to recover only the incremental O&M costs that it incurs, if it is not able to use its linemen and must use independent contractors for phase balancing work. PSE estimates this cost at \$321,800 for the 2014-15 biennium. PSE will not recover capital expenditures through the rider, nor will it seek to recovery O&M expenditures relating to phase balancing by PSE employees.

Commission Staff’s argument that PSE has existing mechanisms to recover the cost of O&M expenses such as phase balancing misses the point. PSE is undertaking this phase balancing for energy efficiency purposes, to facilitate conservation--reduced energy consumption--by its customers. By undertaking distribution efficiencies such as phase balancing, PSE opens up opportunities for conservation for its customers. But for the conservation benefits that result

general rate making process over time and may be requested through a general rate case, a deferred accounting petition or other allowed mechanism.

....

Only for the 2012-2013 biennium, PacifiCorp may continue to use SBC funds to complete the Distribution and Production Efficiency potential assessment studies.

⁴ Docket UE-111881, Order 01, ¶ 9 (“The participants reached agreement on a set of conditions to recommend to the Commission for approval of PacifiCorp’s conservation ranges. PacifiCorp filed the agreed conditions list in this docket on April 9, 2012. The Commission considered and approved the recommended conditions at its April 12, 2012, Open Meeting.”).

from this phase balancing, PSE would not undertake the level of phase balancing it proposes in this biennium. Therefore, the incremental costs of phase balancing are properly recovered through PSE's conservation rider.

PSE respectfully requests that the Commission allow PSE's revisions to Schedule 292 to go into effect and by so doing, allow PSE to recover its incremental costs for phase balancing associated with CVR through Schedule 120.

Thank you for the opportunity to file these comments.

Sincerely,

/s/ Kenneth S. Johnson

Ken Johnson
Director, State Regulatory Affairs