

Agenda Date: December 18, 2013
Item Numbers: D7 and D9

Dockets: UG-132044 and UG-132033

Company: **Puget Sound Energy**

Staff: Juliana Williams, Regulatory Analyst

Recommendation

Take no action, acknowledging Puget Sound Energy's (PSE's) 2014-2015 natural gas biennial conservation target of 6.94 million therms, as filed in Docket UG-132044, and allowing the tariff revision filed by PSE in Docket UG-132033 to take effect Jan. 1, 2014, by operation of law.

Background

On Nov. 1, 2013, PSE filed its "2014-2015 Biennial Conservation Plan" (BCP or Plan) with the Washington Utilities and Transportation Commission (commission) under Docket UG-132044, in accordance with the requirements of the Settlement Stipulation approved by the Commission in Docket UG-011571. The Plan identifies a 2014-2023 achievable conservation potential of 33 million therms, a 2014-2015 biennial conservation target of 6.94 million therms, and business plan to implement conservation programs to achieve that target.

Also on Nov. 1, 2013, PSE filed tariff changes under Docket UG-132033 to provide for continuation of PSE's natural gas conservation programs, which are set to expire on Dec. 31, 2013. The proposed changes include several programmatic updates. The tariff changes do not impact current rates.

PSE serves approximately 750,000 natural gas customers in King, Kittitas, Lewis, Pierce, Snohomish and Thurston counties.

Biennial Conservation Target

As described in Staff Comments filed December 3, 2013, PSE identified a 2014-2023 achievable conservation potential of 33 million therms through its conservation potential assessment (CPA), which was developed through the 2013 Integrated Resource Plan. From there PSE made two adjustments to the ten-year potential to develop its 2014-2015 biennial conservation target of 6.94 million therms. After the development of the CPA, PSE incorporated updated the savings potential for residential space heating, which added approximately 170,000 therms. Secondly, PSE added approximately 770,000 therms of projected savings from its Individual Energy Reports pilots, similar to the existing Home Energy Reports program run by Opower.

The BCP provides budget details regarding PSE's plan for achieving the savings identified in its biennial conservation target and total portfolio. A summary of these details is provided in Table 1 below. PSE's 2014-2015 budget is \$24,197,200, which is approximately 9 percent lower than

the budget for the 2012-2013 biennium. For comparison, PSE’s expected total portfolio savings for 2014-2015 are approximately 27 percent lower than the 2012-2013 biennium. The decline in savings is due to factors including continued low natural gas avoided costs, lower projected business sector savings, and updated unit energy savings (UES) values for certain measures. To achieve the target savings, PSE has added new measures such as web-enabled thermostats, increased marketing and outreach efforts, introduced remote energy assessments, and expanded the Small Business Direct Install program.

Table 1. Comparison of Savings and Budgets from PSE’s 2012-2013 and 2014-2015 BCPs.

Program	2014-2015 Projected Savings (therms)	2014-2015 Budget	2012-2013 Projected Savings (therms)	2012-2013 Budget
Residential				
<i>Low-income</i>	54,800	\$739,000	78,000	\$1,121,000
<i>Home Energy Reports</i>	170,500	\$94,100	693,400	\$479,000
Residential Total	3,250,500	\$14,084,900	3,790,600	\$13,701,000
Non-Residential	2,920,000	\$7,472,200	5,758,000	\$10,564,000
Pilots	770,000	\$490,400	0	\$0
Administration/Other	-	\$2,149,700	-	\$2,351,000
Total	6,940,500	\$24,197,200	9,548,600	\$26,616,000

Note: Low-Income and Home Energy Reports programs are included in the Residential program row. 2012-2013 values are as filed in the 2012-2013 BCP in Docket UE-111881.

Cost-Effectiveness

Despite the downward pressures on savings and cost-effectiveness, PSE’s portfolio achieves a Total Resource Cost (TRC) ratio of 1.2 and a Utility Cost Test (UCT) ratio of 2.0, indicating that the portfolio is still cost-effective. PSE’s TRC calculation for the 2014-2015 biennium includes a 10 percent conservation adder, consistent with electric TRC calculations and other natural gas utilities under the Commission’s jurisdiction. The conservation adder was discussed in the 2013 Annual Conservation Plan but not previously included in TRC calculations. PSE’s 2014-2015 portfolio still passes the TRC without the conservation adder.

PSE manages its conservation programs to be cost-effective, though in the current biennium, four programs did not pass the TRC.¹ The BCP states that PSE staff,

“...availed themselves of provisions defined in Schedule 183, which allow natural gas programs to achieve a TRC of as low as 0.667 when there are a significant amount of

¹ The four programs that do not pass the TRC are Single Family Existing – Weatherization, Multifamily Existing, Commercial/Industrial New Construction, and Resource Conservation Management.

non-quantifiable benefits...PSE considers the importance of maintaining its full suite of natural gas conservation offerings is clearly a ‘substantial non-quantifiable benefit’...”²

Staff considers PSE’s interpretation of maintaining a full suite of conservation offerings to be a novel application of the non-quantifiable benefit provision in the tariff. In light of the Commissions policy statement on natural gas conservation in Docket UE-121207 which allows the use of the UCT as the primary cost test where large non-quantifiable benefits exist, and the fact that PSE’s portfolio still passes both the TRC and UCT, Staff does not object to the inclusion of these four programs in PSE’s portfolio. However, Staff believes that approval of PSE’s portfolio should not be considered precedential regarding PSE’s novel application of the non-quantifiable benefit provision.

Proposed Tariff Revisions

To implement the programs described in the BCP, PSE filed tariff revisions in Docket UE-132033. The revisions reflect updated effective dates, text clarifications and minor administrative changes, and do not impact rates.

Stakeholder Comments

The Commission did not receive any comments in these dockets.

Conclusion

Take no action, acknowledging Puget Sound Energy’s (PSE’s) 2014-2015 natural gas biennial conservation target of 6.94 million therms, as filed in Docket UG-132044, and allowing the tariff revision filed by PSE in Docket UG-121894 to take effect Jan. 1, 2014, by operation of law.

² PSE 2014-2015 Biennial Conservation Plan, page 7.