

Via First Class Mail and Email

January 13, 2004

Carole Washburn
Executive Secretary
Washington Utilities and Transportation Commission
P.O. Box 47250
Olympia, WA 98504-7250

Re: Docket # UE-031353, Puget Sound Energy's Request for Proposals for Energy Efficiency

Dear Ms. Washburn,

Thank you for the opportunity to comment on Puget Sound Energy's (PSE) draft Request for Proposals (RFP) for energy efficiency. The NW Energy Coalition actively participated in the development of PSE's August 2003 supplemental least cost plan focused on demand-side resources, as well as the development of its 2004-2005 efficiency programs and targets through the utility's Conservation Resources Advisory Group (CRAG). We have a strong interest in ensuring that PSE meets or exceeds its efficiency acquisition targets, thus benefiting all its ratepayers.

From a broad policy perspective, the Coalition supports issuance of an energy efficiency RFP in conjunction with, or preferably prior to, a generation RFP. State and regional policies prioritize conservation above other resources. An effective RFP can result in programs or projects that complement or supplement a utility's offerings. However, we have concerns regarding PSE's draft RFP.

First, we question the effectiveness of an RFP issued now that assumes most program implementation will occur after 2005. The landscape can change significantly between now and the awarding of final contracts in December 2005. This extended timeline creates a great deal of uncertainty for potential bidders with regard to forecasting project costs and benefits as well as securing agreements from customers who may wish to participate.

On the flip side, we would not support a broad-based RFP focused on acquisition of energy savings in 2004-2005. Over the past 18 months, PSE worked diligently with its diverse CRAG members to analyze the conservation potential in its service territory and translate that information into a solid, robust plan for delivering energy savings to its customers for 2004-2005. That process should not be undermined. Nor should PSE staff be unduly distracted from meeting the established two-year acquisition targets. Further, PSE already has signed contracts with various providers related to its program offerings. It would be bad policy to undo those agreements.

Second, we believe the RFP is too broad, likely rendering it less effective than one or more focused, targeted RFPs. Ideally, the CRAG would have been provided an early opportunity to review and discuss the merits and intent of one or more RFPs for efficiency resources, potentially coalescing on a unified vision. Unfortunately the link established between the efficiency RFP and the generation RFPs, with their necessary expedited timing, prevented this from occurring.

Lastly, in section 5.3 (“Savings”), PSE refers to using the Regional Technical Forum’s (RTF) deemed annual savings and measure lives for measures where applicable and current at the time of awards. In the near term, the RTF plans to examine and recalculate its annual savings figures associated with compact fluorescent lightbulbs. Such recalculations should be incorporated into the savings assessments for projects as they are implemented.

We recommend addressing the aforementioned concerns by modifying this RFP to:

- (1) solicit bids for projects that would begin implementation in January 2005,
- (2) target specific program enhancements in one or more sectors, identified by PSE with advice from the CRAG, where the utility offers programs but isn’t anticipating significant achievement,
- (3) encourage bids that would expand beyond PSE’s program offerings,
- (4) allow for bids of pilot programs that would complement PSE’s efforts, and
- (5) specify that PSE will use the RTF deemed annual savings and measure lives for measures where applicable and current at the time of awards, *except where the RTF data is under active review and recalculation.*

Such a targeted RFP would provide a good frame of reference for costs, enabling a comparison with existing conservation programs as well as generation bids. It would also protect the integrity of the CRAG process, provide more certainty and predictability for efficiency businesses, and reduce distractions to PSE staff who are trying to focus their efforts on ramping up the utility’s efficiency programs. Finally, augmenting or supplementing PSE’s 2004-2005 efficiency programs, as opposed to replacing them, makes sense given the least cost plan’s analysis showing that accelerated acquisition of energy efficiency is financially beneficial.

Depending on the results of that focused RFP, the evaluation of PSE’s own program offerings, the 2005 least cost plan analysis, and guidance from the CRAG, PSE could then issue another RFP in spring 2005 for projects that would begin implementation in 2006.

In closing, it is important to note some aspects of the proposed RFP that we support, which could be included in a more targeted alternative approach. For a variety of reasons, we support PSE’s exclusion of programs related to low-income efficiency services, the Northwest Energy Efficiency Alliance, self-directed customers, energy education and resource conservation managers. We also support PSE’s intent to assign to the winning bids proportionate penalties for which PSE is at risk, though we believe the proposed “team penalty” deserves further consideration. We were pleased to see PSE’s request for details regarding environmental aspects of proposed projects, including waste

disposal plans. And we appreciate PSE's intent to seek guidance from the CRAG on specific proposals.

Finally, PSE has proposed this RFP in conjunction with its RFPs for wind and all sources of generation. Given the variety of demand and supply side resources possible to provide reliable electricity service to retail electricity customers in Washington, it will be necessary for PSE and the Commission to analytically quantify the societal costs and benefits of all proposals received to ensure a valid, level comparison.

We respectfully ask PSE and the Commission to consider these comments and recommendations. If modifying the draft efficiency RFP would require additional time beyond the end of this month, we request that the generation RFPs be issued as planned without delay.

Sincerely,

Danielle Dixon
Senior Policy Associate