Agenda Date: December 30, 2010

Item Numbers: A4, A5 and A6

**Dockets: UE-101942**

**UG-101943**

**UE-100177**

Company: Puget Sound Energy

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# Recommendation

Take no action, allowing Puget Sound Energy’s proposed electric and natural gas energy efficiency tariff revisions to Natural Gas Schedules 183, and 207, and Electric Schedules 83, 201, 202, 241, 248, and 254 in Dockets UE-101942 and UG-101943 to become effective

January 1, 2011, by operation of law.

# Background

Puget Sound Energy (PSE or company) is currently operating its energy efficiency programs under conditions approved by the Washington Utilities and Transportation Commission (commission) pursuant to RCW 19.285 and WAC 480-109.[[1]](#footnote-1) PSE’s 2010-2011 biennial conservation target is 622,000 megawatt-hours, at the customer meter level.[[2]](#footnote-2)

On November 1, 2010, the company timely provided its Conservation Resource Advisory Group (CRAG) draft copies of its intended filing in accordance with the conditions in Docket UE-100177, EIA Settlement; its Draft Annual Conservation Plan for 2011, as well as associated proposed tariff filings. On December 1, 2010, the company timely filed three items: its 2011 Annual Conservation Plan (Annual Plan or ACP) in Docket UE-100177; and the tariff filings for electric service in Docket UE-101942 and for natural gas in Docket UG-101943.

The Annual Plan describes PSE’s energy efficiency program plans for 2011. The core programs in the portfolio serve all customer classes through information and financial incentives for customers to incorporate cost-effective energy-efficient measures and services. The Annual Plan includes detailed descriptions of programs, program changes planned for 2011, budgets, energy savings estimates, program and portfolio cost-effectiveness, and an evaluation plan. This submittal is called for by the EIA Settlement.[[3]](#footnote-3)

Through these filings, PSE is proposing program changes and narrative clarifications to its electric and gas conservation programs. The proposed changes have no effect on the level of funding generated by the conservation service schedules. Any changes to the gas conservation service tracker or the electric conservation service rider will be submitted on or before March 1, 2011. The company has developed these filings and a course of action for its conservation programs in consultation with its Conservation Resource Advisory Group (CRAG).

Some of the PSE tariff language changes allow for the use of tariff rider conservation funds for Low-Income programs, as called for in the recent Renewable Energy Credits (REC) decision in Docket UE-070725, Order 05, which “require[s] PSE to use the CRAG as soon as possible to consider the impact of this funding source on existing budgets, including consideration of an appropriate balance of expenditures for repairs and energy efficiency measures that will optimize the use of these funds to capture additional cost-effective conservation.”[[4]](#footnote-4)

# Discussion

The company timely filed its Annual Conservation Plan. The company provided the required budget and program-by-program details. Staff believes the company has complied with the conditions of Order 05 in Docket UE-100177 that require the filing of an annual conservation plan as well as the requirement to find an appropriate balance for repairs versus energy efficiency measures in Order 05 of Docket 070725.

There are no changes proposed in this compliance filing to the previously approved Washington Energy Independence Act (I-937) 2010-2011 biennial conservation targets in Docket UE-100177. By placing this filing on the Open Meeting Agenda, the ACP is acknowledged as called for in the EIA Settlement conditions in UE-100177.[[5]](#footnote-5)

The company’s 2011 Annual Conservation Plan provides discussion and rationale for the changes in the tariffs and a redline version of those tariffs was provided to the CRAG and staff as Exhibit 5 of the ACP.

***Public Involvement***

The company worked closely with the CRAGin 2010 on adjustments to its conservation progam including meeting the requirements called for in the REC decision, Order 05, Docket UE-070725. This work culminated in the distribution of proposed changes to the conservation program to the CRAG and detailed discussion at the CRAG meeting of November 4, 2010.

***Significant Adjustments to Residential Program Offerings***

PSE proposes to shift from an in-class educational outreach model to a train-the-trainer program which will reduce the educational component of its conservation program. This course was chosen after evaluating the ability to quantify savings from this program. Because of the difficulty in verifying savings from this program it is being scaled back.

The Home Print program, sometime refered to as an in-home energy audit program, is being significantly redeployed to make it cost effective. This is a new program which has not been as productive in providing energy savings as anticipated. Consequently, the company is making significant changes which are anticipated to result in the implementation of more conservation measures for a similar level of effort. The results of this new approach will be closely monitored and reviewed to identify any additional adjustments or continuance going forward.

Home Energy Reports, also known as OPower, is a pilot program showing encouraging initial results. This is a high profile project and because its results rely on induced behavior change, there is significant interest in whether this program will be able to provide sustained and verifiable savings. The company will be working with the CRAG in 2011 to discuss the possibility of any potential claimed savings.

As previously mentioned, the Low-Income weatherization program can use tariff rider funds for health and safety work associated with cost-effective energy conservation. This clarification is reflected in the ACP and the associated tariff, Schedule 201. The methodology for calculating cost-effectiveness for Low-Income programs will be explored further during the U-101973 workshop on February 1, 2011.

***Significant Adjustments to Commercial Program Offerings***

These program changes are mostly being made to clarify program descriptions and make strategic adjustments to existing programs. There are significant increases in some of these programs being driven by ARRA funding. In addition, large power users are making conservation investments at a faster rate than anticipated.

***Evaluation, Measurement and Verification (EM&V) Plan***

The company’s ACP includes an EM&V Plan at Exhibit 6. This includes a list describing which programs will be or have been evaluated and timelines and assignments for those studies. In addition, a portfolio-wide conservation evaluation, as required by the Commission[[6]](#footnote-6), will be contracted through a third-party beginning in early 2011.

***Market Transformation, Codes & Standards***

The ACP does not discuss savings from codes and standards. Staff expects that any proposal to count savings from codes and standards other than the savings from the Northwest Energy Efficiency Alliance (NEEA) market transformation programs would be presented to the CRAG for discussion prior to inclusion in the Biennial Plan. The company’s filing included a more detailed Schedule 254 NEEA Program description as previously requested.

# Conclusion

Changes to program tariffs were appropriately filed and were also included in the ACP. The tariff revisions are consistent with provisions in the recent REC decision and conditions listed in the I-937 energy conservation order. Consequently, staff recommends that the Commission take no action, thereby allowing the tariff revisions in Dockets UE-101942 and UG-101943 to take effect on January 1, 2011, by operation of law.

1. *Wash. Utils. & Transp. Comm’n v. Puget Sound Energy, Inc.,* Dockets UE-011570, UG-011571, and UE-100177, Final Order 05, (September 28, 2010). [↑](#footnote-ref-1)
2. *Agreed Conditions for Approval of Puget Sound Energy, Inc.’s 2010-2011 Biennial Electric Conservation Targets Under RCW 19.285,* Docket UE-100177, Order 05, September 3, 2010, [EIA Settlement], and *Docket 100177 Joint Narrative Supporting Settlement Agreement Regarding Condiions for Approval Under WAC 480-109-010(4)(c)* September 3, 2010, (the “Joint Narrative” in Order 05) ¶ 1. [↑](#footnote-ref-2)
3. EIA Settlement, Section K(Conditions) (4), (5), and (8)(b). [↑](#footnote-ref-3)
4. PSE *Order Authorizing the Use of the Proceeds from the Sale of Renewable Energy Credits and Carbon Financial Instruments, Docket UE-070725, Order 05, Denying PSE Petition for Reconsideration; Denying Energy Project Petition for Reconsideration; Granting in Part Staff Petition for Reconsideration*, August 31, 2010, ¶42. [↑](#footnote-ref-4)
5. EIA Settlement, Section K(Conditions) (8)(b). [↑](#footnote-ref-5)
6. EIA Settlement in Order 05, Section K(Conditions), (6)(g). [↑](#footnote-ref-6)