

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of

PUGET SOUND ENERGY

Report Identifying Its 2015-2025  
Ten-Year Achievable Electric  
Conservation Potential and Its 2016-  
2017 Electric Biennial Conservation  
Target Under RCW 19.285.040 and  
WAC 480-109-010.

DOCKET UE-152058

RESPONSE OF PUBLIC COUNSEL  
TO PETITION OF PUGET SOUND  
ENERGY SEEKING  
AUTHORIZATION TO APPLY  
EXCESS CONSERVATION  
SAVINGS TO FUTURE  
DECOUPLING CONSERVATION  
TARGET SHORTFALL

**I. INTRODUCTION**

1. Public Counsel submits this response to Puget Sound Energy's (PSE) petition filed October 24, 2016, regarding treatment of excess electric conservation savings with respect to PSE's Decoupling Conservation Target. In Docket UE-121697, the Commission approved an Amended Decoupling Petition of PSE and the Northwest Energy Coalition (NWECC) that included a commitment of PSE to achieve 105 percent of the biennial conservation target approved by the Commission pursuant to RCW 19.285.040.<sup>1</sup> In 2014, the Washington State Legislature amended RCW 19.285.040 to allow utilities to apply excess biennial conservation achievement to help meet the subsequent two biennial conservation targets. That amendment is silent as to potential application of excess conservation savings toward additional regulatory commitments, such as PSE's Decoupling Conservation Target.<sup>2</sup>

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<sup>1</sup> *In re Petition of PSE and NWECC for an Order Authorizing PSE to Implement Electric and Natural Gas Decoupling Mechanisms and to Record Accounting Entries Associated with the Mechanisms*, Dockets UE-121697 et al. Order 07 ¶¶ 108-112 (Jun. 25, 2013) ("Decoupling Final Order") (citing Amended Petition for Decoupling at 17).

<sup>2</sup> PSE's petition identifies the five percent decoupling commitment as the "Decoupling Conservation Target." We use the same reference in this response.

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2. PSE's petition raises two issues that stem from the excess conservation legislation. The first issue raised is what methodology should be used to calculate any potential amount of excess savings. The second issue raised is whether any potential excess conservation savings should be applied to meet the Decoupling Conservation Target, if necessary. PSE proactively raised both of these issues with the Conservation Resource Advisory Group (CRAG) in advance of filing its Biennial Conservation Report (BCR) for 2014-2015. The Company also provided the CRAG with a draft of this petition 30 days prior to filing with the UTC.

3. PSE's conservation performance and achievement during 2014 to 2015 was reviewed by the Commission in Docket UE-132043. The Commission found that PSE had achieved 552,596 megawatt-hours of conservation, exceeding its biennial target and also meeting the additional five percent Decoupling Conservation Target. The Commission further found that PSE achieved 38,906 megawatt-hours of excess conservation during the 2014-2015 biennium.<sup>3</sup>

## II. METHODOLOGY FOR CALCULATING EXCESS CONSERVATION SAVINGS

4. Public Counsel supports the methodology outlined in Section III of PSE's petition for calculation of any excess conservation savings. This methodology provides that any programs that were excluded from the Company's Energy Independent Act (EIA) biennial target would also be excluded from the calculation of any potential excess conservation savings. For the 2014-2015 biennium, Northwest Energy Efficiency Alliance (NEEA) and the Individual Energy Reports (IER) programs were excluded from the EIA biennial conservation target. PSE summarizes the key principle of this methodology as follows:

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<sup>3</sup> *In re Puget Sound Energy's 2014-2015 Biennial Conservation Target Under RCW 19.285.040*, Docket UE-132043, Order 05 ¶ 12 (Aug. 15, 2016).

A key tenet in PSE's proposal is that programs and initiatives that comprise its complete conservation portfolio but were excluded from the EIA Target calculation should also be excluded from any excess electric savings determination. This is consistent with comments received from CRAG members with respect to PSE's 2014-2015 Biennial Conservation Report.<sup>4</sup>

5. In addition, any potential excess savings are determined only after meeting the Decoupling Conservation Target. This methodology was used to determine PSE's 38,906 megawatt-hours of excess conservation savings for 2014-2015.<sup>5</sup> At the Commission's August 12, 2016, Open Meeting, Public Counsel supported this methodology and the amount of excess savings calculated. Public Counsel believes this approach is reasonable and in the public interest. Therefore, we support PSE's proposal, as stated in the petition, to utilize this methodology going forward to calculate any potential excess electric conservation savings.<sup>6</sup>

### **III. APPLICATION OF ANY EXCESS SAVINGS TOWARD THE DECOUPLING CONSERVATION TARGET**

6. PSE's petition also asks the Commission to allow excess conservation savings to be used, if necessary, to meet any shortfall with respect to the Decoupling Conservation Target. Such a scenario would become relevant in the event PSE exceeds its EIA biennial conservation target, but does not do so by five percent. Public Counsel recognizes that PSE agreed to the five percent decoupling commitment prior to the Legislature's passage of the amendment to RCW 19.285.040 to allow for rollover of excess conservation savings. In that regard, we are sensitive to the view that allowing potential future excess conservation to meet the five percent decoupling commitment could be considered a weakening of that commitment.

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<sup>4</sup> Petition of Puget Sound Energy Seeking Authorization to Apply Excess Conservation Savings to Future Decoupling Conservation Target Shortfall ¶ 14 (Petition).

<sup>5</sup> Petition ¶ 21.

<sup>6</sup> Petition ¶¶ 13-17.

7. Public Counsel has had an opportunity to consider this issue over the past few months due to discussions with the CRAG as well as PSE's circulation of its draft petition. PSE's decoupling commitment obligates the Company to acquire an additional five percent of cost-effective electric conservation savings beyond the EIA biennial target, representing early acquisition of savings. As noted earlier, the EIA has now been amended to allow for "rollover" of excess conservation savings, which also recognizes early acquisition of conservation savings. Public Counsel does not oppose PSE's petition.

#### IV. PSE'S THIRD YEAR DECOUPLING EVALUATION

8. The decoupling mechanisms and associated features, including the five percent conservation commitment, will be reviewed by the Commission and parties as part of PSE's next general rate case. PSE has filed the Second Year Evaluation of PSE's electric and gas decoupling mechanisms with the Commission in Dockets UE-121967 and UG-121705.<sup>7</sup> Because PSE's next general rate case filing has been extended to January 17, 2017, the additional time will allow for a third year of evaluation. Public Counsel and interested CRAG members have worked with PSE to refine the scope of work for the additional third year decoupling evaluation report to help ensure that key topics are addressed.

9. One of the emerging issues with the decoupling mechanisms that is of significant concern to Public Counsel is what Commission Staff has aptly referenced as the "snowballing balance in the natural gas deferral account."<sup>8</sup> Specifically, two successive warm heating seasons resulting

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<sup>7</sup> *In re Petition of PSE and NWECA for an Order Authorizing PSE to Implement Electric and Natural Gas Decoupling Mechanisms and To Record Accounting Entries Associated with the Mechanisms*, Dockets UE-121697 & UG-121705, Second Year Evaluation of PSE's electric and gas decoupling mechanisms (filed by PSE Jun. 7, 2016) (The Second Year Evaluation is dated Apr. 4, 2016).

<sup>8</sup> *Puget Sound Energy Tariff Revision of WN U-60*, Dockets UE-160367 & UG-160368, Open Meeting Memo of Commission Staff at 2 (Apr. 28, 2016).

in lower than anticipated natural gas usage, combined with the annual escalation of 2.2 percent for natural gas delivery costs through the rate plan, has resulted in large and growing balances in the natural gas deferral accounts. Consequently, for the past two years, PSE's deferral balance for natural gas residential customers has exceeded the three percent "soft cap."

10. Commission Staff's memo dated April 28, 2016, shows that the unamortized balance in that account (i.e., the amount over the three percent cap) was \$5.8M as of December 2014, and had grown to \$27.5M as of December 2015.<sup>9</sup> An average residential customer using 68 therms per month pays almost \$5 per month under Schedule 142, or seven percent of the total bill.<sup>10</sup> As a result of the large deferral balance, Public Counsel believes it is highly likely that the rate for residential natural gas customers will be increased up to the amount allowed by the three percent soft cap when PSE files its next Schedule 142 decoupling rate adjustment in April 2017. If another warm winter occurs this year, the deferral balance will grow even larger, creating substantial pressure on future ratepayers. This issue raises significant intergenerational equity concerns to be considered in PSE's next general rate case.

## V. CONCLUSION

11. Public Counsel supports the methodology PSE has outlined in the Company's petition to calculate the amount of excess electric conservation savings. We also do not oppose PSE's request to allow excess electric conservation savings to be used to meet the decoupling conservation commitment, if necessary. PSE's decoupling mechanisms and related features, including the commitment to exceed the EIA biennial conservation target approved by the

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<sup>9</sup> *Puget Sound Energy Tariff Revision of WN U-60*, Dockets UE-160367 & UG-160368, Open Meeting Memo of Commission Staff at 3, Table 1 (Apr. 28, 2016).

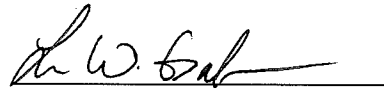
<sup>10</sup> The Schedule 142 natural gas decoupling rate for residential customers is currently \$0.07157 per therm. For residential customers with average monthly usage of 68 therms, the monthly charge would be \$4.87.

Commission by five percent, will be reviewed and considered in the evaluation of the decoupling mechanisms to be filed in the Company's next general rate case.

12. Public Counsel has been engaged with interested CRAG members and PSE regarding a refined scope of work for the third year evaluation of the decoupling mechanisms. We are particularly concerned with the substantial, and growing, decoupling deferral balance for residential natural gas customers. This issue, and others, will be considered in the third year evaluation, which will be filed and considered in PSE's next general rate case.

13. DATED this 14<sup>th</sup> day of November, 2016.

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