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December 3, 2013

VIA ELECTRONIC FILING

Steven V. King
Executive Director and Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Pk. Dr. S.W.
P. O. Box 47250
Olympia, WA 98504-7250

Re: Puget Sound Energy, Report Identifying its ten-year achievable electric conservation potential and its electric biennial conservation target
Docket UE-132043

Dear Mr. King:

Pursuant to the Commission's November 6, 2013, Notice of Opportunity to File Written Comments, enclosed please find Public Counsel's Comments in the above-entitled docket.

Sincerely,

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(206) 389-3040

SAJ:cjb

cc:

Eric Englert, PSE (E-mail)
Juliana Williams, UTC Staff (E-mail)

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

PUGET SOUND ENERGY'S REPORT
CONCERNING ITS TEN-YEAR
CONSERVATION POTENTIAL AND ITS
BIENNIAL CONSERVATION TARGET
PURSUANT TO RCW 19.285.040 AND
WAC 480-109-010

DOCKET UE-132043

COMMENTS OF PUBLIC COUNSEL

December 3, 2013

I. INTRODUCTION

1. Pursuant to the Commission's November 6, 2013 Notice of Opportunity to Comment, (Notice) the Public Counsel Section of the Washington State Attorney General's Office (Public Counsel) respectfully submits these comments in advance of the Commission's December 18, 2013 Open Meeting. These comments address Puget Sound Energy's (PSE or the Company) report concerning its ten-year conservation acquisition potential and its biennial conservation target filed with the Commission in compliance with RCW 19.285.040 and WAC 480-109-010. The ten-year potential and biennial conservation target are included in PSE's 2014-2015 Biennial Conservation Plan (BCP).
2. PSE proposed a ten-year conservation potential of 2,730,408 MWh and a biennial conservation target of 485,768 MWh based on its 2013 IRP.¹ PSE's BCP and its exhibits and attachments provide information regarding how the ten-year potential and biennial target were developed, as well as discussion of the programs and budgets that will be used to meet the

biennial target. In our review, Public Counsel has not found any areas of significant concern.²

Therefore, these comments will provide a brief discussion of (1) the proposed ten-year potential and biennial target, and other PSE conservation goals, and (2) recommended conditions for approval of the target.

II. TEN-YEAR POTENTIAL AND BIENNIAL TARGET

A. Basis for PSE's Ten-Year Potential and Biennial Target.

3. PSE's Ten-Year Potential and the Biennial Target are derived from a combination of "the optimized level of energy use and distribution system conservation potential selected by PSE's resource portfolio model for the 2013 Integrated Resource Plan," as well as the potential for electric energy savings from improvements to the efficiency of PSE's power generation facilities in Washington state.³ The biennial target was developed using the pro-rata share of the Ten-Year Potential, which was then adjusted to account for savings associated with behavioral programs and the Northwest Energy Efficiency Alliance (NEEA). These adjustments are discussed in further detail below.

4. It is noteworthy that PSE estimates it will achieve conservation savings well beyond the what is included in the biennial target. The BCP, which outlines the Company's full portfolio of programs, includes budget and program plans projected to achieve 621,120 MWh of conservation savings, or 127 percent of PSE's biennial target of 485,768 MWh. This

¹ 2014-2015 Biennial Conservation Plan, Exhibit i, pp. 6 and 9, Docket UE-132047 filed November 1, 2013.

² PSE provided the Conservation Resource Advisory Group (CRAG) with information over the past six months, including a draft of the BCP in September. Because PSE provided meaningful information and directly sought stakeholder input at CRAG meetings, and because we were able to preview the BCP in advance, the review of these documents was significantly easier than if we would not have received anything until November 1. Public Counsel appreciates PSE's effort to resolve issues prior to filing.

³ *Id.*, p. 4.

considerable difference is due to several factors, including, (1) the target's exclusion of savings associated with NEEA, (2) exclusion of savings associated with pilot programs, and (3) increased requirements associated with PSE's decoupling mechanism target.

B. Adjustments to PSE's Target and Adjustments.

1. NEEA.

5. In response to concerns raised in the previous biennium, the Commission ordered the electric IOU's to collaborate and develop a consistent approach to claiming NEEA savings in the 2014-2015 biennium. The utilities jointly proposed that NEEA savings no longer be included in the biennial target or reported at the end of the biennium.⁴

6. Challenges arose in the implementation of this proposal, due to the fact that the 2014-2015 savings forecasts from NEEA used a different baseline and technical assumptions than those of the utilities.⁵ As a result, NEEA's forecasted savings represented an inappropriately large share of each utility's biennial conservation target. For PSE, NEEA forecasted savings for the 2014-2015 biennium at 17.6 aMW, while PSE estimated its total two year achievement at approximately 63 aMW.⁶

7. PSE informed the CRAG about this problem early in the review cycle, and, over several months, discussed various options with stakeholders in an effort to develop a more reasonable estimate for NEEA savings. Public Counsel appreciates PSE's efforts to apprise the CRAG of

⁴ Joint Proposal for consistent approach to Northwest Energy Efficiency Alliance claimed conservation savings, in compliance with Order 07 in Docket UE-100177, filed October 31, 2012. Under the proposal NEEA will continue to provide the utility with a forecast for the biennium which is then backed out of the biennial target. The utility will still track NEEA savings for internal reporting purposes.

⁵ NEEA's baseline was based on 6th Power Plan assumptions, while they have updated these assumptions in their more recent planning.

⁶ BCP, p.8, and Exhibit No. 10, Supplement 1, p. 5.

this situation, and the work done to develop a new estimate. In the end, PSE used the 6th Power Plan baseline for 2014 and an updated proxy 7th Power Plan baseline for 2015.⁷ The outcome of PSE's approach was a reduction in the estimate for NEEA savings from 17.6 MWh, to 8.3 MWh.⁸

8. Public Counsel supports the agreement reached by the three utilities to remove NEEA savings from the biennial conservation plan target, and believes that parties should continue efforts to resolve any remaining differences in methodology for the 2016-2017 biennium. Public Counsel continues to support market transformation efforts and the electric utilities involvement in and funding of NEEA.

2. Behavioral Programs.

9. PSE's Home Energy Reports (HER) program has been in place for several years, and for the upcoming biennium the Company proposes to continue the current program, while adding several new pilot programs to new customer segments. The legacy program has undergone multiple analyses and it is assumed that PSE can reasonably estimate the outcome of those continued programs, however, the expansion programs present many unknowns. Because of the different situations of the programs, PSE is treating the savings from these two programs differently, as discussed below.

a. Legacy program included in the target.

10. The legacy HER program, which serves approximately 17,000 customers, will be included in PSE's biennial target. Because PSE's IRP conservation potential assessment does not include any savings from behavioral programs, the Company increased its target by 6,420 MWh

⁷ PSE includes a memo detailing how their adjustment was made in Exhibit No. 10, Supplement 1.

to account for these savings. PSE will report on total savings for 2014 and incremental savings beyond what was achieved in the previous year for 2015.

b. Pilot programs excluded from the target.

11. The BCP proposes to significantly expand PSE's behavioral programs by approximately 100,000 residential customers. These pilot programs are aimed at previously untapped segments of the customer base, thus, it is unknown whether this method will produce savings. Due to this uncertainty, PSE has proposed not to include these estimated savings in the target. Because these programs are not included in the target, as the legacy program is, no savings that occur from these programs will count toward achievement of the biennial target or the decoupling target, in order to preserve an apples-to-apples comparison between the target and the achievement. As PSE learns more about these programs, they may be added to the target in subsequent biennia.

3. Decoupling Target.

12. In addition to the Biennial Target, PSE has an additional benchmark to meet, in accordance with Order 07 in Dockets UE-121697, which adopted a decoupling mechanism for PSE. According to that order, PSE is required to achieve 5% additional savings above the Commission-approved 2014-2015 Biennial Target. PSE's BCP outlines a budget and programs aimed at fulfilling that commitment. On page 35 of the BCP, PSE states, "It is notable that it isn't possible for PSE to distinguish between 'EIA-compliant savings' and 'decoupling' savings in its tracking and reporting."⁹ Because of this, it will be difficult, if not impossible, to

⁸ BCP, p. 36

⁹ BCP, p. 35.

distinguish whether any achievement beyond the biennial target is due to the decoupling effort, or whether the increase is related to the fact that the increased target falls in a range that might be considered “in the noise.”¹⁰

III. RECOMMENDED CONDITION

13. PSE’s conservation programs have been operating under various conditions since 2002, many of which have become standard practice for all the IOUs. Public Counsel believes that PSE’s 2012-2013 conditions remain relevant and useful, and, for the most part, are only in need of minor adjustments. Prior to the Company’s November 1 filing, the CRAG and PSE engaged in discussion aimed at resolving any areas of conflict in the conditions. One area parties were unable to resolve collaboratively was with regard to the addition of a condition related to distribution efficiency.

14. In the BCP, PSE proposes to recover some of the program costs associated with distribution efficiency through Schedule 120. In the 2012-2013 BCP, PSE proposed similar treatment, however, the tariff rider cost recovery method was removed from the tariffs before they went into effect.¹¹ Staff’s December 29, 2011 Open Meeting memo stated,

Because generation and distribution is part of the company’s duty to provide facilities to deliver electricity that is ‘safe adequate and efficient’ (80.28.010(2)RCW) this new conservation schedule activities will not be funding (sic) through the conservation tariff rider, schedule 120.¹²

¹⁰ For example, the decoupling commitment increases PSE’s target by 27,490 MWh while it is estimated that the expanded behavioral program pilots could achieve 35,330 MWh of savings. *See*, BCP, Exhibit 1.

¹¹ *See*, Docket UE 111860, Replacement pages on behalf of Puget Sound Energy From Tom DeBoer, December 27, 2011; Open Meeting Memo, December 29, 2011 and Comments on behalf of Public Counsel, December 23, 2011.

¹² Docket UE 111860 Open Meeting Memo, December 29, 2011.

15. Because of the nature of these expenditures, as described in the Staff memo, Public Counsel recommends the Commission should add a condition consistent with what is included in PacifiCorp's 2012-2013 conditions. That condition reads:

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 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.¹³

V. CONCLUSION

16. Public Counsel appreciates the opportunity to comment on PSE's proposed 2014-2015 Biennial Conservation Plan. Aside from the questions around an additional condition, there are no outstanding issues, and we are supportive of the Company's proposed Ten-Year Potential and Biennial Target. We look forward to reviewing comments in advance of the December 18, 2013 open meeting.

¹³ PacifiCorp, Condition 11(d).