



Puget Sound Energy
P.O. Box 97034
Bellevue, WA 98009-9734
PSE.com

November 1, 2017

Via Web Portal

Mr. Steven V. King, Executive Director and Secretary
Washington Utilities and Transportation Commission
P.O. Box 47250
Olympia, Washington 98504-7250

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State Of WASH.
UTIL. AND TRANSP.
COMMISSION

**RE: PSE’s Biennial Conservation Plan for 2018-2019
WAC-Required Report: WAC 480-109-120(1)
RCW-Required Report: RCW 19.285.040(1)(b)**

Dear Mr. King:

Pursuant to WAC 480-109-120(1) and condition (3)(e) in Appendix A of Order 01 in Docket UE-152058, (hereinafter referred to as “conditions”, or “requirements”¹) Puget Sound Energy (“PSE” or “Company”) submits this 2018-2019 Biennial Conservation Plan (the “Plan”). The Plan is also consistent with RCW 19.285.040(1)(b), which indicates that every two years, PSE must establish its biennial electric target. In addition to identifying and presenting its biennial electric conservation target, PSE also included its two-year natural gas conservation goal, consistent with various requirements stated in Exhibit F of the Stipulation Agreement in Docket UG-011571.

Savings Targets

The Plan presents detailed information on programs and customer offerings that PSE plans to implement to achieve a 2018-2019 total Portfolio Savings Target of 519,994 Megawatt-hours (MWh) or 59.4 average megawatts (aMW), and Portfolio natural gas savings of 6.195 million therms. PSE requests that the Commission approve its electric Energy Independence Act (EIA) Penalty Target (also referred to as Biennial Conservation Target) of 448,109 MWh, or 51.2 aMW. PSE’s proposed Natural Gas Penalty Target for the next biennium is 6.155 million therms. The difference in the Portfolio totals and Penalty Target values is accounted for in exclusions agreed to between the Company and its Conservation Resource Advisory Group (CRAG).

¹ Sections A through J and Section L of the Electric Settlement Agreement, Docket UE-100177, and the 2001 Rate Case Stipulation Agreement, Exhibit F in Docket UG-011571 remain in effect. PSE reports compliance with these requirements in Exhibit 9: Condition Compliance Checklist.

Penalty Target Development

The 2018-2019 Plan discusses savings target factors considered and presented to PSE's CRAG. The key savings baseline is PSE's 2017 IRP Total Biennial Potential, establishing PSE's 2-year pro-rata share of its 10-year electric conservation potential, which is consistent with WAC 480-109-100(3)(b). To this figure, PSE added: projected savings from its non-core Retail Wheeling customers that participate in its Large Power User/Self-Directed (Schedule 258) program;² the electric decoupling commitment savings, and pilots with uncertain savings. This brought the overall electric Portfolio Savings Target to 519,994 MWh.

Next, PSE subtracted: the Northwest Energy Efficiency Alliance (NEEA) projected electric savings;³ non-core Retail Wheeling Customer savings; pilots with uncertain savings, and; the decoupling commitment savings in order to calculate the final EIA Penalty Target of 448,109 MWh. It is important to note that PSE requests Commission approval of the indicated single EIA penalty savings target, in compliance with WAC 480-109-100(3). Similar to the adjustments made to its electric target, PSE worked with the CRAG to establish the indicated natural gas 2016-2017 savings target.

PSE provides a complete discussion of its savings target calculation methodology in Chapter 4, part C of the 2018-2019 BCP Overview document.

PSE also requests the Commission to approve its Decoupling Commitment Savings Target of 23,658 MWh. Although PSE agreed to base this commitment on the Commission-approved EIA Penalty Target, PSE based the 5 percent calculation on the IRP's Total Biennial Potential, which is 25,053 MWh higher.

Budgets

PSE's 2018-2019 electric budget of \$182.86 million reflects forecasted expenditures needed to achieve the total Portfolio Savings Target of 519,994 MWh, which includes the Commission-approved EIA electric penalty target of 448,109 MWh, the decoupling commitment of 23,658 MWh, pilots without verified savings of 4,480 MWh, and the NEEA projection of 25,054 MWh. Please note that amount includes \$2.16 million allocated to electric programs (for the upcoming biennium, Net Metering is the only program in this Sector) that are excluded from cost-effectiveness calculations.

PSE anticipates expenditures of \$29.59 million to achieve the total Portfolio natural gas savings goal of 6.195 million therms over the two years. That amount includes \$4.44 million allocated to the NEEA Natural Gas Market Transformation initiative. PSE and the CRAG applied the same

² During the IRP development, PSE determined that non-core Retail Wheeling customers (which, in CRAG correspondence and discussions, PSE commonly referred to as "449 Customers") were omitted from the 2017 Conservation Potential Assessment (CPA).

³ NEEA savings are included in the CPA, whereas in previous biennia, PSE added NEEA projected savings separately.

target-setting methodology of excluding pilot savings to develop its Natural Gas Penalty Target. It is noteworthy that the Commission indicated in Order 07 of Dockets UE-121697 and UG-121705 (consolidated), and UE-130137 and UG-130138 (consolidated), that due to continued low natural gas avoided costs, it isn't possible to establish a natural gas decoupling savings adder.

PSE provides a complete discussion of the budget development and key drivers in Chapter 4, part G of the 2018-2019 BCP Overview.

Cost-Effectiveness

The portfolio of electric conservation is calculated to achieve a Total Resource Cost (TRC) benefit-to-cost ratio of 1.40. PSE's natural gas portfolio cost-effectiveness estimates indicate that the Company will achieve a natural gas TRC of 1.34. PSE provides a complete discussion of cost-effectiveness calculation methodology in Chapter 4, part I of the 2018-2019 BCP Overview in the BCP filing.

Compliance

The Plan represents compliance with several requirements, including, but not limited to these highlights:

(WAC 480-109)

- Part 100(1)(b): Types of conservation,
- Part 100(3): Biennial Conservation Target,
- Part 100(5): Energy savings values based on RTF or generally accepted methods,
- Part 110(3): Advance notification of filings.

(2010 Settlement Agreement, UE-100177)

- *F(11): Program Budget*

(2015 Order 01, Appendix A, UE-152058)

- *(3)(c): Consult with CRAG on identifying achievable potential,*
- *(3)(e): BCP deliverable dates*
- *(4)(a) – Annual Budgets and Energy Savings*
- *(5) – Program Details*
- *(7) – Program Design Principles*

PSE collaborated with the CRAG over a period of several months to develop a revised set of 2018-2019 conditions. These conditions, submitted by Commission Staff in its open meeting memo, reflect one minor change to condition (10), which addresses conservation in PSE's generating stations.

2018-2019 BCP Organization

The 2018-2019 Biennial Conservation Plan consists of many documents, which are presented as Exhibits and organized for logical reference. Below is an outline of the eleven Exhibits that provide the 2018-2019 Plan detailed information required, consistent with key requirements outlined in WAC 480-109-120(1), and Appendix A of Order 01 in Docket UE-152058:

- Exhibit i: Ten-year Conservation Potential and Two-year Conservation Targets
- Exhibit 1: Savings and Budgets
- Exhibit 2: Program Cost Effectiveness Estimates
- Exhibit 3: Program Details
- Exhibit 4: List of Measures, Incentives and Eligibility
- Exhibit 6: Evaluation Plan
- Exhibit 7: Marketing & Outreach Executive Summary
- Exhibit 8: EM&V Framework
- Exhibit 10: Northwest Energy Efficiency Alliance (NEEA) Plan
- Exhibit 11: 2016-2017 Tariff Revisions

Please note that Exhibit 5: Prescriptive Measures is excluded from PSE's planning documents, as measure savings values for future years is not yet loaded into the Energy Efficiency tracking system DSMc. Exhibit 9: Condition Compliance Checklist is excluded from the Plan, as it is a backward-looking document, reflecting PSE's achieved compliance with regulatory requirements. Exhibit 5 will be included with PSE's first-quarter 2018 update of Exhibit 4: Measures, Incentives & Eligibility. Exhibit 9 will be included as a part of PSE's Annual Report of Energy Conservation Accomplishments, submitted on March 1, 2018.

BCP Development Deliverables

The Company and the CRAG collaborated four times throughout 2017 to share and discuss plans for energy efficiency programs, establish and agree upon targets and budgets, and agree on a course of action for 2018-2019. In accordance with conditions (3)(c) and (3)(e), PSE provided CRAG members the following elements of the Plan in preparation for this filing:

- May 31: Review steps to calculate the conservation potential and 2017 IRP guidance.⁴
- July 26: Ten-year Conservation Potential and Two-year Conservation Target for 2018-2019.
- September 7: Draft budget details and draft program details.
- October 11: Draft tariff schedule revisions.

⁴ Although this step is excluded from the deliverables outlined in condition (3)(e) in Appendix A of Order 01 in Docket UE-152058, PSE and the CRAG consider it to be an essential step in developing the 2018-2019 electric and natural gas targets.

Mr. Steven V. King

Page 5

November 1, 2017

PSE provided an electronic copy of the complete Plan, including all Exhibits, to the CRAG on September 29, consistent with WAC 480-109-110(3). CRAG members will also receive the electronic version of the final, filed package concurrent with this filing, with the exception of Exhibit 11: Tariff Revisions. Revisions to conservation tariff sheets are included in a separate filing, concurrent with the BCP filing. Tariff revisions clarify terminology, update budgets and provide Plan effective dates.

Since providing the first condition (3)(e) deliverable in July 2017, the Company has provided responses to all questions from CRAG members relative to the Plan and will continue to respond to all questions going forward.

BCP Publication

Exhibits 1 through 4, will be posted on the PSE website (www.PSE.com) within 30 days of Commission approval. Due to the size of the file, the posted Exhibit 1 will be limited to the 2018-2019 portfolio view only. Exhibits 2 through 4 will replace documents currently posted, which will then be added to the website's historical archive. Tariff sheet revisions will not be posted alongside the other Exhibits, as tariff sheets are posted in a separate section of the website. at <https://pse.com/aboutpse/Rates/Pages/default.aspx>.

Please contact Nate Hill at (425) 457-5524 for general information about this filing, or contact Andy Hemstreet at (425) 424-6918 for additional information about the Plan. Please contact Bob Stolarski at (425) 456-2585 for policy related questions about this submittal. If you have any other questions please contact me at (425) 456-2110.

Sincerely,

/s/ Kenneth S. Johnson

Ken Johnson
Director, State Regulatory Affairs
Puget Sound Energy
PO Box 97034, PSE-08N
Bellevue, WA 98009-9734
425-456-2110
ken.s.johnson@pse.com

cc: Lisa Gafken
Sheree Carson

Attachments:

Exhibit i: Ten-Year Potential and Two-Year Targets

Exhibit 1: 2018-2019 Savings and Budgets

Mr. Steven V. King

Page 6

November 1, 2017

Exhibit 2: 2018-2019 Cost-Effectiveness Calculations

Exhibit 3: 2018-2019 Program Details

Exhibit 4: 2018-2019 Measures, Incentives & Eligibility

Exhibit 6: 2018-2019 Evaluation Plan

Exhibit 7: 2018-2019 Marketing Plan Executive Summary

Exhibit 8: 2018-2019 EM&V Framework

Exhibit 10: 2018-2019 Northwest Energy Efficiency Alliance Plan