

**BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of

PUGET SOUND ENERGY'S

Petition Seeking Authorization to Apply
Excess Conservation Savings to Future
Decoupling Conservation Target
Shortfall

DOCKET UE-152058

ORDER 02

ORDER GRANTING PETITION

BACKGROUND

- 1 On October 24, 2016, Puget Sound Energy (PSE or Company) filed with the Washington Utilities and Transportation Commission (Commission) a Petition Seeking Authorization to Apply Excess Conservation Savings to Future Decoupling Conservation Target Shortfall (Petition). Order 01 in this Docket approved the Company's 2016-2025 Achievable Conservation Potential and 2016-2017 Biennial Conservation Target, subject to conditions.¹
- 2 In its Petition, PSE requests that the Commission allow it to apply 38,906 megawatt-hours of excess electric savings earned in the 2014-2015 biennium to a potential shortfall of its Commission-approved decoupling conservation target in a future qualifying biennium pursuant to the Energy Independence Act (EIA)² and WACs 480-07-370 and 480-109-100.
- 3 RCW 19.285.040(1)(c)(i) provides that "cost-effective conservation achieved by a qualifying utility in excess of its biennial conservation target may be used to help meet the immediately subsequent two biennial acquisition targets, such that not more than 20 percent of any biennial target may be met with excess conservation savings."³

¹In Dockets UE-121697 and UG-121705, the Commission granted the parties' joint motion to amend Order 07, thereby designating the Company's biennial conservation plan as the appropriate docket in which to address issues related to the Company's decoupling conservation commitments, including any filings related to the use of excess conservation towards compliance with a decoupling conservation commitment.

² See RCW 19.285.

³With House Bill 1643 (63rd Legislature 2014, 2014 Regular Session), the Washington Legislature amended RCW 19.285.040, effective January 1, 2014.

4 WAC 480-109-100(3)(c) provides:

Excess conservation. No more than twenty-five percent of any biennial target may be met with excess conservation savings allowed by this subsection. Excess conservation may only be used to mitigate shortfalls in the immediately subsequent two biennia and may not be used to adjust a utility's ten-year conservation potential or biennial target. The presence of excess conservation does not relieve a utility of its obligation to pursue the level of conservation in its biennial target.

(i) Cost-effective conservation achieved in excess of a biennial conservation target may be used to meet up to twenty percent of each of the immediately subsequent two biennial targets.

In Order 05 in Docket UE-132043, the Commission found that PSE achieved 38,906 megawatt-hours of excess conservation during the 2014-2015 biennium.⁴

5 In its Petition, PSE commits to using its "building the electric target" spreadsheet as the basis for future biennial reporting to avoid double counting its electric savings.⁵ PSE also addresses the concern that allowing it to apply excess electric savings to potential decoupling commitment shortfalls may result in scaling back conservation efforts. PSE notes that there are "substantial checks and balances in the existing laws, rules and programs to prevent any scaling back," reiterating Commission oversight and the involvement of its Conservation Resource Advisory Group (CRAG) in the Company's target-setting.⁶ PSE also proposes calculating excess electric savings, going forward, using its existing conservation calculation methodology.

6 On November 9, 2016, the Northwest Energy Coalition (NVEC) filed a response opposing the Company's Petition. NVEC argues that there is no current need to grant PSE's request because the Company is not in danger of being unable to meet its decoupling target, and it has exceeded its biennial conservation target and decoupling conservation commitments for the preceding three biennia. NVEC also argues that the

⁴ *In re Puget Sound Energy's 2014-2015 Biennial Conservation Target Under RCW 19.285.040*, Docket UE-132043, Order 05, ¶ 19 (August 15, 2016).

⁵ PSE Petition, ¶ 12, Table 1.

⁶ PSE Petition, ¶ 31.

EIA and Commission rules refer only to biennial conservation targets, not decoupling requirements.

7 On November 14, 2016, Public Counsel filed a response supporting the Company’s Petition and its methodology for calculating excess electric conservation savings going forward. Public Counsel is sensitive to the potential for weakening the Company’s decoupling conservation commitment, but notes that the EIA’s amendment “recognizes early acquisition of conservation savings.”⁷ Public Counsel also notes that there are a number of related, significant issues that will be dealt with in the Company’s next general rate case, including the Company’s decoupling conservation commitment target and its decoupling mechanisms as a whole.

8 Also on November 14, 2016, Commission Staff (Staff) filed a response in support of the Company’s Petition. Staff believes that allowing the Company to use excess electric conservation from a qualifying biennium towards a future shortfall of its decoupling conservation commitment is consistent with the legislative update to the EIA. Staff does not believe that the Petition requests or requires approval of any particular methodology for calculating excess conservation savings going forward. Staff clarified in its December 8 Open Meeting memorandum that the specific methodology outlined in the Petition was previously approved in this docket within the Company’s 2016-2017 Biennial Conservation Plan.⁸ Staff believes the approval of a specific methodology will continue to be appropriately addressed through the process for biennial conservation plan approval. Finally, Staff finds that there are sufficient safeguards to protect against miscalculations, double-counting, or any scaling back of conservation efforts.

9 Staff recommends the Commission grant the Company’s Petition and confirm that 38,906 megawatt-hours of excess conservation achieved in the 2014-2015 biennium are eligible for application to the decoupling portion of the 2016-2017 conservation target. Staff notes that granting the Petition would not relieve the Company of its obligation to actively pursue its 2016-2017 conservation target.

DISCUSSION

10 We agree with Staff and Public Counsel and grant PSE’s Petition to apply excess conservation savings to a future decoupling conservation target shortfall. As the

⁷ Public Counsel Response, ¶¶ 6-7.

⁸ PSE Petition, ¶ 12.

Company notes in its Petition, it is reasonable to consider its decoupling conservation target as equivalent to the EIA target for the purpose of applying excess conservation savings to future biennia.

11 Moreover, granting the Petition is consistent with our previous decisions. When the Commission approved PSE’s decoupling mechanism, we recognized decoupling’s ability to “remove barriers to increased acquisition of energy efficiency ... [and] lead to concrete increases in energy efficiency as well.”⁹ Granting the Petition removes a strong disincentive to accelerate conservation efforts by encouraging PSE to pursue savings now that it might otherwise have withheld as a hedge against future decoupling target shortfalls. Accordingly, we agree with Staff that granting the Petition – which will encourage the Company to undertake greater, immediate conservation efforts – is in the public interest.

FINDINGS AND CONCLUSIONS

- 12 (1) The Commission is an agency of the state of Washington vested by statute with the authority to regulate the rates, rules, regulations, practices, accounts, securities, transfers of property and affiliated interests of public service companies, including electric companies.
- 13 (2) PSE is an electric company and a public service company subject to Commission jurisdiction.
- 14 (3) On October 24, 2016, PSE filed a Petition Seeking Authorization to Apply Excess Conservation Savings to Future Decoupling Conservation Target Shortfall.
- 15 (4) This matter came before the Commission at its regularly scheduled meeting on December 8, 2016.
- 16 (5) After reviewing PSE’s Petition filed on October 24, 2016, and giving due consideration to all relevant matters and for good cause shown, the Commission finds it is in the public interest to grant PSE’s Petition.

⁹ *In the Matter of the Petition of Puget Sound Energy, Inc. and Northwest Energy Coalition 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, UE-130137 and UG-130138 (consolidated), Order 07 (June 25, 2013) ¶ 108.

ORDER

THE COMMISSION ORDERS:

- 17 (1) Puget Sound Energy's Petition Seeking Authorization to Apply Excess Conservation Savings to Future Decoupling Conservation Target Shortfall is granted.
- 18 (2) A total of 38,906 megawatt-hours of excess conservation achieved in the 2014-2015 biennium are eligible for application to the decoupling portion of the 2016-2017 decoupling target.
- 19 (3) This Order shall not affect Puget Sound Energy's obligation to actively pursue its 2016-2017 conservation target.
- 20 (4) The Commission retains jurisdiction over the subject matter and Puget Sound Energy to effectuate the provisions of this Order.

DATED at Olympia, Washington, and effective December 8, 2016.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chairman

PHILIP B. JONES, Commissioner

ANN E. RENDAHL, Commissioner