

April 19, 2012

VIA ABC LEGAL MESSENGER AND ELECTRONIC MAIL

David Danner
Executive Director and Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Pk. Dr. S.W.
PO Box 47250
Olympia, WA 98504-7250

Re: **Puget Sound Energy**
Docket No. UE-120292 Electric Conservation Service Rider, Schedule 120
Docket No. UG-120291 Gas Conservation Service Tracker, Schedule 120

Dear Mr. Danner:

Public Counsel submits these comments in advance of the Commission's April 26, 2012, Open Meeting. These comments address Public Counsel's review of PSE's energy efficiency programs and practices in connection with the Company's Electric Conservation Service Rider (Schedule 120) and Natural Gas Conservation Service Tracker (Schedule 120) filings. While these comments are related to the tariff filings in Docket Nos. UE-120292 and UG-120291, the discussion is focused on items included in PSE's Energy Efficiency Services 2011 Annual Report of Energy Conservation Accomplishments (Annual Report), which was filed on February 15, 2012 (Docket No. UE-970686). The Annual Report relates to the present filing in that it provides information regarding achievement for 2011. The 2011 results are reflected directly in the costs recovered through the gas tracker filing, and in the true-up component of the electric rider filing.

Due to the amount of information available related to PSE's conservation programs and the significant costs collected through the Schedule 120 rider and tracker, Public Counsel worked with Staff in its review of this filing, in order to collaborate on areas of common interest and also cover more content in the short window of time. Public Counsel agrees with Staff's assessment of the tariff filing, and supports its recommendation to allow the tariffs to take effect.

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Public Counsel Recommendation

Public Counsel supports the Staff recommendation to take no action, to allow PSE’s proposed tariffs in Docket No. UE-120292 to become effective. PSE’s proposed natural gas conservation tracker (Schedule 120) in Docket No. UG-120291, which was previously suspended by the Commission on March 29, 2012, should also be allowed to become effective.

A. 2011 EES Annual Report

1. 2012 Budget and Reported Savings

Both the Electric and Gas programs were under budget in 2011. As shown in Table 1 of the Annual Report,¹ featured below, electric expenditures were approximately \$12.9 million (14.2%) under budget and gas expenditures were approximately \$3.8 million (19.7%) under budget.

Table 1: EES 2011 Savings, Expenditures and TRC Results

2011	Savings	Expenditures	TRC B/C Ratio
Electric (MWh)	348,926	\$77,865,547	2.65
Goal/Budget	338,960 (38.8 aMW)	\$90,793,904	
Percent	102.9%	85.8%	
Gas (Therm)	5,186,721	\$15,489,414	1.36
Goal/Budget	4,789,478	\$19,280,456	
Percent	108.3%	80.3%	

348,926 MWh divided by 8,760 hours = 39.8 aMW
 Savings are stated in terms of first-year annual figures, without line losses.

A review of Exhibit 1 to the Annual Report reveals that a few programs were significantly below budget, particularly with regard to costs associated with rebates and services. These include, on the electric side, the Residential Single Family Existing Program, the Commercial and Industrial Retrofit Program, and the Schedule 258 Large Power User Self-Direct program. On the gas side, the reduced spending is almost entirely attributable to the Residential Single Family Existing Program, which was \$4.6 million below budget.²

¹ PSE’s Energy Efficiency Services 2011 Annual Report of Energy Conservation Accomplishments (Annual Report), filed on February 15, 2012, Docket No. UE-970686, p. 15.

² In this category, PSE was \$3.4 million below the budgeted amount for the costs labeled as “Direct Benefit to Customer” (In the definitions given to the Cost Element Segment by PSE, costs labeled as “Direct Benefit to Customer” are associated with rebates, grants, remuneration, value-added services).

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Despite the fact that PSE spent less than anticipated on both the gas and electric programs, the Company exceeded its savings targets. As also shown in Table 1, PSE achieved 102.9% of its electric target, and 108.9% of its gas target.

2. Residential Gas Programs

While PSE exceeded its gas savings target, reported savings for gas residential programs were lower than anticipated.³ Based on the information in Table 1f of the Annual Report, of the various sectors for the electric and gas programs, only the residential gas sector did not exceed its 2011 anticipated savings.

This is particularly noteworthy because, for the first time in 2011, savings from the Home Energy Reports (HER) program were included in the results. However, these savings were not originally included in the projected savings outlined in the 2011 Annual Conservation Plan. Thus, the savings for the residential gas program are below the targeted amount, despite the addition of these savings. Moreover, HER savings are now a considerable portion of the Residential Gas Portfolio. According to the EES Annual Report, in 2011 HER represented 19% of residential natural gas savings.⁴

Additionally, a significant portion of the reported savings for the residential gas program is attributable to the Holiday Outreach Campaign, during which PSE distributed 40,000 low-flow shower heads in the months of November and December.⁵ This resulted in 149,000 therm savings, which is approximately 9% of the residential gas savings. Without this program, the gas residential program would have only achieved 70.8% of its projected savings (rather than the reported amount of 77.9%) Public Counsel has asked the Company for additional information about this effort, and may be able to provide further information as it is available at the April 26 Open Meeting.

It is understandable that the residential gas program performed at a lower than expected level, particularly in light of the October suspension of the PSE's residential gas water heating program, a decision which Public Counsel supported. However, the considerable portion of residential gas savings that is attributable to the HER program and shower heads serves to highlight the challenge that gas conservation programs face in light of the current avoided cost of gas.

3. Savings by Measure Type

One interesting component of the 2011 EES Annual Report is highlighted by several charts that show how the reported savings are divided among the various sources for PSE's savings

³ Annual Report, p. 20, Table 1f, "Column YE % of Goal."

⁴ Annual Report, p. 67. In contrast, HER represents about 3.6% of the electric residential savings for 2011.

⁵ Annual Report, pp. 91-92.

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estimates.⁶ According to Condition K(6)(b) and (c) of the Settlement Agreement in Docket No. UE-100177, PSE must use the RTF's "deemed" savings for electric measures, and if PSE uses savings estimates that differ from the RTF, they must be based on generally accepted impact evaluation data, and other reliable and relevant source data that has verified savings levels, and must be presented to the CRAG for comment. The RTF savings estimates are particularly relevant for the reliability of savings attributable to residential programs, which do not have the same type of "custom" programs that account for a large portion of the Business Sector portfolio.⁷

According to the Annual Report, 83% of PSE's residential electric savings are derived from RTF savings estimates,⁸ whereas for the business sector, only 1% of the savings are derived from RTF estimates.⁹ Because the business sector is so dependent on custom and calculated savings estimates, rather than RTF-deemed savings, Public Counsel is particularly interested in the forthcoming results from a recent evaluation of PSE's C&I Retrofit programs. This evaluation will provide valuable information about a considerable portion of the savings associated with PSE's electric and gas portfolios.¹⁰ While the C&I evaluation was scheduled for completion in 2011, PSE has informed the CRAG that it was not completed in time for inclusion in Exhibit 6 to the Annual Report. However, the Company has indicated that this evaluation will be included in the Company's 2010-2011 biennial report that will be filed by June 1, 2012.¹¹

4. Improvements and Updates included in the Annual Report

Public Counsel compliments PSE's EES staff on its 2011 EES Annual Report. The report provides a valuable overview of the Company's programs, activities and achievements. A number of changes were made this year that have improved it over the previous version.¹²

⁶ See, Annual Report, p. 24 for the entire electric and gas portfolios. PSE also included sector level information, which is located on p. 72 for electric, and p. 125 for gas.

⁷ Public Counsel believes that use of RTF savings estimates is helpful for stakeholder review of programs, and can also contribute to cost-savings to customers. When RTF estimates are not used, the review of savings is much more burdensome and time intensive. In those instances, the assumptions and sources of information used need to be carefully vetted, as each of the assumptions and methods can have a considerable impact on the savings estimate. As outlined in Condition K(6)(c), savings that are not based upon the RTF-vetted estimates for savings are required to include accompanying documentation as to how they were developed, and must undergo evaluation to ensure accuracy.

⁸ Annual Report, p. 72.

⁹ Annual Report, p. 125.

¹⁰ According to information provided at the March 22, 2012 CRAG meeting, the C&I Retrofit evaluation looked at the following programs: Electric C&I retrofit, Energy Smart Grocer, Building Energy Optimization Program, Gas C&I Retrofit Program, Schedule 258 Large Power User Self-Directed Program, and LED Traffic Signals.

¹¹ This filing will also be filed with the Washington Department of Commerce, per condition K(8)(h)), and will include an independent third-party review of PSE's reported electric savings for the 2010-2011 biennium, to verify those savings, as well as an evaluation of the Low-Income weatherization program that was not available in time for inclusion with the 2011 Annual Report.

¹² PSE highlighted many of these changes in the letter included with the Annual Report filing in Docket No. UE-970686.

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Additionally, Public Counsel noted several instances where EES staff added components to the report in areas where Public Counsel and other parties had sought further information in the prior Schedule 120 review.¹³ Public Counsel is particularly pleased that the Annual Report includes a comparison between the budgets and actuals, based on cost element.¹⁴ The accounting detail by cost element group has been a feature of the 2011 Annual Conservation Plan and the 2012-2013 Biennial Conservation Plan, and having the report match the format used for planning allows for easier and more meaningful comparisons. Additionally, this level of detail provides greater transparency with regard to how ratepayer dollars are spent.

B. Questions about Process and Timing

It is difficult to conduct a full review of PSE's conservation programs and expenditures in the time allotted, particularly when these filings coincide with other major case deadlines, despite the fact that PSE's EES staff has provided an Annual Report that has a considerable amount of useful content and that the Company has been responsive to inquiries. Public Counsel believes that it would be useful for stakeholders to re-evaluate the review period associated with these filings. This is particularly true of the timeline for the Schedule 120 gas tracker. Due to the fact that the Conservation Settlement Agreement Conditions from Docket Nos. UE-011570 and UG-011571 was only updated for electric in Docket No. UE-100177, the review period is for the gas and electric tariffs are mismatched, 60 days for the electric tariff and 30 days for gas. Since that change was made, the Commission has twice suspended the gas tariffs until the completion of the electric review and audit. This seems to be needlessly burdensome both for PSE and the Commission.

Public Counsel has suggested that the CRAG should attempt to resolve this, and any other administrative inefficiencies that exist between gas and electric requirements, so that the same problems do not arise each year. PSE has indicated that it can provide a list of areas where inconsistencies exist, and discussions will continue. However, based on the size and scope of PSE's programs, it may be reasonable to question whether the review of these filings can be adequately completed, even within the expanded 60 day period, particularly because the majority of stakeholders who participate in the CRAG and receive updates from the Company engage largely on a policy level, and do not have expertise in accounting. Public Counsel would like to continue this discussion with Staff and other stakeholders.

¹³ For example, after a number of questions were asked about the process for dues and fees in the 2011 Sch. 120 Tariff Review, PSE included a additional section in this report that specifically highlights this component. (*See*, Exhibit 1 Other changes

¹⁴ This is present in pp. 18-19, as well on a program-level basis in Exhibit 1, as well as in each section of the annual report pertaining to the Sector.

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C. Conclusion

Public Counsel appreciates your consideration of these issues. I will attend the Commission's April 26, 2012, Open Meeting to address any questions regarding these comments.

Sincerely,

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