

Agenda Date: September 15, 2011  
Item Number: A2

**Docket:** UE-111497  
Company: Puget Sound Energy

Staff: David Nightingale, Senior Regulatory Engineering Specialist  
Deborah Reynolds, Regulatory Analyst

### **Recommendation**

Take no action, thereby allowing the tariff filings made by Puget Sound Energy, Inc., in Docket UE-111497 to become effective on September 16, 2011, by operation of law.

### **Background**

On August 16, 2011 the company filed Docket UE-111497, to revise the terms and conditions for the electric large power users to access the funds available under the self-directed conservation program, Schedule 258. This filing was made in compliance with Docket UE-100177 regarding settlement conditions related to the requirements of Washington's Energy Independence Act (I-937).<sup>1</sup> In general the self-directed conservation program is designed to encourage large industrial and commercial customers to pay into a multi-year fund dedicated to their conservation projects and to draw on the funds to implement and achieve larger, longer-lead-time conservation projects. Due to the recent increase in rates,<sup>2</sup> the available funds are increasing more rapidly than customers are using them. The company proposes increasing the draw-down period of the fund from four to five years, and implementing new protocols for dealing with end-of-period balances.

The large self-directed customers are of two classes, wheeling<sup>3</sup> and non-wheeling.<sup>4</sup> Both classes of customers can access self-directed conservation services through PSE's Schedule 258. Self-directed conservation customers propose large energy conservation projects for their facilities and enter into multi-year agreements with PSE for feasibility, cost-effectiveness, and, if approved by PSE, their implementation.

The tariff changes<sup>5</sup> that went into effect on May 1, 2011 particularly affected the non-wheeling customers, moving them from a budget-based rate cost recovery to a peak-credit method for

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<sup>1</sup> Order 05, Docket UE-100177, Agreed Conditions for Approval, Section H (16).

<sup>2</sup> Staff Open Meeting Memo, Dockets UE-110399 and UE-110400, April 28, 2011.

<sup>3</sup> Wheeling customers purchase only electric transmission and distribution services from PSE but not energy from PSE. They receive electric service under Schedules 448, 449, 458 and 459, and are referred to by the company as "Schedule 449" or "449 customers."

<sup>4</sup> Non-wheeling customers eligible for the self-directed program purchase their energy, as well as transmission services from PSE. They receive electric service under Schedules 40, 46, and 49 and are referred to by the company in this filing as "non-449 customers."

<sup>5</sup> Staff Open Meeting Memo, Dockets UE-110399 and UE-110400, April 28, 2011.

conservation cost recovery. The overall effect of this change was to dramatically increase the amount of funds available for non-wheeling customers using the Schedule 258 self-directed program, consistent with final Order in Docket UE-100177.<sup>6</sup>

While it is good to provide additional funds for cost effective conservation programs, the additional amount of funds made available to non-wheeling Schedule 258 customers came mid-cycle in the normal 4-year project cycle that PSE has been using. This unanticipated level of funding meant that there was inadequate lead time to plan for and accomplish many potential projects that customers might have otherwise been able to propose and complete. The company projected that there would be too much funding available with no practical way to efficiently and effectively accelerate projects with the remaining time in the current cycle. To alleviate this problem PSE proposed to the Conservation Resources Advisory Group (CRAG) that the current program cycle be extended one year, making the current cycle five years for this cycle only. The CRAG met many times to consider the need and practicality of this proposal.

Docket UE-100177's final order<sup>7</sup> directed the parties to hold meetings to more fully discuss unresolved issues surrounding the rate structure for the large commercial and industrial customers. The project cycle was the last unresolved issue from that effort. Staff and other interested parties including the ICNU, Public Counsel, and Northwest Energy Efficiency Coalition attended CRAG meetings in March, May and July to discuss the proposed changes to the project-cycle that are the subject of this tariff filing. PSE distributed a draft tariff to the CRAG on August 1, 2011 for review and comment.

## **Discussion**

The Company sponsored a series of CRAG meetings to discuss both the practical problem presented as well as invited some large power use-customers to the meetings to describe their experience with the Schedule 258 conservation program and what timelines are practical for within their organizations. After robust discussions and exploration of options, the CRAG came to understand and agree with the company's proposal to manage the unanticipated funding level in the Schedule 258 program.

The tariff revisions explain that each Schedule 258 customer may access the funds it contributes during an initial three-year non-competitive period. This practice encourages customers to use their self-funded monies to achieve significant cost-effective conservation that might otherwise be postponed or cancelled by the customer, and greatly benefits the system. During the last 19 months of the program, all remaining funds are combined in a competitive phase and offered to

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<sup>6</sup> Order 05, Docket UE-100177, Agreed Conditions for Approval, Section H (16).

<sup>7</sup> Order 05, Docket UE-100177, Agreed Conditions for Approval, Section H (16).

all Schedule 258 customers. This practice ensures that customers have additional opportunities for achieving conservation savings. In addition, non-wheeling customers remain eligible for incentive amounts defined in other programs, but must first use their designated allocation for the Schedule 258 incentives prior to receiving funding from other programs, thus ensuring that all cost-effective conservation will be pursued.

Additional mechanics of this program and final dispensation of any remaining balances is described in the revised tariff language in the revised tariff pages for Schedules 83 and 258. Schedule 258 revised tariff, section 5 “Program Mechanics”, describes what happens to funds that are over or under collected as well as unspent funds that were contracted. For contract projects where the customer did not fully spend all the allocated money, the funds will be returned to the general conservation program pool under Schedule 120 (see tariff subsections 5(a) and (b)). For over or under spent funds that were not under contract at the end of the project cycle, the balances will be transferred to the following cycle for the Schedule 258 conservation program (see subsection 5(c) in the proposed tariff, “True up”). This is acceptable because the true up balances have traditionally not been large in comparison to total funding for the four year period. The true up in the last project cycle ending in 2009 was less than 0.5 percent.

#### 2006-2009 PROGRAM

Total Collections for the period 2006-2009 : **\$9,435,831**

True-Up Over/Under : **(\$45,188) -- under collection**

#### Conclusion

Staff recommends that the commission take no action, thereby allowing the tariff filings made by Puget Sound Energy, Inc., in Docket UE-111497 to become effective on September 16, 2011, by operation of law.