

Agenda Date: December 18, 2013  
Item Numbers: D6 and D8

**Dockets: UE-132043 and UE-132032**

Company: **Puget Sound Energy**

Staff: Juliana Williams, Regulatory Analyst

### **Recommendation**

Issue an order approving Puget Sound Energy's (PSE's) 10-year conservation potential of 2,730,408 megawatt-hours (MWh) and biennial conservation target of 485,770 MWh, subject to the conditions in Attachment A, and suspending the First Revision of WN U-60, Tariff G, Sheet 292-A, and allowing all other tariff revisions filed by PSE in Docket UE-132032 to take effect January 1, 2014, by operation of law.

### **Background**

On November 1, 2013, PSE filed its "2014-2015 Biennial Conservation Plan" (BCP or Plan) with the Washington Utilities and Transportation Commission (commission) under Docket UE-132043. The Plan identifies a 2014-2023 achievable conservation potential of 2,730,408 megawatt-hours (MWh), a 2014-2015 biennial conservation target of 485,770 MWh, and business plan to implement conservation programs to achieve that target. Staff filed responsive comments on the Plan on December 3, 2013.

Also on November 1, 2013, PSE filed tariff changes under Docket UE-132032 to provide for continuation of PSE's electric conservation programs, which are set to expire on December 31, 2013. The proposed changes also include several programmatic updates. The tariff changes do not impact current rates, but would allow for future recovery of expenditures related to Conservation Voltage Reduction, which is currently prohibited.

PSE serves approximately 1.1 million electric customers in Island, King, Kitsap, Kittitas, Pierce, Skagit, Thurston and Whatcom counties.

### **Biennial Conservation Target and Portfolio Savings**

As described in Staff Comments, PSE conducted a Conservation Potential Assessment which evaluated the 2014-2023 achievable conservation potential of end-use efficiency measures and production, transmission and distribution efficiency, resulting in a 10-year potential of 2,730,408 MWh. From there PSE made two adjustments, shown in Table 1 below, to the 10-year potential to develop its 2014-2015 biennial conservation target of 485,768 MWh. PSE subtracted the savings associated with the Northwest Energy Efficiency Alliance (NEEA) from its target, in a manner effectively consistent with the joint proposal filed on October 31, 2012, in Docket UE-100177. PSE also added savings associated with its existing program Home Energy Reports behavioral program, because the CPA does not evaluate behavioral programs.

Further, PSE added the additional 5 percent savings above the biennial conservation target it committed to achieving through the decoupling mechanism in UE-121697. Finally, PSE added the savings it expects to achieve from its Individual Energy Reports pilots, which results in a 2014-2015 portfolio that is designed to achieve 621,120 MWh.

**Table 1. Development of PSE's 2014-2015 Biennial Conservation Target and Portfolio Savings**

<b>Savings Category</b>	<b>Savings (MWh)</b>
End-Use Efficiency Measures (CPA)	551,880
Less NEEA	(72,533)
End-Use Efficiency Measures Subtotal	479,347
Plus Existing Home Energy Reports	6,421
<b>2014-2015 Biennial Conservation Target</b>	<b>485,768</b>
Plus Decoupling Commitment (5%)	27,920
Plus Individual Energy Reports pilots	35,330
<b>2014-2015 Total Portfolio Savings</b>	<b>621,120</b>

PSE discussed these adjustments with the Conservation Resources Advisory Group (CRAG) during the months leading up to the filing of the BCP.

### **Biennial Budget and Cost-Effectiveness**

The BCP provides budget details regarding PSE's plan for achieving the savings identified in its biennial conservation target and total portfolio. A summary of these details is provided in Table 2 below. PSE's 2014-2015 budget is \$188,784,100, which is approximately 2 percent lower than the budget for the 2012-2013 biennium. For comparison, PSE's expected total portfolio savings for 2014-2015 are almost 7 percent lower than the 2012-2013 biennium. The decline in savings is due to factors including increased saturation levels, lower avoided costs and updated unit energy savings (UES) values for certain measures.

Despite these downward pressures, PSE's portfolio achieves a Total Resource Cost (TRC) ratio of 1.6 and a Utility Cost Test (UCT) ratio of 2.25, indicating that the portfolio is still cost-effective.<sup>1</sup>

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<sup>1</sup> PSE BCP, page 44.

**Table 2. Savings and Budgets from PSE’s 2012-2013 and 2014-2015 BCPs.**

<b>Program</b>	<b>2014-2015 Projected Savings (MWh)</b>	<b>2014-2015 Budget</b>	<b>2012-2013 Projected Savings (MWh)</b>	<b>2012-2013 Budget</b>
Residential				
<i>Low-income</i>	3,140	\$6,198,000	3,900	\$5,374,000
<i>Home Energy Reports</i> <sup>2</sup>	6,420	\$320,300	11,000	\$431,000
Residential Total	263,930	\$91,718,500	298,900	\$85,053,000
Non-Residential	243,130	\$68,414,800	312,100	\$80,511,000
Pilots	35,330 <sup>3</sup>	\$2,870,100	0	\$77,000
Regional <sup>4</sup>	78,730	\$10,843,100	55,000	\$11,144,000
Administration/Other	-	\$14,937,600	-	\$16,721,000
<b>Total</b>	<b>621,120<sup>5</sup></b>	<b>\$188,784,100</b>	<b>666,000</b>	<b>\$193,429,000</b>

Note: Low-Income and Home Energy Reports programs are included in the Residential program row. 2012-2013 values are as filed in the 2012-2013 BCP in Docket UE-111881.

### Individual Energy Reports

PSE plans to launch four Individual Energy Reports pilots, similar to the existing Home Energy Reports program run by Opower. These pilots are targeted at high-usage customers, electric-only customers, rural customers and small businesses, and are intended to engage approximately 100,000 residential customers and 10,000 small-to-mid-sized business customers. PSE expects the pilots to achieve 35,330 MWh of savings with a budget of \$2,870,100. Due to uncertainty around the expected savings, because these are new programs with new treatment and control groups, PSE did not include these savings in its biennial conservation target. Although it is not explicit in the BCP, PSE has communicated that it does not intend to count the savings from the Individual Energy Reports pilots toward the achievement of the biennial target or 5 percent decoupling commitment. Staff and Public Counsel support this treatment of the savings.

### Conditions List

Staff worked with PSE and CRAG members to develop a set of conditions for PSE’s conservation programs in the 2014-2015 biennium. The resulting conditions list is included in Attachment A, modified with the addition of new condition 11(d) proposed by staff.

<sup>2</sup> This is PSE’s existing Home Energy Reports program.

<sup>3</sup> This is the Individual Energy Reports pilots.

<sup>4</sup> Savings and budgets associated with NEEA and the Generation, Transmission & Distribution Efficiency program.

<sup>5</sup> The total 2014-2015 projected savings shown in this table is the amount of conservation PSE’s portfolio is designed to achieve, which is greater than the 2014-2015 biennial target of 485,768 MWh.

Condition 11(d) addresses PSE's proposal to recover expenditures associated with its Conservation Voltage Reduction (CVR) program through the Electric Conservation Service Rider. PSE's cover letter for the initial filing in Docket UE-132032 asserts that CVR meets the statutory definition of conservation and that the commission has acknowledged CVR as a conservation program through inclusion of the program in Schedule 292. Further, PSE states that nothing in the original Commission order authorizing recovery of conservation expenditures<sup>6</sup> prohibits the recovery of certain CVR costs (i.e., labor) through the rider.

As discussed in the Staff Comments, staff does not dispute that CVR qualifies as conservation and should be included in PSE's biennial target. However, staff opposes recovery of the proposed labor costs through the rider, and instead believes they should be recovered through general rates to account for any offsetting factors. The commission previously prohibited PacifiCorp from recovering similar costs through its System Benefits Charge for the 2013-2013 biennium.<sup>7</sup> Public Counsel's comments expressed support for adding a condition similar to PacifiCorp's which would prohibit PSE's recovery of these costs. The Northwest Energy Coalition (NWECC) supports the recovery of the labor costs through the rider.

### **Proposed Tariff Revisions**

To implement the programs described in the BCP, PSE filed tariff revisions in Docket UE-132032. For the most part, the revisions reflect revised dates, text clarifications and minor administrative changes. PSE filed two replacement pages on December 10, 2013, to address minor issues identified by Staff. As a result, staff's only objection to the proposed tariff revisions is to the changes on WN U-60, Tariff G, Sheet 292-A, which would allow PSE to recover funds associated with CVR through the Electric Conservation Service Rider. As discussed above, staff opposes this method of recovery for CVR costs, and recommends that the commission suspend WN U-60, Tariff G, Sheet 292-A.

### **Stakeholder Comments**

The commission received comments from Public Counsel on December 3, 2013, and from the NWECC on December 9, 2013. Public Counsel expressed its support for PSE's application of the NEEA proposal, recommended excluding the Individual Energy Reports pilot savings from the 2014-2015 target and decoupling commitment, and recommended the addition of a condition to prohibit recovery of CVR-related expenditures through the Electric Conservation Service Rider. NWECC's comments recommended against the addition of such a condition.

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<sup>6</sup> Docket UE-970686.

<sup>7</sup> PacifiCorp, Docket UE-111880, Order 01, condition 11(d).

**Conclusion**

Issue an order approving Puget Sound Energy's 10-year conservation potential and biennial conservation target, subject to the conditions in Attachment A, and suspending the First Revision of WN U-60, Tariff G, Sheet 292-A, and allowing all other tariff revisions filed by PSE in Docket UE-132032 to take effect January 1, 2014, by operation of law.

Attachment