



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

November 1, 2019

Via Web Portal

Mr. Mark L. Johnson, Executive Director and Secretary
Washington Utilities and Transportation Commission
621 Woodland Square Loop SE
Lacey, WA 98503

**RE: PSE’s 2020-2021 Biennial Conservation Plan
UE-19_____ and UG-19_____
WAC-Required Report: WAC 480-109-120(1)
RCW-Required Report: RCW 19.285.040(1)(b)**

Dear Mr. Johnson:

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 2020-2021 Biennial Conservation Plan (“BCP” or 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 2020-2021 Total Utility Electric Conservation Goal of 476,468 megawatt hours (MWh) or 54.4 average megawatts (aMW), and Total Utility Natural Gas Conservation Goal of 7.77 million therms. PSE requests that the Commission approve its electric Energy Independence Act (“EIA”) Penalty Threshold of 359,861 MWh, or 41.1 aMW. PSE’s proposed

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.

Received
Records Management
11/01/19 14:52
State Of WASH.
UTIL. AND TRANSP.
COMMISSION

Natural Gas Penalty Threshold for the next biennium is 6.155 million therms. The difference in the Total Utility Conservation Goal totals and Penalty Threshold values is accounted for in exclusions agreed to between the Company and its Conservation Resource Advisory Group (“CRAG”) and Commission Staff.

Pursuant to Order 01 in Dockets UE-180607 and UG-180608,² PSE calculated the above-noted savings targets based on data from its 2017 Integrated Resource Plan (“IRP”). Based upon requirements outlined in Commission Staff’s draft Appendix A: Conditions for 2020-2021 Puget Sound Energy Electric Conservation, PSE will file a petition with the Commission to adjust those figures within 30 days of PSE’s final 2019 IRP filing.

Savings Targets Development

Electric

The 2020-2021 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 of 359,861 MWh. This is consistent with WAC 480-109-100(3)(b). PSE subtracted projected savings provided by the Northwest Energy Efficiency Alliance (“NEEA”) of 23,564 MWh to arrive at the EIA Penalty Threshold of 336,297, consistent with the Commission’s standard practice. PSE multiplied the CPA Pro-Rata Share by 5 percent to determine the Decoupling Threshold of 17,993 MWh.

To calculate the Total Electric Utility Conservation Goal, PSE added: projected savings from its Retail Wheeling customers and Special Contract customers that participate in its Large Power User/Self-Directed (Schedule 258) program;³ the electric decoupling commitment savings, and pilots with uncertain savings. PSE also added a new category, “Additional Portfolio Build-Out” in order to account for the potential of an increase of savings indicated by the updated 2019 IRP. This new category consists of 74,336 MWh. This brought the Total Electric Utility Conservation Goal to 476,468 MWh.

Natural Gas

Similar to the adjustments made to its electric target, PSE worked with the CRAG to establish the indicated natural gas 2016-2017 savings target. As PSE projects that there will not be NEEA natural gas savings attributable to the PSE service territory for the coming biennium, PSE’s Natural Gas Penalty Threshold will be the same as its CPA Pro-Rata Share: 6.16 million therms.

² Order 01: “Order”, part (2), ¶ 24, p. 5 – “Puget Sound Energy is authorized to use data from its 2017 Integrated Resource Plan to set the energy efficiency target for its 2020-2021 Biennial Conservation Plan.”

³ During the IRP development, PSE determined that Retail Wheeling customers (commonly referred to as “449 Customers”) were omitted from the 2017 Conservation Potential Assessment (CPA).

PSE multiplied the natural gas CPA Pro-Rata Share by 5 percent to calculate the natural gas Decoupling Threshold of 308,000 therms.

To calculate the Total Natural Gas Utility Conservation Goal, PSE added Pilots with Uncertain Savings of 320,000 therms to its CPA Pro-Rata Share. PSE also added the “Additional Portfolio Build-Out” to its natural gas portfolio, which consists of 986,516 therms. These additions brought the Total Natural Gas Utility Conservation Goal to 7.78 million therms.

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

Budgets

PSE’s 2020-2021 electric budget of \$176.47 million reflects forecasted expenditures needed to achieve the total Portfolio Savings Target of 476,468 MWh. Please note that amount includes \$3.39 million allocated to electric programs in Other Customer Programs (for the upcoming biennium, Net Metering and the new Targeted DSM pilot comprise this Sector) that are excluded from cost-effectiveness calculations.

PSE plans expenditures of \$36.2 million to achieve the 2020-2021 Total Natural Gas Utility Conservation Goal of 7.77 million therms. That amount includes \$3.47 million⁴ allocated to the NEEA Natural Gas Market Transformation initiative. PSE and the CRAG applied the same target-setting methodology of excluding pilot savings to develop its Natural Gas Penalty Target.

For 2020-2021, PSE added Targeted DSM to Other Customer Programs,⁵ which includes a budget of \$207,900. The cost-effectiveness of the electric and natural gas Targeted DSM will be evaluated separately from the overall Portfolio.

PSE provides a complete discussion of the budget development and key drivers in Chapter 4, part G of the 2020-2021 BCP Overview.

Cost-Effectiveness

The portfolio of electric conservation is calculated to achieve a Total Resource Cost (“TRC”) benefit-to-cost ratio of 1.26. PSE’s natural gas portfolio cost-effectiveness estimates indicate that the Company will achieve a natural gas TRC of 1.28. PSE provides a complete discussion of

⁴ This figure represents a reduction of approximately \$1.5 million from the 2020-2021 budget. During the first 5-year NEEA Natural Gas Market Transformation cycle, PSE ratepayers contributed a surplus of approximately \$1.5 million. NEEA will (1) calculate the actual under-spend and (2) reimburse PSE in 2020.

⁵ In past biennia, this Sector was known as “Other Electric Programs”. The addition of the natural gas Targeted DSM program necessitated the name change.

cost-effectiveness calculation methodology in Chapter 4, part I of the 2020-2021 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*

(2017 Order 01, Appendix A, UE-171087)

- *(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 2020-2021 conditions. These conditions, submitted by Commission Staff in its open meeting memo, reflect changes made to indicate PSE's transition to requirements implemented by the passage of the 2019 Clean Energy Transformation Act ("CETA").

Innovative Customer Offerings

For the 2020-2021 biennium, PSE has developed a new Targeted DSM ("TDSM") pilot. This Energy Efficiency initiative is designed to bring value to all PSE customers by collaborating with PSE's Systems Planning group to identify localized conservation and demand response potential, develop plans to achieve a defined percentage of that potential, then implement those plans to deliver identified energy efficiency and capacity savings.

The Targeted DSM program uses avoided costs for a specific municipality to calculate the cost-effectiveness of conservation measures. This allows PSE to offer rebates and incentives to PSE customers in these locations that are higher than those in its broader service territory. These rebates and incentives are available only during the duration of the specific Non-Wired

Alternative (“NWA”) Project, as determined by PSE, either through a bonus amount attached to the incentive, or additional, separate incentives.

Commission Staff Requests

Commission Staff requests that PSE include its current perspective on how Demand Response should be implemented, with regard to differentiating pilots funded through the Conservation Rider, versus an ongoing Demand Response program, funded through O&M or capital. PSE believes that it is too soon to start assigning compliance and reporting mechanisms for programs (like Demand Response) that haven’t been realistically established or thoroughly considered for potential liabilities. PSE will propose a funding mechanism and program management tenet based on evaluations of past Demand Response pilots, as well as the proposed 2020-2021 Targeted Demand Response pilot, and in compliance with the law.

Additionally, Staff requested additional discussion around the 10-year Clean Energy Action Plan (“CEAP”), that will be required in the future under Senate Bill 5116, the Clean Energy Transformation Act, (“CETA”). The CEAP is further informed by a “Clean Energy Implementation Plan” (CEIP). PSE teams have initiated work on developing strategies for what its CEIP/CEAP could entail, including ways to “ensure that all customers are benefitting from the transition to clean energy,” as stated in RCW 19.405.040(8). As PSE continues to develop its first CEIP, which is due in 2022, PSE will collaborate with its CRAG throughout the upcoming biennium to develop the energy efficiency components of the Plan.

2018-2019 BCP Organization

The 2020-2021 BCP consists of many documents, which are presented as Exhibits and organized for logical reference. Below is an outline of the eight Exhibits and two Supplements that provide the 2020-2021 Plan detailed information required, consistent with key requirements outlined in WAC 480-109-120(1), and Appendix A of Order 01 in Docket UE-171087:

- 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 6: Evaluation Plan
 - *Supplement 1: Manufactured Home Market Study*
- Exhibit 7: Marketing & Outreach Executive Summary
- Exhibit 8: EM&V Framework
- Exhibit 10: Northwest Energy Efficiency Alliance (NEEA) Plan
 - *Supplement 1: NEEA Savings Calculations*

Please note that PSE subsumed Exhibit 4: Measure, Incentives & Eligibility into Exhibit 3: Program Details, in 2019. 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 2020 update of Exhibit 3: Program Details. Exhibit 9 will be included as a part of PSE's Annual Report of Energy Conservation Accomplishments, submitted on or before June 1, 2020.

BCP Development Deliverables

The Company and the CRAG collaborated four times throughout 2019 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:

- June 19: Review 2017 IRP guidance for 2020-2021 pro-rata share.⁶
- July 24: Ten-year Conservation Potential and Two-year Conservation Target for 2020-2021.
- August 28: Draft budget details and draft program details.
- September 25: Draft tariff schedule revisions.

PSE also provided the CRAG with an overview of the steps employed to create the 2019 Conservation Potential, ("CPA"), an essential element of the IRP, on October 23, 2019.

PSE provided an electronic copy of the complete Plan, including all Exhibits, to the CRAG on October 1, consistent with WAC 480-109-110(3). CRAG members will also receive the electronic version of the final, filed package concurrent with this filing. 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. Additionally, PSE created new Schedules for its Targeted DSM pilot: electric and natural gas Schedules 219, and a natural gas Demand Response Pilot, Schedule G249A.

Since providing the first condition (3)(e) deliverable in July 2019, 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.

⁶ Although this step is excluded from the deliverables outlined in condition (3)(e) in Appendix A of Order 01 in Docket UE-1717087, PSE and the CRAG consider it to be an essential step in developing the 2020-2021 electric and natural gas targets.

Mr. Mark L. Johnson
Page 7
November 1, 2019

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 2020-2021 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 Kara Durbin at (425) 456-2377 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) 456-2142.

Sincerely,

/s/ Jon Piliaris

Jon Piliaris
Director, Regulatory Affairs
Puget Sound Energy
PO Box 97034, EST-07W
Bellevue, WA 98009-9734
425-456-2142 / Jon.Piliaris@pse.com

cc: Lisa Gafken, Public Counsel
Sheree Carson, Perkins Coie

Attachments:

NEW-PSE-BCP-2020-2021-BCP-Overview
NEW-PSE-BCP-2020-2021-Exhibit-1-Savings-Budgets
NEW-PSE-BCP-2020-2021-Exhibit-2-Cost-Effectiveness
NEW-PSE-BCP-2020-2021-Exhibit-3-Program-Details
NEW-PSE-BCP-2020-2021-Exhibit-6-Evaluation-Plan
NEW-PSE-BCP-2020-2021 Exhibit-6-Supplement-1-Mfgd-Homes-Market-Study
NEW-PSE-BCP-2020-2021-Exhibit 7-Marketing-Outreach-Summary
NEW-PSE-BCP-2020-2021_ Exhibit 8-EM&V-Framework
NEW-PSE-BCP-2020-2021-Exhibit-10-NEEA-2020-2021-Planned-Activities-Report
NEW-PSE-BCP-2020-2021-Exhibit-10-Supplement-1-2020-2021 NEEA-Savings-Targets
NEW-PSE-2020-2021-BCP-Exhibit i-10-year-potential-2-year-target-Methodology