

Agenda Date: December 17, 2019
Item Number: D1 and D2

Dockets: **UE-190905 and UG-190913**
Company: **Puget Sound Energy**

Staff: Andrew Rector, Regulatory Analyst

Recommendation

Issue an order in docket UE-190905 accepting Puget Sound Energy's

- (1) 10-year electric conservation potential of 1,799,149 megawatt-hours (MWh),
- (2) EIA Target of 359,861 MWh,
- (3) EIA Penalty Threshold of 336,297 MWh, and
- (4) Decoupling Penalty Threshold of 17,993 MWh pursuant to Order 7 in Docket UE-121697,
- (5) subject to the conditions in Attachment A.

Background

On November 1, 2019, Puget Sound Energy (PSE or company) filed its "2020-2021 Biennial Conservation Plan" (BCP or Plan) with the Washington Utilities and Transportation Commission (commission) under Dockets UE-190905 and UG-190913. Staff filed responsive comments on the Plan on December 5, 2019. In addition to the BCP required by the Energy Independence Act (EIA), the Plan addresses gas conservation goals and programs.

On November 1, 2019, PSE filed tariff changes under Dockets UE-190909 and UG-190910 to provide for continuation of PSE's electric conservation programs, which are set to expire on December 31, 2019. The tariff changes add new rate schedules and make minor programmatic changes, but do not affect rates. Both dockets are currently scheduled for the December 19, 2019, open meeting.

PSE serves approximately 1.1 million electric customers and 807,000 natural gas customers in Island, King, Kitsap, Kittitas, Lewis, Pierce, Skagit, Snohomish, Thurston, and Whatcom counties.

Biennial Conservation Target and Portfolio Savings

As described in Staff Comments, due to the delay of the company's integrated resource plan (IRP), PSE based its 2020-2021 BCP targets on its 2017 conservation potential assessment (CPA). By April 15, 2020, PSE must file a petition to modify or retain the biennial EIA target, penalty threshold, decoupling commitment, and ten-year potential incorporating the effects of the Clean Energy Transformation Act to the degree possible. This requirement is detailed in Condition 1(b) in Attachment A.

PSE constructed its BCP by starting with the 2017 CPA's two-year pro-rata savings share of 359,861 MWh (41.1 aMW), which became its EIA Target. The company then subtracted projected Northwest Energy Efficiency Alliance (NEEA) savings of 23,564 MWh (2.7 aMW) to reach its EIA Penalty Threshold of 336,297 MWh (38.4 aMW). The company calculated its decoupling threshold as five percent of the EIA Target, or 17,993 MWh (2.1 aMW). PSE then added firm savings not included in the CPA, pilot programs with uncertain savings, and an "additional portfolio build-out"¹ to reach its Total Utility Conservation Goal of 476,468 MWh (54.4 aMW).

Electric 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. Table 1 below is a summary of these details. PSE's 2020-2021 budget is \$176 million, approximately 4 percent less than the budget for the 2018-2019 biennium. PSE's expected total portfolio savings for 2020-2021 are approximately 8 percent lower than the 2018-2019 biennium.

Table 1. Electric Savings and Budgets from PSE's 2018-2019 and 2020-2021 BCPs

Program	2018-2019 Projected Savings (MWh)	2018-2019 Budget	2020-2021 Projected Savings (MWh)	2020-2021 Budget
<i>Residential</i>	223,667	\$68,836,847	168,454	\$49,192,955
<i>Low-income</i>	4,132	\$9,713,357	3,916	\$12,289,871
Residential Total	227,799	\$78,550,204	172,370	\$61,482,825
Non-Residential	261,623	\$71,999,497	263,954	\$78,252,846
Pilots	4,480 ²	\$434,000	15,080 ³	\$2,590,195
Regional ⁴	26,554	\$10,400,000	25,064	\$9,841,195
Administration/Other	-	\$22,452,579	-	\$24,304,646
Total	520,456	\$183,836,280	476,468	\$176,471,707

¹ This category addresses the possibility that the final 2019 IRP guidance could be substantially more than the 2017 IRP guidance used to write the BCP and is meant to account for that potential additional savings.

² Includes only pilots with uncertain savings. In the 2018-2019 biennium this included only the Pay for Performance Pilot.

³ Includes only pilots with uncertain savings. In the 2020-2021 biennium, this includes the Retail Choice Pilot, the Home Energy Assessment Behavioral Pilot, the Advanced Metering Infrastructure Small & Medium Business Enhanced Engagement Pilot, the Advanced Metering Infrastructure Single-Family Home Enhanced Engagement Pilot, and the Pay for Performance Pilot.

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

The most notable change in this biennium is in the residential lighting program, where PSE forecasts a 71 percent drop in savings. This decrease is partially offset by a three-fold increase in home energy report (HER) savings. Non-residential savings are expected to remain steady. The Schedule 258 Large Power User program will be in years two and three of its four-year cycle and will experience a decline in savings compared to the 2018-2019 biennium, but the decline will be made up for in other programs.

PSE expects its electric portfolio to achieve a Total Resource Cost (TRC) ratio of 1.3 and a Utility Cost Test (UCT) ratio of 1.5, indicating that the portfolio is cost-effective.⁵

Natural Gas Biennial Budget and Cost-Effectiveness

Table 2 below summarizes PSE's 2020-2021 natural gas conservation program. PSE's 2020-2021 natural gas conservation budget is \$36 million, approximately 17 percent more than the budget for the 2018-2019 biennium. Both the residential and non-residential programs show substantial budget increases, of 17 percent and 21 percent, respectively. PSE's expected total portfolio savings for 2020-2021 are approximately 20 percent higher than the 2018-2019 biennium.

Table 2. Natural Gas Savings and Budgets from PSE's 2018-2019 and 2020-2021 BCPs

Program	2018-2019 Projected Savings (therms)	2018-2019 Budget	2020-2021 Projected Savings (therms)	2020-2021 Budget
Residential	3,491,642	\$15,041,777	4,336,934	\$16,127,109
Low-income	19,540	\$874,851	49,918	\$2,543,6
Residential Total	3,511,182	\$15,916,628	4,386,852	\$18,670,776
Non-Residential	2,951,568	\$7,671,046	3,067,664	\$9,277,714
Pilots	40,000 ⁶	\$61,613	320,000 ⁷	\$201,825
Regional ⁸	0	\$4,440,380	0	\$3,864,081
Administration/Other	-	\$2,977,341	-	\$4,183,568
Total	6,502,750	\$31,067,008	7,774,516	\$35,990,064

The company expects a significant natural gas savings increase from both the residential and non-residential programs. The low-income weatherization and HER programs supply much of

⁵ For this biennium PSE has elected to exclude low-income programs from the portfolio level cost-effectiveness calculation as allowed by WAC 480-109-100(10)(b).

⁶ Includes only pilots with uncertain savings. In the 2018-2019 biennium this included only the Pay for Performance Pilot.

⁷ Includes only pilots with uncertain savings. In the 2020-2021 biennium this includes the Retail Choice Pilot, the Home Energy Assessment Behavioral Pilot, the Advanced Metering Infrastructure Small & Medium Business Enhanced Engagement Pilot, and the Pay for Performance Pilot.

⁸ Savings and budgets associated with NEEA.

the increase on the residential side, while commercial rebates make up the non-residential increase.

PSE expects its gas portfolio to achieve a TRC ratio of 1.3 and a UCT ratio of 1.6, indicating that the portfolio is cost-effective.⁹

Proposed Tariff Revisions

To implement the programs described in the BCP, PSE filed tariff revisions in Dockets UE-190909 and UG-190910. The majority of the revisions reflect updated effective dates, budget amounts, text clarifications, and minor administrative changes, and do not impact rates. Language was deleted from electric Schedules 250, 251, 258, and 262 that permitted fuel switching from electricity to natural gas. PSE proposes to add new schedules to preside over its new targeted demand side management pilot, and to implement its natural gas demand response pilot. Commission staff (staff) agrees with the company's proposals. These tariff changes are on the Open Meeting agenda for December 19, 2019.

Stakeholder Comments

Public Counsel, the Northwest Energy Coalition (NWEC), and UCONS, LLC, all submitted comments on the PSE BCP. Public Counsel and NWEC were supportive of the Plan. NWEC requested better data from PSE identifying which customers it serves in hard-to-reach and underserved markets, and with what conservation programs.

UCONS was not supportive of the Plan, and made several recommendations, including:

- Take no final action on the Plan until “after the next IRP is filed.”
- Direct PSE to provide additional information on 2018-2019 energy efficiency achievements in the manufactured homes sector.
- Direct PSE to produce the same information into the future.
- Direct PSE to include several specific items in the BCP update.

Staff agrees that there is a general lack of data around the need for conservation among low-income ratepayers, including those that live in manufactured homes. Conditions 9 and 10 in Attachment A are designed to help fill those gaps; Condition 9 in particular requires PSE to “develop a plan and conduct research necessary to achieve sustained energy burden reductions for low-income households.” In addition, Section 12 of the Clean Energy Transformation Act¹⁰ requires the Department of Commerce to collect and report data on energy burden and energy assistance need for each utility beginning July 31, 2020.

⁹ For this biennium PSE has elected to exclude low-income programs from the portfolio level cost-effectiveness calculation as allowed by WAC 480-109-100(10)(b)

¹⁰ RCW 19.405.120(3).

Between the proposed conditions in Appendix A and the data collection by the Department of Commerce, staff believes that the existing data gaps will begin to be filled in the upcoming biennium. Accordingly, staff does not recommend significant changes to the approach outlined in the BCP until such data becomes available.

Staff does agree with UCONS on two actions that PSE can take in the interim. First, as noted in staff's comments filed in this docket,¹¹ PSE should apply an economic screen to quantify the economic conservation potential available in the manufactured homes sector. Second, PSE should, beginning in the 2020-2021 biennium, track and quantify how many single-family, multi-family, and manufactured homes its conservation program serves each year, and report that information as requested by the CRAG. If the Commission agrees, this could be added to the order accepting PSE's filing.

Conclusion

Staff recommends the Commission issue an order accepting PSE's 10-year electric conservation potential of 1,799,149 megawatt-hours (MWh), EIA Target of 359,861 MWh, EIA Penalty Threshold of 336,297 MWh, and Decoupling Penalty Threshold of 17,993 MWh pursuant to Order 7 in Docket UE-121697, subject to the conditions in Attachment A.

¹¹ UE-190905, "Commission Staff Comments Regarding Electric Utility Conservation Plans Under the Energy Independence Act, RCW 19.285 and WAC 480-109 (2020-2021 Biennial Conservation Plans)," as revised December 12, 2019, page 12.