BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, Complainant, v. PUGET SOUND ENERGY, Respondent.	DOCKET UE-100177 DECLARATION OF DEBORAH REYNOLDS

1 I, DEBORAH REYNOLDS, declare as follows:

2 I am a Regulatory Analyst in the Regulatory Services Division of the Washington Utilities and Transportation Commission ("Commission"). I have held that position since 1999. I am primarily responsible for reviewing, analyzing, and evaluating conservation programs, conservation resource planning, decoupling, reliability, service quality, low-income issues, and other analyses of general rate case and tariff filings involving electric and natural gas utilities regulated by the Commission.

3 I have a 1994 Bachelor of Science degree in General Studies emphasizing ecology and statistics and a 2002 Master of Regional Planning degree, both from Washington State University. Since securing those degrees, I have pursued additional training in utility regulation. I have attended seminars, conferences, and workshops.

4 During 2009, I participated in meetings of the Northwest Electric Power and Conservation Planning Council ("Conservation Council") Conservation Resources Advisory Committee (CRAC). As I understand it, the purpose of the CRAC was to assist the Conservation Council in determining the cost-effectiveness of conservation resources, identifying barriers to conservation, and other subjects related to conservation for the Sixth

Northwest Power Plan. Tom Eckman and Charles Grist, employees of the Conservation Council, chaired the CRAC and convened the meetings.

5 On June 19, 2009, I attended a meeting of the CRAC in Portland, Oregon. I remember that Puget Sound Energy ("PSE") had representatives at the meeting. According to an attendance list that I obtained from Conservation Council staff, Gurvinder Singh and Bill Hopkins of PSE were at the meeting. During the June 19 meeting, Conservation Council staff distributed a draft of a section they proposed to include at the end of "Chapter 4: Conservation Supply Assumptions" in the Sixth Northwest Power Plan. The draft included two pages of text with the heading "Implications for the State of Washington's I-937 requirements [NEW]" (Exhibit A). Conservation Council staff asked for comments on the draft. They also posted the draft on the Conservation Council web site. It is still there at http://www.nwcouncil.org/energy/crac/meetings/2009/06/I937%20Implications%20June%202009%20CRAC.doc .

6 On June 23, 2009, I forwarded to Tom Eckman and Charles Grist some comments from UTC Staff on the draft that had been distributed on June 19. I do not know whether Puget Sound Energy commented on the draft.

7 On July 2, 2009, I participated by telephone in a CRAC meeting. According to an attendance list that I obtained from Conservation Council staff, Bob Stolarski also participated in the meeting. I am aware that Mr. Stolarski is an employee of Puget Sound Energy. My e-mails show that Cal Shirley of PSE was also among those who were invited. Conservation Council staff distributed a revised version of the "Implications for the State of Washington's I-937 requirements [NEW]" draft language and posted the draft on the Council's Web site. It is still there at

http://www.nwcouncil.org/energy/crac/meetings/2009/07/I937_070109drft.doc. This draft language was edited by me and represents a good summary of my understanding of the requirements of Initiative 937.

8 On September 3, 2009, UTC Staff, including me, convened a public workshop in Olympia on the Conservation Council's conservation potential assessment methodology. Eric Englert, Tom DeBoer, and Bill Hopkins of PSE attended the workshop. Tom Eckman delivered a PowerPoint presentation. Exhibit A to the Declaration of Eric E. Englert, which Puget Sound Energy has filed in this matter, appears to be a copy of Mr. Eckman's slides. As the slides demonstrate, the Conservation Council's conservation potential assessment methodology is a multi-step process that includes a resource potential assessment and an Integrated Resource Plan (IRP) analysis. Slides 9 through 33 describe the resource potential assessment, which considers a range of possible conservation measures and evaluates each. Slides 35 through 38 describe the IRP analysis. Slide 39 says "Utilities Can Just Use the Utility Target Calculator," with a link to the Fifth Power Plan Conservation Target Calculator, an interactive spreadsheet on the Conservation Council's web site. Mr. Eckman cautioned that none of the utilities in the room would be well-served by relying on the Target Calculator alone, but that it could be useful for consumer-owned utilities that did not have an IRP.

9 On September 8, 2009, Tom Eckman forwarded to those who had attended the September 3 workshop and other interested persons an interactive Excel spreadsheet with the file name *UtilityTargetCalc_v1_9_6thPlan.xls*. Persons on the "To" and "Cc" lines included Tom DeBoer, William Hopkins, Gurvinder Singh, Phillip Popoff, and Grant Ringel, all of Puget Sound Energy. A copy of the e-mail is attached as Exhibit B.

10 On December 23, 2009, I sent to Andrew Hemstreet of Puget Sound Energy an e-mail reminding PSE that the January 1, 2010 Initiative 937 deadline for projecting the utility's 10-year cumulative conservation potential was approaching. I recommended an e-mail by December 31, 2009 to the conservation advisory board, copied to the UTC Records Center. I sent a copy of the e-mail to other PSE employees, including Eric Englert. At 10:26 a.m. on December 31, in response to an e-mail from Mr. Englert, I again offered the use of the UTC Records Center docketing system as a tool if PSE desired to use it to establish that its ten-year projection was complete by the January 1 deadline. I emphasized that I had not suggested that a December 31 filing with the UTC was "required." A copy of the e-mail string is attached as Exhibit C.

11 At 2:00 p.m. on December 31, 2009, Andrew Hemstreet of Puget Sound Energy sent to me and others an e-mail with the subject "PSE's IRP Advisory Group Meeting – Dec 15, WAC 480-109 Compliance," and an attachment with the file name *WAC 480-109 Potential Target FINAL 12-30-09.pdf.* I opened Docket UE-091986 and filed the e-mail and its attachment in that docket. Copies of Mr. Hemstreet's e-mail and its attachment are attached as Appendix G to the Declaration of Stefanie Johnson filed with Public Counsel's Motion for Summary Determination in this matter.

12 I declare under penalty of perjury under the laws of the State of Washington that the foregoing is true and correct:

Executed on this 15 day of April, 2010, at Olympia, Washington.

DEBORAH REYNOLDS

EXHIBITS TO THE DECLARATION OF DEBORAH REYNOLDS

Exhibit A
Pacific Northwest Electric Power and Conservation Planning Council draft document entitled [at the end of "Chapter 4: Conservation Supply Assumptions (6/1/09)"], version distributed at June 19, 2009 meeting of the Conservation Resources Advisory Committee.

Exhibit B
E-mail from Tom Eckman to Deborah Reynolds et al. dated September 8, 2009, with the subject "RE: Conservation Potential Methodology Meeting."

Exhibit C
E-mail string dated December 2009 with the subject "I-937 Deadline Approaches."

EXHIBIT A
TO THE DECLARATION OF DEBORAH REYNOLDS

Pacific Northwest Electric Power and Conservation Planning Council
draft document entitled
[at the end of "Chapter 4: Conservation Supply Assumptions (6/1/09)"]
version distributed at June 19, 2009 meeting of the
Conservation Resources Advisory Committee

[at the end of "Chapter 4: Conservation Supply Assumptions (6/1/09)"]

COUNCIL METHODOLOGY

The Northwest Power Act establishes three criteria for resources included in the Council's power plans: resources must be 1) reliable, 2) available within the time they are needed, and 3) available at an estimated incremental system cost no greater than that of the least-cost similarly reliable and available alternative.[1] Beginning with its first Power Plan in 1983, the Council interpreted these requirements to mean that conservation resources included in the plans must be:

- technically feasible (reliable)
- economically feasible (lower cost)
- achievable (available)

Development of the conservation potential assessment takes into account an assessment of what has been accomplished and what remains to be done. The first step in the Council's methodology is to identify all of the technically feasible potential conservation savings in the region. This involves reviewing a wide array of commercially available technologies and practices for which there is documented evidence of electricity savings. Over 300 specific conservation measures were evaluated in developing the conservation potential for the Sixth Power Plan. This step also involves determining the number of potential applications in the region for each of these technologies or practices. For example, electricity savings from high efficiency water heaters are only "technically feasible" in homes that have, or are forecast to have, electric water heaters. Similarly, increasing attic insulation in homes can only produce electricity savings in electrically heated homes that do not already have fully insulated attics. At the conclusion of this step, the Council's load forecast and conservation assessment are adjusted and calibrated to reflect changes in baseline conditions since the adoption of the Fifth Power Plan.

The Sixth Power Plan's assessment reflects program accomplishments, changes in codes and standards, technological evolution, and the overall adoption of more energy-efficient equipment and practices since the Fifth Power Plan was adopted in 2004. There are five significant changes:

1. Accounting for utility conservation program savings since 2004.
2. Adjusting both the load forecast and the conservation assessment to reflect improvements in federal and state standards for lighting and appliances.
3. Adding potential savings from utility distribution efficiency improvements and consumer electronics.
4. Increasing potential industrial savings from a more in-depth analysis.

---

[1] *See* Section 839a(4)(A)(i) and (ii) of the Northwest Power Planning and Conservation Act. (http://www.nwcouncil.org/library/poweract/3_definitions.htm or http://www.nwcouncil.org/LIBRARY/poweract/poweract.pdf)

5. Adding potential savings from new technologies and practices that have matured to commercial readiness since the Fifth Power Plan's estimates were developed.

Implications for the State of Washington's I-937 requirements [NEW]

Initiative 937 (I-937) in the State of Washington, approved by the voters in 2006, obligates most of the utilities in that state to "pursue all available conservation that is cost-effective, reliable, and feasible." By January 2010, each utility to which the law applies must develop a conservation plan that identifies its "achievable cost-effective potential" for the next ten years, "using methodologies consistent with those used by the Pacific Northwest electric power and conservation planning council in its most recently published regional power plan." Every succeeding two years the utility must review and update its assessment of conservation potential for the subsequent ten-year period.

I-937 is a matter of state law, and does not alter or obligate the Council in its conservation and power planning under the Northwest Power Act. Similarly, the Council has no authority to interpret or apply or implement I-937 for the utilities and regulators in the State of Washington. But because of the obvious intersection between the two mandates -- the state's utilities are to engage in conservation planning "using methodologies consistent with" the conservation planning methods used by the Council -- this section of the Conservation Supply chapter includes a few observations about the relationship intended to assist those who are charged with implementing I-937.

The main point to emphasize is that I-937 does not require the state's utilities to be consistent with or comply with the Council's power plan. It does not require that the utilities acquire conservation identified in the Council's plan or adopt or meet conservation targets set forth in the Council's plan. The Council's power plan does not identify any particular utility's "share" of regional conservation targets or conservation potential, but even if it did, I-937 does not make those utilities responsible for those targets. I-937 does not even require the utilities to *use* the Council's conservation planning methods. It requires only that the utilities develop their own plan using methods "consistent with" the methodology used in the Council's plan, leaving the utilities flexibility to adapt the planning methods to their particular circumstances. To assist Washington utilities in this effort, the Washington Department of Community, Trade and Economic Development, with the assistance of Council staff, adopted rules in 2008 that outline the methodology the Council uses in its conservation planning.

Some utilities have expressed concern about the fact that they need to produce their first I-937 conservation plans at the precise moment the Council is making the transition from the Fifth to the Sixth regional power plans. There should be no cause for concern -- the Council's conservation planning methodology has not changed and is essentially the same in this Sixth Power Plan as in the Fifth Plan. The Sixth Plan conservation supply curves differ from those in the Fifth Plan not because of a difference in method but because of changes in the power system and power prices and because of additional work to identify potential conservation measures. The Council's plan -- and the state's regulation -- continue to describe the same set of analytical methods for identifying cost-effective achievable conservation, and the plan also provides a menu of possible cost-effective measures for the utilities to consider. Neither I-937 nor the

Council's plan requires them to choose any of the plan's particular measures in particular amounts. The utilities may make that judgment based on their own loads (kinds, amounts, growth rates) and their own determination of avoided cost and the measures available to them.

One of the more delicate issues in the relationship between I-937 and the Council's conservation planning methodology concerns the matter of "ramping." On the one hand, I-937 instructs utilities, as we have seen, to develop conservation plans using methodologies consistent with those used by the Council. An important element in the Council's methodology is the principle that it takes time to develop certain conservation measures to their full potential, while other measures are available right away but will taper off. Conservation potential ramps up and on occasion ramps down. The end result is that the five- or ten-year total of conservation potential under the Council's planning assumptions will not be evenly available across each year in the period. The trouble is that I-937 separately instructs the utilities to identify not just cost-effective potential over the ten-year life of the utility's conservation plan for I-937, but also to identity and meet biennial conservation acquisition targets that must be "no lower than the qualifying utility's pro rata share for that two-year period of its cost-effective potential for the subsequent ten-year period." In contrast, the Council uses its ramp rate assumptions along with other pacing information and the results of its regional portfolio model to establish five-year cumulative conservation targets for the region. The five-year target recognizes, in part, the inevitable ups and downs of year-to-year acquisitions. Having to acquire 20 percent of any ten-year target in any two-year period under I-937 may produce different two-year targets than would result using ramp rates consistent with the Council's methodology.

Because the provisions of I-937 are a matter of state law, this is an issue the Council cannot resolve in its plan. The utilities, regulators and auditors of I-937 must be attentive to this issue, and develop logical ways to adapt the Council's methodology so that utilities do not violate I-937's biennial target requirement yet preserve the key ramping principle in the Council's methodology so that utilities have realistic *achievable* targets in any two-year period. One suggestion may be to use the requirement in I-937 to update the ten-year plans every two years to layer or build in the ramp rates as the plans evolve. Another suggestion may be by allowing the utilities the flexibility to apply an adjustment factor to the ten-year assessment of conservation potential to reflect the use of ramp rates before then calculating the most current two-year pro rata biennial target.

One further point to emphasize is that the Council's conservation methodology calculates the conservation potential for measures that might, at some point, be covered by building codes or energy codes, and then assumes that the savings will be accomplished over time by either utility programs or codes. If codes are adopted that ensure the capture of the potential savings, then those savings are "counted" against the regional target. Similarly, the I-937 rules adopted by CTED expect that utilities will include all cost-effective available conservation measures in their own plans and programs, but if codes are adopted covering these measures, the utilities are no longer responsible for getting those savings via their own programs. They may count the code-induced savings for the first two years the code is in effect, and then remove that potential savings from their targets in subsequent plans. The rules are consistent with the Council's conservation planning methodology in this important regard.

EXHIBIT B
TO THE DECLARATION OF DEBORAH REYNOLDS

E-mail from Tom Eckman to Deborah Reynolds et al.
dated September 8, 2009, with the subject
"RE: Conservation Potential Methodology Meeting"

From:	Eckman, Tom
To:	Reynolds, Deborah (UTC); Nightingale, David (UTC); Allen, Cathie; Gervais, Linda; tom.deboer@pse.com; Hirsh, Nancy; Murray, Chuck (COM); Schooley, Thomas (UTC); Hopkins, William; Chuck Eberdt; Johnson, Stefanie (ATG); Kimball, Mary (ATG); Daeschel, Lea (ATG); Englert, Eric
Cc:	Ehrbar, Pat; Goddard, Nancy; Hermanson, Lori; Folsom, Bruce; Ringel, H Grant; Gibson, John; Bumgarner, Jeff; Popoff, Phillip; Singh, Gurvinder; Oshie, Patrick (UTC); Schwartz, Howard (COM); Murray, Chuck (COM)
Subject:	RE: Conservation Potential Methodology Meeting
Date:	Tuesday, September 08, 2009 11:40:55 AM
Attachments:	UtilityTargetCalc_v1_9_6thPlan.xls

Deborah,

Attached is a slightly revised conservation target calculator based on the draft 6th Plan. This version has some minor bug fixes and we have added some error checking as well as an updated "Budget Estimation" tab. Please consider this the "current version" until we issue an update.

Tom

From: Reynolds, Deborah (UTC) [mailto:DReynold@utc.wa.gov]
Sent: Thursday, September 03, 2009 6:05 PM
To: Nightingale, David (UTC); Eckman, Tom; Allen, Cathie; Gervais, Linda; tom.deboer@pse.com; Hirsh, Nancy; Murray, Chuck (COM); Schooley, Thomas (UTC); Hopkins, William; Chuck Eberdt; Johnson, Stefanie (ATG); Kimball, Mary (ATG); Daeschel, Lea (ATG); Englert, Eric
Cc: Ehrbar, Pat; Goddard, Nancy; Hermanson, Lori; Folsom, Bruce; Ringel, H Grant; Gibson, John; Bumgarner, Jeff; Popoff, Phillip; Singh, Gurvinder; Oshie, Patrick (UTC); Schwartz, Howard (COM); Murray, Chuck (COM)
Subject: Conservation Potential Methodology Meeting

Greetings,
Thanks to everyone for joining us today. Here are the handouts from today's meeting. I have included some that were sent out before the meeting so you have a complete set.

Best regards,

Deborah Reynolds, Regulatory Analyst
Utilities & Transportation Commission
1300 S. Evergreen Park Dr. SW
Olympia, WA 98504-7250
360-664-1255
dreynold@utc.wa.gov

EXHIBIT C
TO THE DECLARATION OF DEBORAH REYNOLDS

E-mail string dated December 2009 with the subject
"I-937 Deadline Approaches"

From:	Reynolds, Deborah (UTC)
To:	Englert, Eric; Nightingale, David (UTC); Parvinen, Mike (UTC)
Cc:	Hopkins, William; Allen, Cathie; Linda.Gervais@avistacorp.com; DeBoer, Tom
Subject:	RE: I-937 Deadline Approaches
Date:	Thursday, December 31, 2009 10:25:59 AM

Thank you, Eric.
Staff's reminder was not intended to suggest that a filing was "required." We offered the use of the Records Center docketing system as a tool if companies desired to use it to establish that the projection was complete by the January 1 deadline.
Happy holidays,
Deborah Reynolds
Regulatory Analyst
Utilities and Transportation Commission
360-664-1255

From: Englert, Eric [mailto:eric.englert@pse.com]
Sent: Wed 12/30/2009 1:20 PM
To: Reynolds, Deborah (UTC)
Cc: Hopkins, William; Allen, Cathie; Linda.Gervais@avistacorp.com; DeBoer, Tom
Subject: RE: I-937 Deadline Approaches

Deborah,

Thanks for your note below. However, as we read the regulation, WAC 480-109-010(1) does not require a report to the WUTC by January 1, 2010. This is in contrast to WAC 480-109-010(3) which does contain the phrase "each utility must file with the commission a report". No such language is contained in WAC 480-109-010(1), and therefore (as we read the rule) no report is required in regard to WAC 480-109-010(1). Only WAC 480-109-010(3) requires a report filed with the commission on or before January 31, 2010.

Each utility may find it appropriate to have documents in place by January 1, 2010 to demonstrate that it had such a projection at that time. PSE will have documents completed by January 1, 2010 to demonstrate it has complied with WAC 480-109-010(1), and will be able to make an affirmative response in its WAC 480-109-010(3) report. As part of its public participation process, PSE will likely distribute to the IRPAG its projected cumulative ten-year conservation potential prior to that date.

Since this is legal interpretation of the rule language, perhaps we should have Bob Cedarbaum (or other AG) talk with our lawyer (Sheree Carson) to see if we can reach agreement on what the rule requires? Please give me a call if you wish to discuss.

Eric Englert
Puget Sound Energy

From: Reynolds, Deborah (UTC) [mailto:DReynold@utc.wa.gov]
Sent: Wed 12/23/2009 2:48 PM
To: Hemstreet, Andrew W; dana@kcha.org; danielle@nwenergy.org; gerryg@microsoft.com; jiles@kemperdc.com; mearly@icnu.org; ppyron@nwigu.org; Kimball, Mary (ATG); stan@putnamprice.com; steven.e.lafond@boeing.com; TEckman@nwcouncil.org; chuck_eberdt@oppco.org; Johnson, Stefanie (ATG); Johnson, Steven (UTC); Murray, Chuck (COM); Daeschel, Lea (ATG); Nightingale, David (UTC)
Cc: Ken.ross@terasengas.com; Shirley, Calvin E - Cal; Stolarski, Robert W; Ringel, H Grant; Gaines, Janet; Starnes, Todd A; France, H. Syd; Hopkins, William; Maclean, Thomas; O'Brien, Megan K;

Younger, William J -Bill; Norton, Liz; Logen, Lynn; Englert, Eric; Wappler, Andrew W - Andy; Anderson, Daniel J; Anderson, Rebekah; Moran, Anna; Atwood, Nancy; Worthington, Janet; Chahian, Mariana
Subject: I-937 Deadline Approaches

Greetings,

This is a quick reminder that the January 1, 2010, deadline for projecting the utility's 10-year cumulative conservation potential is approaching. Staff recommends an e-mail by December 31, 2009, to the conservation advisory board, copied to our Records Center at records@utc.wa.gov

Staff believes this is different from the January 31, 2010 conservation plan required by WAC 480-09-010(3).

Deborah Reynolds

Regulatory Analyst

360-664-1255