

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND	)	DOCKET UE-132032
TRANSPORTATION COMMISSION,)	
	)	ORDER 01
Complainant,)	
	)	ORDER SUSPENDING
v.	)	REVISION TO WN U-60, TARIFF
	)	G, SHEET 292-A
PUGET SOUND ENERGY,)	
Respondent.)	
.....)	
)	
In the Matter of	)	DOCKET UE-132043
)	
PUGET SOUND ENERGY,	)	ORDER 01
)	
Report Identifying Its 2014-2023 Ten-	)	ORDER APPROVING PUGET
Year Achievable Electric Conservation	)	SOUND ENERGY’S 2014-2023
Potential and Its 2014-2015 Electric	)	ACHIEVABLE CONSERVATION
Biennial Conservation Target Under	)	POTENTIAL AND ITS 2014-2015
RCW 19.285.040 and WAC 480-109-	)	BIENNIAL CONSERVATION
010	)	TARGET SUBJECT TO
	)	CONDITIONS
.....)	

BACKGROUND

1 Electric utilities with 25,000 or more customers are required, under the Energy Independence Act (EIA or Act), to set and meet energy conservation targets.¹ In furtherance of its pursuit of all available, cost-effective, reliable, and feasible conservation, electric utilities must:

- (a) By January 1, 2010, using methodologies consistent with those used by the Pacific Northwest Electric Power and Conservation Planning Council in its most recently published regional power

¹ RCW 19.285.040.

plan, each qualifying utility shall identify its achievable cost-effective conservation potential through 2019. At least every two years thereafter, the qualifying utility shall review and update this assessment for the subsequent ten-year period.

- (b) Beginning January 2010, each qualifying utility shall establish and make publicly available a biennial acquisition target for cost-effective conservation consistent with its identification of achievable opportunities in (a) of this subsection, and meet that target during the subsequent two-year period. At a minimum, each biennial target must be no lower than the qualifying utility's pro-rata share for that two-year period of its cost-effective conservation potential for the subsequent ten-year period.²

2 The Washington Utilities and Transportation Commission (Commission) promulgated rules implementing the EIA. These rules further require that, "On or before January 31, 2010, and every two years thereafter, each utility must file with the commission a report identifying its ten-year achievable conservation potential and its biennial conservation target."³ Upon conclusion of its review of the report, "the Commission will determine whether to approve, approve with conditions, or reject the utility's ten-year achievable conservation potential and biennial conservation target."⁴

3 On June 14, 2012, in Docket UE-111881, the Commission entered Order 01 approving Puget Sound Energy's (PSE or Company) 2012-2021 ten-year achievable conservation potential and 2012-2013 biennial conservation target, subject to conditions. One of these conditions required:

- (8) Puget Sound Energy must file the following:

* * *

- (e) A report identifying its ten-year achievable potential and its biennial conservation target (Biennial Conservation Plan),

² RCW 19.285.040(1)(a) and (b).

³ WAC 480-109-010(3).

⁴ WAC 480-109-010(4)(c).

including revised program details and program tariffs by November 1, 2013, requesting an effective date of January 1, 2014. . . .⁵

- 4 On November 1, 2013, PSE filed its Biennial Conservation Plan (BCP) identifying a 2014-2023 ten-year achievable conservation potential of 2,730,408 megawatt-hours (MWh) and a 2014-2015 biennial conservation target of 485,770 MWh.⁶ On that same day, PSE also filed revisions to its tariff, in Docket UE-132032, which provide for continuation of its electric conservation programs, currently set to expire on December 31, 2013. The tariff changes do not impact current rates, but one of the changes would allow for future recovery of expenditures related to the Company’s Conservation Voltage Reduction (CVR) program.
- 5 Table 1 below illustrates PSE’s calculation of its biennial conservation target.

Table 1. Development of PSE’s 2014-2015 Biennial Conservation Target

Savings Category	Savings (MWh)
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
2014-2015 Biennial Conservation Target	485,768⁷

⁵ *In the Matter of Puget Sound Energy 2012-2021 Ten-Year Achievable Conservation Potential and 2012-2013 Biennial Conservation Target Under RCW 19.285.040 and WAC 480-109-010*, Docket UE-111881, Order 01 (June 14, 2012) (approving PSE’s 2012-2021 achievable conservation potential and 2012-2013 biennial electric conservation target subject to conditions). The quoted material is from condition (8)(f). The condition goes on to require that the report contain “both distribution and generation energy efficiency program plans as required by RCW 19.285.” *Id.*, ¶ 37.

⁶ As required by WAC 480-109-010(3)(b), PSE used its 2013 Integrated Resource Plan as the basis for its calculations.

⁷ PSE, in its BCP, rounds this number up to 485,770 MWh.

As Table 1 shows, PSE has identified 551,880 MWh of 2014-2015 achievable conservation in its Conservation Potential Assessment (CPA). The Company adjusted this total by subtracting the 72,533 MWh of savings it expects to achieve through the Northwest Energy Efficiency Alliance (NEEA).⁸ In addition, PSE adds the savings it expects to achieve from its existing Opower⁹ Home Energy Reports (HER)¹⁰ program. These modifications to the CPA total result in a biennial conservation target of 485,768 MWh.

- 6 On November 6, 2013, the Commission issued a notice inviting stakeholders to comment on PSE's BCP, with the matter being heard at the Commission's December 18, 2013, recessed Open Meeting. During the comment period, the Commission received written comments from the Commission's regulatory staff (Staff) and the Public Counsel Section of the Washington State Attorney General's Office (Public Counsel). The NW Energy Coalition (Coalition) filed comments on December 9, 2013. PSE responded to comments filed by Staff and Public Counsel on December 16, 2013.

COMMENTS

- 7 Overall, Staff supports PSE's conservation portfolio which achieves a Total Resource Cost ratio of 1.6 and a Utility Cost Test ratio of 2.25. Despite these ratios being lower for 2014-2015 than the 2012-2013 biennium, the portfolio is still cost-effective.
- 8 Staff's main concern with PSE's BCP is the Company's proposal to recover its CVR expenditures through PSE's Electric Conservation Service Rider (Conservation Rider). The Company argues that CVR meets the statutory definition of conservation and the

⁸ The adjustment is consistent with the proposal agreed to in Docket UE-100177 by Avista Corporation, PSE, and PacifiCorp, d/b/a Pacific Power & Light Company. This is the projected NEEA savings identifiable to the CPA. See Staff Open Meeting Memorandum, December 18, 2013.

⁹ Opower Inc. is an Arlington, Virginia, software company offering energy efficiency programs to utility providers.

¹⁰ The HER program is a residential behavioral program built on mailing peer comparison reports. PSE plans to launch four Independent Energy Reports pilots, similar to the existing HER program. The Company did not include any potential savings from the four pilots in its biennial target, and unlike Avista, PSE does not intend to apply any savings toward the achievement of the target. Staff and Public Counsel agree with this approach.

Commission's Order authorizing recovery of conservation expenditures¹¹ does not prohibit the recovery of certain CVR costs through the Conservation Rider.

9 Staff agrees that CVR qualifies as conservation and should be included in PSE's biennial target. The Commission, however, has already ruled that similar conservation expenses could not be recovered through PacifiCorp's System Benefits Charge for the 2012-2013 biennium.¹² Further, Staff argues that the conservation expenditures in question are operations and maintenance (O&M) expenses and should be recovered through general rates to account for any offsetting factors.¹³ Staff recommends the Commission approve PSE's achievable conservation potential and conservation target subject to conditions that are similar to the conditions imposed by the Commission in approving PSE's last BCP filing. Condition 11(d), which includes the prohibition against recovery of CVR expenditures through the Company's Conservation Rider and is contained within Staff's conditions list, is the only condition on which the Conservation Resources Advisory Group (CRAG) did not reach consensus. With regard to Docket UE-132032, Staff recommends that the Commission allow the tariff revisions to go into effect by operation of law apart from changes to WN U-60, Tariff G, Sheet 292-A which implement PSE's recovery proposal for its CVR expenditures. Instead, Staff recommends that the Commission suspend this tariff revision.

10 Like Staff, Public Counsel recommends approval of the Company's ten-year achievable conservation potential and biennial conservation target conditioned upon the denial of recovery of CVR expenditures through PSE's Conservation Rider. Public Counsel also notes that PSE has been operating its conservation programs under various conditions, many of which have become common practice among the investor owned utilities, since 2002. Public Counsel argues that the conditions imposed by the Commission in approving PSE's last conservation report are still relevant and useful.

¹¹ See, *Petition of Puget Sound Energy For an Order (1) Authorizing Deferral of Electricity Conservation Expenditures and (2) Approving a Tariff Rider for Concurrent Recovery in Electric Rates of Such Deferred Electricity Conservation Expenditures*, Docket UE-970686, Order 01 (May 16, 1997).

¹² *In the Matter of Pacific Power & Light Company 2012-2021 Ten-Year Achievable Conservation Potential and 2012-2013 Biennial Conservation Target Under RCW 19.285.040 and WAC 480-109-010*, Docket UE-111880, Order 01 at 17 (April 26, 2012).

¹³ Staff's comments at 10 (December 3, 2013).

For this reason, Public Counsel recommends continuation of most of these conditions with minor modifications.

- 11 In comments filed on December 9, 2013, the Coalition disagreed and argued that, without recovery of CVR expenditures under its Conservation Rider, “PSE cannot guarantee phase balancing will occur.”¹⁴ The Coalition stated that phase balancing is critical “to ensure CVR is as effective as possible.”¹⁵
- 12 In response to Staff and Public Counsel, PSE filed comments reiterating its request that the Commission approve revisions to Schedule 292 and allow recovery of incremental costs, in this case \$321,800 in projected biennium costs, related to CVR and phase balancing through its Conservation Rider. Further, at the Commission’s December 18, 2013, recessed Open Meeting, PSE agreed that suspension of WN U-60, Tariff G, Sheet 292-A and subsequent resolution of the CVR recovery methodology issue is appropriate.

DISCUSSION AND DECISION

- 13 Under RCW 19.285.040(1)(e), the Commission has authority to “rely on its standard practice for review and approval of investor-owned utility conservation targets.” WAC 480-109-010 guides investor-owned utilities’ compliance with RCW 19.285.040(1). Specifically, WAC 480-109-010(4) (c) provides that:
- Upon conclusion of the commission review, the commission will determine whether to approve, approve with conditions, or reject the utility's ten-year achievable conservation potential and biennial conservation target.
- 14 The Commission agrees that suspension of the CVR program tariff is appropriate. The Company is encouraged to work collaboratively with Staff and the other stakeholders to resolve the issue of incremental cost recovery of CVR labor expenditures.

¹⁴ The Coalition’s comments at 2 (December 9, 2013). The Coalition describes phase balancing as “rearranging loads on each phase of the circuit to lower the current on the most heavily loaded phase(s).” *Id.*, at 1.

¹⁵ *Id.*, at 2.

- 15 The remaining conditions, proposed by Staff and developed in collaboration with PSE and the CRAG, are similar to those imposed by the Commission in approving PSE's last conservation report. Both Public Counsel and Staff praise the effectiveness of the prior conditions and recommend continuation. The Commission agrees with the stakeholders that the conditions set forth in Appendix A to this Order are appropriate and should be continued.
- 16 For the above reasons, we approve PSE's 2014-2023 achievable conservation potential of 2,730,408 MWh and its 2014-2015 biennial conservation target of 485,770 MWh subject to the conditions set forth in Appendix A attached to this Order, including condition 11(d) prohibiting recovery of CVR expenditures through the Company's Conservation Rider. In addition, the tariff revisions in WN U-60, Tariff G, Sheet 292-A should be suspended.

FINDINGS AND CONCLUSIONS

- 17 (1) The Washington Utilities and Transportation Commission is an agency of the state of Washington vested by statute with the authority to regulate the rates, rules, regulations, practices, accounts, securities, transfers of property and affiliated interests of public service companies, including electric companies.
- 18 (2) The Commission has authority to determine investor-owned utilities' compliance with RCW 19.285.040(1). The Commission has authority to review and decide whether to approve investor-owned utility conservation targets. The Commission may rely on its standard practice in exercising that authority. The Commission has adopted WAC 480-109-010 to implement RCW 19.285.040(1).
- 19 (3) Puget Sound Energy is an electric company and a public service company subject to Commission jurisdiction. PSE is a qualifying investor owned electric utility under RCW 19.285.030(19).
- 20 (4) On November 1, 2013, PSE filed with the Commission its 2014-2015 Biennial Conservation Report identifying the Company's 2014-2023 ten-year achievable conservation potential and 2014-2015 biennial conservation target.

- 21 (5) The Commission concludes that PSE has satisfied the Staff and public participation requirements of WAC 480-109-010(3) and Order 01 in Docket UE-111881 in developing its 2014-2023 ten-year conservation potential and 2014-2015 biennial conservation target.
- 22 (6) PSE's 2014-2023 ten-year achievable conservation potential is consistent with RCW 19.285.040(1) and WAC 480-109-010(1). PSE's 2014-2015 biennial conservation target is consistent with RCW 19.285.040(1) and WAC 480-109-010(2).
- 23 (7) PSE's 2014-2023 ten-year achievable conservation potential of 2,730,408 megawatt-hours, and PSE's 2014-2015 biennial conservation target of 485,770 megawatt-hours are appropriate, subject to the conditions attached to this Order in Appendix A.
- 24 (8) After reviewing PSE's 2014-2015 Biennial Conservation Plan, and giving due consideration to all relevant matters and for good cause shown, the Commission finds it is in the public interest to approve with conditions PSE's ten-year achievable conservation potential and revised biennial conservation target, as authorized by RCW 19.285.040(1)(e) and WAC 480-109-010(4).
- 25 (9) The tariff revisions to WN U-60, Tariff G, Sheet 292-A, filed by PSE on November 1, 2013, should be suspended.

ORDER

THE COMMISSION ORDERS:

- 26 (1) Puget Sound Energy's 2014-2023 ten-year achievable conservation potential of 2,730,408 megawatt-hours and its 2014-2015 biennial conservation target of 485,770 megawatt-hours are approved, subject to the conditions contained within Appendix A attached to this Order.
- 27 (2) PSE's tariff revisions in WN U-60, Tariff G, Sheet 292-A, filed on November 1, 2013, are suspended.

- 28 (3) The Commission retains jurisdiction over this matter for purposes of effectuating this order.

DATED at Olympia, Washington, and effective December 19, 2013.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chairman

PHILIP B. JONES, Commissioner

JEFFREY D. GOLTZ, Commissioner