Agenda Date: December 23, 2009
Item Numbers: A2 and A3

Dockets: UE-091859 and UG-091860
Company: Puget Sound Energy, Inc.

Staff: Deborah Reynolds, Regulatory Analyst

Recommendation

Take no action, thereby allowing Puget Sound Energy's conservation program tariff filings in Dockets UE-091859 and UG-091860 to become effective on January 1, 2010, by operation of law, and direct staff to open an investigation into the program descriptions, budgets, cost-effectiveness, and evaluation as described in Appendices A, B, C, and D of the company's tariffs.

Discussion

On November 30, 2009, Puget Sound Energy, Inc. (PSE or company) filed with the Utilities and Transportation Commission (commission) revisions to its electric and natural gas conservation program tariffs. Under separate cover, the company also submitted its proposed program descriptions, budgets, cost-effectiveness, and evaluation as described in Appendices A, B, C, and D of the company's tariffs.[1] The specifics of the conservation program were agreed to in Exhibit F to the Settlement Stipulation Agreement approved by the commission on August 28, 2002, in Dockets UE-011570 and UG-011571, and amended by the Partial Settlement Agreement approved by the commission on January 5, 2007, in Dockets UE-060266 and UG-060267. The company has developed these filings in accordance with the settlement terms. The core programs in the portfolio serve all customer classes through information and financial incentives for customers to incorporate cost-effective energy-efficient measures and services.

Through these filings, PSE is proposing changes to its electric and gas conservation programs. The proposed changes seek to (1) increase the budgeted expenditures for January 1, 2010, through December 31, 2011, (2) extend the effectiveness of programs through December 31, 2011, (3) add new pilot programs, and (4) make a number of minor tariff changes. The company has developed these filings and a course of action for their conservation programs in consultation with their Conservation Resources Advisory Group (CRAG). The conservation targets and program portfolio were guided by the results of PSE's July 2009 Integrated Resources Plan,[2] which included an assessment of the conservation potential in its service area.

PSE serves approximately 1,050,000 electric customers in Island, Jefferson, King, Kitsap, Kittitas, Pierce, Skagit, Thurston and Whatcom counties, and approximately 720,000 natural gas customers in King, Kittitas, Lewis, Pierce, Snohomish and Thurston counties. All customers are affected by these changes.

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[1] See Energy Efficiency Services Program Descriptions Appendices A-D, including attachments.
[2] Dockets UE-080949 and UG-080948.

Electric Conservation Program Changes

PSE is proposing a 29 percent increase in its two-year electric conservation budget, increasing from $129 million to $166 million. The company is establishing an electric conservation acquisition target of 71.0 aMW (average megawatts) for the 2010-2011 time period. The savings target has increased about 27 percent for commercial programs, while decreasing about 11 percent for residential programs. Company programs are expected to deliver 65.6 aMW. The remaining 5.4 aMW will come from market transformation programs through the Northwest Energy Efficiency Alliance.

Electric Efficiency Services	2008-2009 Expenses	2010-2011 Budget	Percent Change
Residential	$62,110,882	$75,303,000	+21%
Business	$54,356,657	$72,375,000	+33%
Regional (NEEA)	$4,369,347	$9,250,000	+112%
Support	$5,342,097	$7,152,000	+34%
Other Programs	$2,960,335	$2,730,000	-8%
Total	**$129,139,318**	**$166,810,000**	**+29%**

The company's analysis of its proposed electric portfolio cost-effectiveness results in a Utility Cost test ratio of 3.24, and a Total Resource cost test ratio of 2.[3] Although historically staff has evaluated programs at the residential or business sector level,[4] staff is concerned about the poor results projected for the Home Energy Reports pilot. The company ran this pilot last year on a much smaller basis, and is expanding the pilot this year, even though the evaluation report prepared by the company actually suggested removing participants rather than increasing participants. The company continues to study the potential for double-counting under this program, which is a significant concern for staff. Staff is also concerned by the significant increase in NEEA spending. Staff believes continued investigation of the company's proposed electric conservation program descriptions, budgets, cost-effectiveness, and evaluation as described in Appendices A, B, C, and D to the company's tariffs is necessary in preparation for the rate filing the company will make in March 2010.

All of the programs are funded through the company's conservation rider Schedule 120. The company will make a filing in March 2010, that will incorporate the increased budget submitted with this filing into the company's tariff. When these increases are filed, the conservation program will have increased from about 2.7 percent of PSE's electric revenue in 2009 to 3.9 percent in 2010.

[3] The Total Resource Cost test result must be greater than 1 to demonstrate cost-effectiveness.
[4] Residential or commercial/industrial customer sectors. See Page 7, paragraph 24, Exhibit F to the Settlement Stipulation Agreement approved by the commission on August 28, 2002, in Dockets UE-011570 and UG-011571.

Natural Gas Conservation Program Changes

PSE is proposing a 12 percent increase in its two-year natural gas conservation budget, increasing from $29.9 million to $33.4 million. The company is establishing a natural gas conservation acquisition target of 9,054,000 therms for the 2010-2011 time period. This is an increase of about 82 percent for commercial program therm savings and about 23 percent for residential program therm savings. The company's analysis of its proposed natural gas portfolio cost-effectiveness results in a Utility Cost test ratio of 3.16, and a Total Resource cost test ratio of 1.69. Staff's preliminary analysis shows that the company's proposed natural gas programs without savings attributed to them will exceed 10 percent of the company's sector-specific budget.[5] Staff believes additional investigation into the proposed natural gas conservation program descriptions, budgets, cost-effectiveness, and evaluation as described in Appendices A, B, C, and D to the company's tariffs is necessary in preparation for the rate filing the company will make in March 2010.

Natural Gas Efficiency Services	2008-2009 Expenses	2010-2011 Budget	Percent Change
Residential	$19,776,140	$22,027,000	+11%
Business	$8,207,447	$9,200,000	+12%
Support	$1,877,083	$2,123,000	+13%
Total	**$29,860,670**	**$33,350,000**	**+12%**

All of the programs are funded through the company's conservation tracker Schedule 120. The company will make a filing in March 2010, that will incorporate the increased budget submitted with this filing into the company's tariff. These increases to the natural gas conservation program will result in a projected collection of 1.3 percent of PSE's natural gas revenue for 2010, up from 1 percent in 2009.

Conclusion

Staff believes additional investigation into the proposed conservation program descriptions, budgets, cost-effectiveness, and evaluation as described in Appendices A, B, C, and D to the company's tariffs is necessary in preparation for the rate filing the company will make in March 2010. However, the tariff pages filed by the company do not have an immediate rate impact, and because the entire conservation program should not be suspended, staff recommends the commission take no action, thereby allowing Puget Sound Energy, Inc.'s conservation program tariff filings in Dockets UE-091859 and UG-091860 to become effective on January 1, 2010, by operation of law and direct staff to open an investigation into the program descriptions, budgets, cost-effectiveness, and evaluation as described in Appendices A, B, C, and D of the company's tariffs.

[5] The analysis performed by staff is similar to the settlement stipulation that PSE may expend up to 10 percent of its budget on information-only programs if its total mix of programs in that sector pass the cost-effectiveness test. See Page 6, Paragraph 20, Exhibit F.