

Davison Van Cleve PC

TEL (503) 241-7242 • FAX (503) 241-8160 • mail@dvclaw.com

Suite 400
333 SW Taylor
Portland, OR 97204

Irion A. Sanger

October 28, 2011

Via Electronic Mail and U.S. Mail

Chairman Jeffery Goltz
Commissioner Patrick Oshie
Commissioner Phillip Jones
Washington Utilities and Transportation Commission
PO Box 47250
1300 S. Evergreen Park Drive, SW
Olympia, WA 98504-7250

Re: In the Matter of Puget Sound Energy Docket No. UE 111497
Revisions to Large Power Use Self-Directed Program

Dear Commissioners:

The Industrial Customers of Northwest Utilities (“ICNU”) sends this letter in response to a question from Commissioner Jones regarding Puget Sound Energy’s (“PSE”) large customer conservation self-direction program in Schedule 258. ICNU hopes that the information in this letter and the attached summary document prepared by PSE provides the information requested by Commissioner Jones.

On May 1, 2011, PSE increased Schedule 120 charges to significantly increase the conservation funding from certain large customers. Given that this change occurred in the middle of PSE’s program cycle, PSE proposed to add an extra year to the large customer program to allow customers additional time to submit and complete their conservation projects. ICNU’s letter to the Washington Utilities Transportation Commission (“WUTC” or the “Commission”) in support of the Schedule 258 revisions stated that adding another year to spend the additional conservation funds was a creative tool that “will likely result in greater industrial conservation, to the benefit of all customers.”

At the open meeting approving the changes, Commissioner Jones asked about specific examples of additional industrial conservation projects that would occur because of the extra year. I was unable to provide the Commissioner with the information at the open meeting, but stated that I would follow up with information, if possible.

The extension of the program by an additional year appears to be directly resulting in additional industrial conservation that would not otherwise have occurred. The

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extension of the program in the middle of the cycle allows customers additional time to pursue higher cost, more complex capital projects that they otherwise would not have had the time to develop. The attached summary prepared by PSE includes examples of these types of specific projects, some of which would not occur without the extra year. In addition, the extra year provides additional time and flexibility to complete and improve conservation savings with existing projects.

I hope this additional information is helpful to the Commission in its analysis of PSE's conservation program. ICNU and its members appreciate the Commission's strong support of PSE's conservation efforts, especially the highly successful large customer self-direction program. ICNU notes that PSE's self direction program was recently praised in an October 2011 report by the American Council for an Energy-Efficient Economy. The Report stated that PSE administers one of the more creatively structured self-direction programs and "is an excellent example of how to leverage the flexibility inherent in a self-direct program." PSE's program is highly successful and should be considered a model for other regional and national utilities to obtain conservation in the industrial sector that is not being captured by traditional conservation programs.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Irion A. Sanger". The signature is fluid and cursive, with the first name "Irion" and last name "Sanger" clearly distinguishable.

Irion A. Sanger

cc: PSE CRAG participants (via email)

ATTACHMENT 1

Extension of the current PSE Large Power User Self-Directed Program cycle by one year to provide additional time for customers to develop and implement projects provides many benefits, a few of which are summarized below:

Many customers in the program consist of local facilities belonging to larger corporate entities. These customers must coordinate large capital projects for approval through their parent corporate headquarters in accordance with a three to five year capital expenditure plan. This process often requires design review by corporate engineering departments and evaluation of a project's merit against other corporate-wide proposals. While PSE funding makes projects financially attractive, time is still required for customers to navigate their corporate approval processes. In many cases, this may take one year or more before approval is received and construction begins. The Schedule 258 program cycle extension enables customers to navigate corporate approval processes to pursue higher cost, more-complex capital projects the program is intended to fund.

Examples of some complex projects currently being pursued by customers include:

- HVAC system and controls modifications in chemistry/research areas where air balance and exhaust volumes must be carefully monitored and require thorough design efforts.
- Extensive HVAC system conversions to more-efficient variable air volume systems in occupied facilities where coordination around staff work schedules are anticipated to extend the overall project duration.
- Projects involving controls re-engineering that must be accompanied by re-education of the user group and potential negotiations among union represented stakeholders.
- A complex integrated lighting & HVAC controls system responsive to sensed building occupancy that will be piloted on a medium sized building to prove concept and gain buy-in prior to campus-wide implementation.
- An advanced parking garage lighting controls system requiring significant permitting efforts with local code officials and negotiations with corporate security.
- Industrial process modifications requiring complex modeling and simulation to verify anticipated performance and develop updated operational procedures.

Customers have indicated the additional time allows them to better manage increased incentive allocations to ensure a greater value is returned on their investments in energy efficiency. Many customers implement projects utilizing in-house maintenance staff in combination with energy services companies (ESCOs). Faced with a requirement to mobilize quickly to ensure Schedule 258 funds are claimed for use at their site, customers would be inclined to rely solely on ESCOs to manage the additional funds. The extended year provides needed flexibility for in-house crews to complete ordinary maintenance duties while also contributing to implementation of energy efficiency projects. Furthermore, one customer noted the additional time for project implementation allows staggering of construction to improve measurement and verification of measures implemented by their ESCO vendor. Since additional measures are being implemented that have overlapping savings, it would be more challenging to verify the projects if completed simultaneously on a short timeframe.