

JAP-11

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION STAFF  
RESPONSE TO DATA REQUEST

DATE PREPARED: November 30, 2009  
DOCKET: UE-090704/UG-090705  
REQUESTER: Puget Sound Energy

WITNESS: Michael P. Parvinen  
RESPONDER: Michael P. Parvinen  
TELEPHONE: 360-664-1315

**REQUEST NO. 9:** Re: Prefiled Direct Testimony of Michael P. Parvinen, Exhibit No. MPP-1T, page 16, lines 22-23.

Regarding "the Company must have its energy savings independently verified and evaluated.":

Please provide a description of how the WUTC Staff have evaluated and verified the Company's conservation energy savings for the following years: a) 2003, b) 2004, c) 2005, d) 2006, e) 2007, d) 2008.

**RESPONSE:**

2003-2008 Methods

There are two different levels of recovery under the current program. Level one is recovery of the Company's expenditures for conservation programs. This level relies mainly on energy savings estimates from the Regional Technical Forum. This has been acceptable because the cost-effectiveness benefit-to-cost ratio has typically been well above 1, providing comfort that the estimates used for program planning are conservative enough to conclude that particular measures are, on average, contributing savings to the program, even though it may not be known exactly how much energy was saved from the installation of an individual measure. Therefore, during the years identified above, conservation programs would have been approved based on expected savings and expected costs, as described in Staff Exhibit No. MPP-1, page 16, lines 16-19, because when reviewing tariff filings for recovery of program costs, Staff is most focused on program delivery, and whether the Company has met its budget in terms of program participation.

2007-2008 Methods

Level two is the recovery of the Electric Incentive. In testimony in Dockets UE-060266/UG-060267, Staff recommended the use of an evaluation committee to develop evaluation plans and review savings assumptions and program results. Exhibit No. 561, pages 30 and 31. Staff would have been a member of such a committee, and therefore able to request the use of third-party firms in performing the evaluation work. In Order 08, ¶ 158 of that proceeding, the Commission rejected the Staff proposal for purposes of savings claims under the incentive program, but the Commission did direct the Company to work with the CRAG in evaluating its programs, and the Company has established a new internal work group that focuses strictly on evaluation. Staff still believes strongly that third-party evaluation is

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crucial to the ongoing success of the Company's conservation program, and is particularly critical as the cost-effectiveness test results come closer and closer to 1.

Additionally, when Staff member reviews Company programs and the recovery of program costs, there is typically very little time for extensive, detailed analysis. Staff may drill down into one or two transactions in several measures, but this is nothing like the rigor of choosing a statistically significant sample of transactions and verifying that the information collected and incentive paid was appropriate. Staff's methods most closely approximate a process evaluation, not an impact evaluation.

The Company's proposal for a Conservation Phase-In Adjustment is a third level of recovery. Because the Company's proposal changes the billing determinants, it has the potential to have significant effects on rates. Staff believes units should not be changed. However, if they were changed, they should rely on ex-post impact evaluation, which needs bill analysis of a statistically valid sample of program participants and non-participants. A possible scenario for independent verification and evaluation of savings would be one that involved the Company issuing a Request for Proposals (RFP) prior to 2008 in cooperation with Staff for a review of the verifiability of Company records. The Company would have then implemented the results of the review, ensuring collection of the appropriate data for the 2008 period. Nearing the end of the 2008 period, the Company would have then issued an RFP in cooperation with Staff for an independent, third-party ex-post impact verification of its 2008 conservation savings. After the verification of the 2008 data was complete, the results could then be proposed to adjust load.

The measures described above only resolve one basis for Staff's recommendation that the Conservation Phase-In adjustment should be rejected. Staff witness Parvinen's Exhibit No. MPP-1T provides Staff's other bases for this recommendation.