

Agenda Date: December 20, 2017
Item Numbers: D2 and D4

Dockets: UG-171088 and UG-171095
Company: Puget Sound Energy

Staff: Jennifer Snyder, Regulatory Analyst

Recommendation

Take no action, acknowledging Puget Sound Energy's (PSE's) 2018-2019 natural gas biennial conservation target of 6,155,000 therms and decoupling commitment of 307,750 therms, as filed in Docket UG-171088, and allowing the tariff revision filed by PSE in Docket UG-171095 to take effect Jan. 1, 2018, by operation of law.

Background

On November 1, 2017, PSE filed its "2018-2019 Biennial Conservation Plan" (BCP or Plan) with the Washington Utilities and Transportation Commission (commission) under Docket UG-171088, in accordance with the requirements of the Settlement Stipulation approved by the commission in Docket UG-011571. On December 11, 2017, PSE filed BCP replacement pages in response to Commission Order 08 in Docket UE-170033. The Revised BCP proposes to achieve 6.5 million therms with a budget of \$31 million.

On November 2, 2017, PSE filed tariff changes under Docket UE-171095 to provide for continuation of PSE's electric conservation programs, which are set to expire on December 31, 2017. The tariff changes make a couple of minor programmatic changes, but do not affect rates.

PSE serves approximately 807,000 natural gas customers in King, Kittitas, Lewis, Pierce, Snohomish and Thurston counties.

Biennial Conservation Target and Portfolio Savings

PSE conducted a Conservation Potential Assessment, which evaluated the 2018-2027 achievable conservation potential resulting in a 10-year potential of 33,780,000 therms. The 2018-2019 biennial conservation target is the pro-rata share of PSE's 10-year potential, 6,155,000 therms. The company included a placeholder adjustment to subtract NEEA savings from the target.¹ PSE also added 40,000 therms of savings from pilot programs to the total portfolio savings goal, but held them outside of the penalizable target. The decoupling commitment was calculated as 5% of the biennial conservation target (307,750 therms). PSE discussed these adjustments with the Conservation Resources Advisory Group (CRAG) during the months leading up to the filing of the BCP.

¹ NEEA's natural gas program is still in the pilot phase and has no anticipated savings for the 2018-2019 biennium.

Table 1. Development of PSE’s 2018-2019 Biennial Conservation Target and Portfolio Savings

Savings Category	Savings (therms)
Pro-rata share of IRP identified 10-year potential (CPA)	6,155,000
Plus pilots with uncertain savings	40,000
Plus Decoupling Commitment (5% of IRP)	307,750
2018-2019 Total Portfolio Savings	6,502,750
Less NEEA	(0)
Less pilots with uncertain savings	(40,000)
Less Decoupling Commitment (5%)	(307,750)
2018-2019 Biennial Conservation Target	6,155,000

Staff recommends that NEEA savings be included in the Biennial Conservation Target. This will not change the target this biennium, however, Staff proposes that if NEEA achieves natural gas savings in the 2018-2019 biennium the appropriate allocation be counted toward PSE’s target.

Biennial Budget and Cost-Effectiveness

The BCP provides budget details regarding PSE’s plan for achieving the savings identified in its biennial conservation target and total portfolio. Table 2, below, is a summary of these details. PSE’s 2018-2019 budget is \$31,067,008, approximately 5 percent more than the budget for the 2016-2017 biennium. The most significant increase in spending is on the regional program budget, up nearly 80 percent, as NEEA spending is ramping up towards the end of the approved five-year pilot process. PSE’s expected total portfolio savings for 2018-2019 are approximately 6 percent lower than the 2016-2017 biennium.

PSE expects its portfolio to achieve a Total Resource Cost (TRC) ratio of 1.3 and a Utility Cost Test (UCT) ratio of 1.7, indicating that the portfolio is still cost-effective.²

² For this biennium PSE has elected to exclude low-income programs from the portfolio level cost-effectiveness calculation as allowed by WAC 480-109-100(10)(b).

Table 2. Savings and Budgets from PSE’s 2016-2017 and 2018-2019 BCPs.

Program	2016-2017 Projected Savings (therms)	2016-2017 Budget	2018-2019 Projected Savings (therms)	2018-2019 Budget
<i>Residential</i>	3,468,025	\$14,102,910	3,491,642	\$15,041,777
<i>Low-income</i>	37,283	\$568,090	19,540	\$874,851
Residential Total	3,505,308	\$14,671,000	3,511,182	\$15,916,628
Non-Residential	3,452,978	\$9,537,000	2,951,568	\$7,671,046
Pilots	430,529	\$181,000	40,000 ³	\$61,613
Regional ⁴	37,680	\$2,476,000	0	\$4,440,380
Administration/Other	-	\$2,616,000	-	\$2,977,341
Total	6,958,300	\$29,481,000	6,502,750	\$31,067,008

Proposed Tariff Revisions

To implement the programs described in the BCP, PSE filed tariff revisions in Docket UG-171095. The majority of the revisions reflect updated effective dates, text clarifications and minor administrative changes, and do not impact rates. Language was added to Schedule 183 to allow for an alternative way of calculating cost-effectiveness for low-income programs. The name of Schedule 253 was changed to Resource Conservation Management (Energy Performance Incentive Programs). Schedule 201 was revised to allow funding provided by Microsoft Special Contract. Staff agrees with the company’s tariff changes.

General Rate Case Settlement

On December 5, 2017, the Commission approved the Settlement Agreement in Dockets UE-170033 and UG-170034 which stipulates that PSE will provide an additional \$2 million in low-income weatherization funding until June of 2019. The larger portion of this increased funding is allocated to the low-income electric program and, as a result the overall budget for the natural gas low-income program was increased by nearly \$300,000 in PSE’s replacement BCP filing.

The Settlement also included the commencement of a decoupling target 5 percent above the Commission-approved natural gas penalty target, as described above.

³ Includes only pilots with uncertain savings. In the 2018-2019 biennium this is only the Pay-for-Performance Pilot.

⁴ Savings and budgets associated with NEEA.

Stakeholder Comments

The commission did not receive any comments in these dockets.

Conclusion

Take no action, acknowledging Puget Sound Energy's (PSE's) 2018-2019 natural gas biennial conservation target and decoupling commitment, as filed in Docket UG-171088, and allowing the tariff revision filed by PSE in Docket UG-171095 to take effect Jan. 1, 2018, by operation of law.