

December 8, 2013

Steven V. King
Executive Director and Secretary
Washington Utilities and Transportation Commission
1300 South Evergreen Park Drive S.W.
P.O. Box 47250
Olympia, Washington 98504-7250

RE: Docket No. UE-132043, Puget Sound Energy's report identifying its ten-year achievable conservation potential and 2014-2015 (biennial) conservation target pursuant to RCW 19.285.040 and WAC 480-109-010

The NW Energy Coalition appreciates the opportunity to comment in support of PSE's proposed ten-year conservation potential and two-year target in compliance with the Energy Independence Act (I-937). The Coalition actively participated in PSE's Integrated Resource Plan Advisory Group and its Conservation Resource Advisory Group (CRAG), both of which played a role in the development of the 10-year potential and two-year target. Due to resource constraints, we were unable to submit these comments by the Tuesday 12/3 deadline, but thought it preferable to provide some brief written notes prior to the December 18 Open Meeting.

Staff and Public Counsel each provided detailed comments regarding PSE's biennial conservation plan (BCP) and proposed target, and highlighted some key issues that may require additional consideration in future biennia, including treatment of savings due to NEEA and behavioral conservation programs. We will continue to be engaged in those discussions, and agree that adjustments to how those items are treated in future biennia may be necessary. In particular, developing a common methodology for counting savings from behavioral programs is of interest and we believe worth exploring within the context of the Commission's I-937 rulemaking (Docket No. UE-131723).

As referenced in the comments submitted by Staff and Public Counsel, there was one area of disagreement among CRAG members when discussing proposed revisions to the 2012-2013 conditions list for the upcoming biennium. The Coalition supports PSE's proposal in its BCP to recover certain costs for distribution efficiency through Schedule 120; both Staff and Public Counsel oppose that proposal.

As part of its conservation voltage reduction (CVR) program, PSE proposes to spend \$321,800 of Schedule 120 funds¹ - we understand that is primarily for labor and overhead for phase balancing (i.e., rearranging loads on each phase of the circuit to lower the current on the most heavily loaded phase(s)). In addition, PSE proposes to spend approximately \$800,000 on capital improvements; those dollars would be recovered through general rates. That combination of Schedule 120 funds and general funds for

¹ See PSE's Biennial Conservation Plan, Exhibit 1, at page 5: "2-Year View: PSE Conservation Rider Savings Goals and Budgets, 2014-2015."

electric service is further detailed in PSE's proposed modifications to Schedule 292.²

It is important to note that phase balancing helps enhance the effectiveness of CVR, and CVR savings primarily occur on the customer's side of the meter. According to the Institute of Electrical and Electronics Engineers,

Since costs are born by distribution network operators and benefits (energy savings) accrue mainly for end-users, the utilities have little incentive to invest in CVR, making lost revenues and uncertain cost recovery the two biggest inhibiting factors. When viewed from a societal perspective, CVR offers one of the most reliable and cost-effective energy efficiency and peak-load reduction resources available. The obvious solution then becomes connecting well-established regulatory constructs for traditional energy efficiency programs (already in 29 states) to CVR energy savings.³

PSE has identified 12 substations at which it plans to implement CVR during the 2014-15 biennium if it is able to use Schedule 120 funds as proposed for phase balancing. In 2012-2013, PSE's original plan included implementation of CVR at 12 substations. Without Schedule 120 funding, it is our understanding that PSE implemented CVR at only two to three substations. According to PSE's presentation to the CRAG on October 1, 2013, PSE would use Schedule 120 funds to hire a service provider to conduct phase balancing if PSE linemen are not available to do the work. If PSE linemen are available, then they would complete the work without charging the tariff.

If Schedule 120 funds cannot be used for any distribution efficiency, PSE cannot guarantee phase balancing will occur, yet phase balancing is important to ensure CVR is as effective as possible. Hence, we do not agree with the recommendation from Staff and Public Counsel to add a condition similar to that in PacifiCorp's conditions list (#11(d)) that would provide a blanket restriction against using the energy efficiency rider to recover costs associated with distribution and production efficiency initiatives. We respectfully ask the Commission not to apply the condition negotiated by stakeholders several years ago in the PacifiCorp target-setting process to PSE's conditions list.

Sincerely,



Danielle Dixon
Senior Policy Associate, NW Energy Coalition

² See PSE's Biennial Conservation Plan, Volume 3, at p. 154.

³ Warner and Willoughby, "Conservation Voltage Reduction: An Energy Efficiency Resource." IEEE Smart Grid, April 2013. Full article available at <http://smartgrid.ieee.org/april-2013/842-conservation-voltage-regulation-an-energy-efficiency-resource>