

Agenda Date: August 12, 2016
Item Numbers: D1 and D2

Dockets: UE-132043 and UG-132044
Company: Puget Sound Energy

Staff: Jennifer Snyder, Regulatory Analyst
Brad Cebulko, Regulatory Analyst

Recommendation

Issue an Order in Docket UE-132043 finding that:

- (1) Puget Sound Energy has complied with reporting requirements pursuant to WAC 480-109-120 and RCW 19.285.070.
- (2) Puget Sound Energy has complied with Order 01 in Docket UE-132043.
- (3) Puget Sound Energy has achieved 552,596 megawatt-hours of conservation during the 2014-2015 biennium.
- (4) Puget Sound Energy has applied 27,920 megawatt-hours of conservation during the 2014-2015 biennium towards satisfying its decoupling conservation commitment.
- (5) Puget Sound Energy has achieved 38,906 megawatt-hours of excess conservation during the 2014-2015 biennium.
- (6) Puget Sound Energy must file a petition in Docket UE-121697 within sixty days of this order, requesting clarification whether excess conservation may be used to meet a shortfall of the decoupling commitment.
- (7) Puget Sound Energy must submit a revised Conservation Report to Commerce within thirty days of this order, identifying a 2014-2015 biennial target and achievement with no conservation excluded.

Discussion

On May 31, 2016, Puget Sound Energy (PSE or company) filed its 2014-2015 Biennial Conservation Report (report) with the Washington Utilities and Transportation Commission (commission), as required by Order 01 in this docket,¹ RCW 19.285.070(1), and WAC 480-109-120(4). The report indicated that the Company had achieved 552,596 megawatt-hours (MWh) of savings during the 2014-2015 biennium, and had exceeded its biennial target of 485,770 MWh. PSE also reported that it had met all of the requirements of Order 01 over the course of the biennium.

In the report, PSE states that it has achieved sufficient savings to meet its additional five percent conservation decoupling commitment of 27,920 megawatt-hours as required in Order 03 in this docket.

¹ *In the Matter of Puget Sound Energy Report Identifying Its 2014-2023 Ten-Year Achievable Electric Conservation Potential and Its 2014-2015 Electric Biennial Conservation Target Under RCW 19.285.040 and WAC 480-109-010, Docket UE-132043, Order 01 (December 19, 2013).*

Decoupling Natural Gas Energy Efficiency Goal:

On February 26, 2016, PSE filed its 2015 Annual Report of Energy Conservation Accomplishments, including its 2015 natural gas energy efficiency savings.² PSE reports that it achieved savings of 3,242,000 therms and spent \$13,094,000 in 2015. The Company achieved 5 percent above its goal and came in on budget.³ The company reported its Total Resource Cost (TRC) test at 1.00, and a Utility Cost test at 1.83. PSE still uses the TRC as its primary cost-effectiveness test for reporting natural gas conservation savings.

Excess Electric Savings:

Beginning January 1, 2014, conservation achieved above a utility's electric conservation target can be claimed as excess savings to meet shortfalls in subsequent biennia.⁴ PSE achieved savings during the 2014-2015 biennium beyond both its base UTC target and its five percent additional savings decoupling commitment.

Staff originally recommended excess savings be calculated using a target that includes all potential savings, as the decoupling commitment, and an achieved savings amount that includes all savings achieved by the utility, no matter the path to achievement. This method would recognize all savings that were purchased by ratepayers during the biennium, accurately reflect the achievement reported on a statewide basis, and increase consistency between investor-owned and consumer-owned utilities.

However, Staff agrees with stakeholders that excluding NEEA savings is consistent with our standard practice. Thus, we recommend that excess savings be calculated based on the stated UTC target and the stated UTC achievement, continuing to exclude NEEA. Staff believes that it is in the public interest that savings from pilot programs may be claimed as excess savings as long as the program's potential is accounted for in the formal target setting process. In future biennia, staff believes the potential of any pilot program must be approved by the advisory group and may be as low as zero.

For the 2014-2015 biennium, staff agrees that PSE's original recommendation of 38,906 MWh should be identified as excess savings. No single large facility savings have been identified by PSE.

² Natural gas utilities report their savings on an annual basis, not the biennial requirement of the Energy Independence Act. Docket UG-132044 is the companion staff investigation into natural gas achievement for PSE.

³ PSE's 2015 natural gas energy efficiency goal was 3,081,000 therms, and its expenditures budget was \$13,140,000.

⁴ RCW 19.285.040(1)(c)(i) and WAC 480-109-100(3)(c).

On the question of whether excess savings should be allowed to make up for a future shortfall in PSE's decoupling commitment, Staff recommends that PSE file a petition with the Commission in its decoupling docket, UE-121697. The petition should further request clarification that any penalty for missing a decoupling commitment would be calculated in the company's current Biennial Conservation Plan (BCP) docket.

To increase consistency amongst all state utilities, an all-encompassing target and achievement should be used when submitting reports to Commerce, including the UTC target and achievement in the notes of the report. Staff recommends that PSE submit a revised Conservation Report to Commerce identifying a 2014-2015 biennial target and achievement with no conservation excluded.

A full discussion of conservation and policy issues in the biennium can be found in staff's Comments filed on July 21, 2016.

Stakeholder Comments

The NW Energy Coalition (NVEC), and the Industrial Customers of Northwest Utilities (ICNU) were the only parties to file comments regarding PSE's report. Both parties addressed the treatment of excess conservation savings for meeting decoupling commitments. ICNU cautioned that allowing excess savings to meet decoupling commitments could diminish the impact of the decoupling commitment in future biennia. They encouraged the Commission to have a discussion at the Open Meeting. NVEC was silent on if excess savings should be eligible for meeting a decoupling commitment, but should it be allowed, it is critical that the utilities avoid double-counting savings in multiple biennia. NVEC also encouraged the Company to pursue future conservation targets that are more in line with their actual past achievement, given that it has handily exceeded its target each of the last three biennia.

Conclusion

Staff recommends that the commission issue an order in Docket UE-132043 as described in the recommendation section above.