

December 7, 2011

David Danner  
Executive Director and Secretary  
Washington Utilities and Transportation Commission  
1300 S. Evergreen Park Dr. S.W.  
PO Box 47250  
Olympia, WA 98504-7250

RE: Docket No. UE-111881 – Puget Sound Energy’s Report Identifying Its Ten-Year Achievable Conservation Potential and Its Biennial Conservation Target Pursuant to RCW 19.285.040 and WAC 480-109-010

The NW Energy Coalition (“Coalition”) appreciates the opportunity to offer these comments in response to the Commission’s November 4, 2011 Notice of Opportunity to Comment on Puget Sound Energy’s Report Identifying Its Ten-Year Achievable Conservation Potential and Its Biennial Conservation Target Pursuant to RCW 19.285.040 and WAC 480-109-010. In this letter, we offer support for PSE’s filing with one exception related to the Company’s assessment of production efficiency potential.

## **OVERARCHING COMMENTS**

We commend Puget Sound Energy (PSE) for keeping its Conservation Resources Advisory Group (CRAG) as well as its Integrated Resources Plan Advisory Group (IRPAG) well-informed during the development of its 10-year conservation potential and proposed new biennial target. The Coalition is an active member of both of those advisory groups. PSE staff has been diligent about responding to information requests from advisory group members, discussing concerns as they arise, and seeking collaborative resolution of issues. PSE also does a fantastic job of providing CRAG members with needed materials, including detailed documents tracking progress towards meeting each of the conditions approved in conjunction with its 2010/2011 conservation target in Docket No. UE-100177.

As discussed in its Biennial Conservation Plan (BCP), PSE proposes to use its 2011 Integrated Resources Plan (IRP) as the basis for its 10-year conservation potential assessment and biennial target. We support that approach. PSE’s analysis in its IRP demonstrates that substantial cost-effective conservation is available and achievable. PSE also proposes to increase its conservation acquisition, from a current biennial target of 71 aMW to a new target of 76 aMW, despite potential acquisition challenges.<sup>1</sup> Again, we support this approach, and appreciate PSE’s decision to file a point target as envisioned in the law (rather than a range as allowed by WAC 480-109-010(2)(c)). Additionally, we support PSE’s proposed continuation of the “conditions list” adopted in UE-100177 as part of PSE’s 2010-2011 biennial conservation target, modified to reflect appropriate dates in the upcoming biennium.<sup>2</sup>

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<sup>1</sup> PSE Biennial Conservation Plan, p. 2.

<sup>2</sup> Id., p. 6.

We also agree with PSE with regard to its electric conservation obligation that “After Commission approval of PSE’s biennial acquisition target, that conservation energy target is deemed to be all cost-effective, reliable, feasible, and available conservation that the Company must pursue for the 2012-2013 biennium.” (PSE 2012-2013 Biennial Conservation Plan, p. 7) In other words, once the Commission has approved PSE’s biennial target, we do not believe that number should be second-guessed during the biennium. This was a topic of conversation during the recent staff-initiated workgroup process focused on implementation of the Energy Independence Act’s (“I-937”) conservation requirements. (Docket No. UE-110001)

## **CONCERN RELATED TO PRODUCTION EFFICIENCY POTENTIAL**

PSE collaborated well with the CRAG in setting its biennial target, and with one exception, we believe that PSE conducted a solid, robust analysis of its conservation potential. That exception relates to PSE’s analysis of its production efficiency potential.

In PSE’s filing, Schedule 292 provides for energy efficiency in Company-owned or operated production or distribution facilities, with a focus on measures that will reduce energy use (e.g., through lighting upgrades at generation facilities). Table 8 in the BCP (p. 27) shows 16,200 MWh (1.8 aMW) of cost-effective conservation available in production and distribution in 2012-2013. PSE’s IRP assessed distribution efficiency potential, but did not consider production efficiency potential. Instead, “PSE developed a separate assessment of the conservation potential at its electric production facilities. This assessment included all hydro and thermal plants operated by PSE in the state of Washington.”<sup>3</sup>

First, we question why PSE’s assessment of production efficiency potential only considered facilities located in Washington State, as listed in Figure 2.<sup>4</sup> Neither the law<sup>5</sup> nor the rules<sup>6</sup> suggest that conservation in a qualifying utility’s production facilities is limited solely to those located in Washington. As a result of PSE’s interpretation, the Colstrip coal facility in Montana, for example, was excluded from the analysis even though PSE owns 50% each of Units 1 and 2, and 25% each of Units 3 and 4. Given two of the other five owners of Colstrip also are subject to I-937, a joint proposal for addressing energy efficiency in that facility could be appropriate.

Second, we believe that PSE’s analysis should include cost-effective opportunities for turbine upgrades and other output efficiency improvements in addition to efficiency measures that reduce overall consumption at production facilities. The rationale for this assertion rests on the interplay in I-937 between the definition of conservation and the mandate for utilities, in assessing their conservation potential, to use methodologies

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<sup>3</sup> Id., p. 3 of final section titled “Cumulative Ten-Year Conservation Potential”

<sup>4</sup> Id., p. 4 of final section titled “Cumulative Ten-Year Conservation Potential”

<sup>5</sup> RCW 19.285

<sup>6</sup> WAC 480-109

consistent with those used by the Northwest Power and Conservation Council (“Council”).

I-937 defines conservation as “any reduction in electric power consumption resulting from increases in the efficiency of energy use, production, or distribution.”<sup>7</sup> That definition is substantively identical to the definition of conservation in the Pacific Northwest Electric Power Planning and Conservation Act (“Northwest Power Act”).<sup>8</sup> The Northwest Power Act established the Council and mandated the Council to produce regional electricity plans every five years.

I-937 requires the following:

(1) Each qualifying utility shall pursue all available conservation that is cost-effective, reliable, and feasible.

(a) By January 1, 2010, using methodologies consistent with those used by the Pacific Northwest electric power and conservation planning council in its most recently published regional power plan, each qualifying utility shall identify its achievable cost-effective conservation potential through 2019. At least every two years thereafter, the qualifying utility shall review and update this assessment for the subsequent ten-year period.<sup>9</sup>

While the definitions of conservation in I-937 and the Northwest Power Act refer to reductions in consumption, the Council has interpreted that definition to include turbine efficiency improvements and similar efforts to enhance electricity production efficiency. For example, the second<sup>10</sup> and the third<sup>11</sup> regional plans describe generation system efficiency improvements in the region. In the Second Plan, “the Council [...] concluded that energy savings from turbine runner replacement and electronic governors [in hydropower facilities] should be included in the resource portfolio.”<sup>12</sup> In the Third Plan, the Council began “compiling estimates of regional thermal upgrade potential”<sup>13</sup> in addition to its analysis of potential improvements to the efficiency of existing

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<sup>7</sup> RCW 19.285.030(4).

<sup>8</sup> “Conservation” means any reduction in electric power consumption as a result of increases in the efficiency of energy use, production, or distribution. Northwest Power Act, §3(3), 94 Stat. 2698.

<sup>9</sup> RCW 19.285.040, *emph. added*.

<sup>10</sup> Northwest Power Planning Council. Northwest Conservation and Electric Power Plan Volume Two. (1986) See p. 6\_2 to 6\_7. For example, the Plan discusses possibilities for improving efficiency in existing thermal plants ranging from “minor component replacement to complete repowering using advanced design heat sources such as fluidized bed combustors.” (at p. 6-7)

[http://www.nwcouncil.org/library/1986/1986Plan\\_Vol2.pdf](http://www.nwcouncil.org/library/1986/1986Plan_Vol2.pdf)

<sup>11</sup> Northwest Power Planning Council. 1991 Northwest Conservation and Electric Power Plan. Volume II-Part I. See pp. 594-618.

[http://www.nwcouncil.org/library/1991/91-4/1991Plan\\_Vol2\\_Part2.pdf](http://www.nwcouncil.org/library/1991/91-4/1991Plan_Vol2_Part2.pdf)

<sup>12</sup> Northwest Conservation and Electric Power Plan Volume Two, p. 6-7.

<sup>13</sup> *Id.*, p. 596.

hydropower facilities. Further, “the Council encourage[d] owners and operators of the region’s thermal power plants to fully explore the potential for cost-effective upgrades to these facilities, and to implement these improvements when cost-effective.”<sup>14</sup>

I-937 references using methodologies consistent with the most recently published plan. The Sixth Plan does not include a specific assessment of generation efficiency potential. However, according to recent communications with the Council’s Manager of Conservation Resources, the current methodologies in the Sixth Plan are still relevant to assessing generation system efficiency improvements. Limited budget and resources in recent years have constrained Council staff from conducting specific analyses comparable to those done for the second and third plans, but the necessary methodologies are included in the most recently published plan.

It is important to note that I-937 specifically allows efficiency upgrades at hydropower facilities to count as eligible renewable resources towards meeting the state’s renewable energy standard.<sup>15</sup> And of course additional power produced due to turbine improvements in other generation facilities that are considered eligible renewable resources would be counted towards the renewable standard as well. To avoid double-counting of resource acquisition, we recommend the Commission clarify that only turbine efficiency upgrades at generation facilities that are not eligible renewable resources be included in PSE’s assessment of production efficiency potential.

We recognize that conducting an assessment of end-use efficiency potential in generation facilities owned in whole or in part by PSE that are not included in Figure 2<sup>16</sup> will take time. As will conducting an assessment of the potential for cost-effective turbine efficiency upgrades in generation facilities owned in whole or in part by PSE. We recommend the Commission direct PSE to conduct these assessments and file the savings estimates as part of its next 10-year conservation potential and biennial target for 2014-2015.

## **SUMMARY RECOMMENDATION**

We respectfully request the Commission:

- 1) Approve PSE’s proposed biennial target of 76 aMW for 2012-2013;
- 2) Approve continuation of the “conditions list” approved in Docket No. UE-100177, modified to include updated dates (as suggested in PSE’s filing);
- 3) Direct PSE to assess end-use cost-effective conservation potential in generation facilities owned in whole or in part by the Company that were not included in its analysis submitted as part of this filing; and
- 4) Direct PSE to assess cost-effective potential for efficiency upgrades such as turbine improvements in production facilities owned in whole or in part by the Company that are not considered eligible renewable resources.

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<sup>14</sup> Id.

<sup>15</sup> See definition of “eligible renewable resource” at RCW 19.285.030(10)(b).

<sup>16</sup> BCP, p. 4 of final section titled “Cumulative Ten-Year Conservation Potential.”

Thank you for the opportunity to provide these comments. I plan to participate in the Open Meeting on December 15 and would be happy to answer any questions at that time.

Sincerely,

A handwritten signature in black ink that reads "Danielle Dixon". The signature is written in a cursive style with a large, looped initial "D".

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