

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of)
)
PUGET SOUND ENERGY) DOCKET UE-17____
)
)
Petitioner,) PETITION FOR AN
) ACCOUNTING ORDER
For An Accounting Order Authorizing)
Accounting Treatment Of The)
Development Of The Company's)
Demand Response Programs)
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I. INTRODUCTION

1. In accordance with WAC 480-07-370(b), Puget Sound Energy (“PSE”) respectfully petitions the Washington Utilities and Transportation Commission (“Commission”) for an order that authorizes the accounting and ratemaking treatment detailed in this Petition related to PSE’s funding and cost recovery of the development of the Demand Response Program.
2. PSE is engaged in the business of provided electric and gas service within the State of Washington as a public service company, and is subject to the regulatory authority of the Commission as to its retail rates, service, facilities and practices. Its full name, mailing and emailing addresses are:

Puget Sound Energy
Attn: Ken Johnson
Director, State Regulatory Affairs
P.O. Box 97034
Bellevue, WA 98009-9734
E-mail: ken.s.johnson@pse.com

3. Rules and statutes that may be at issue in this Petition include RCW 80.01.040, RCW 80.28.020, and WAC 480-07-370(b).

II. BACKGROUND

4. On September 8, 2016, in Docket UE-160808 the Commission approved PSE’s Request for Proposal (“RFP”) for technology and implementation services in support of its residential and small commercial Demand Response Program. In Docket UE-160809 the Commission approved PSE’s RFP for technology and implementation services in support of its commercial and industrial Demand Response Program. These voluntary programs are intended to implement PSE’s 2015 Integrated Resource Plan (“IRP”). The

electric action plan in the IRP outlines the acquisition of demand response and issuance of an (RFP). PSE is currently drafting proposed tariffs in support of this public interest program.

5. PSE is proposing to include the recovery of the developmental costs, only, prior to implementation of its Demand Response Program in the Electric Conservation Service Rider ("Rider") Rate under Schedule 120, its annual update of which is currently before the Commission in Docket No. UE-170142. Implementation costs are those costs incurred at the point Demand Response Program tariffs are filed with the Commission. Electric Schedule 83, Electricity Conservation Service and Electric Schedule 120, Electricity Conservation Service Rider authorizes PSE to recover these expenses through the Conservation Rider.
6. Precedent for other programs' cost recovery under Schedule 120 include: 1) the Accounting Order authorizing Electric Vehicle Charger Incentive Program (Electric Schedule 195) funding approved in UE-131585; 2) the Accounting Order authorizing Net Metering Program (Electric Schedule 150) costs approved in UE-990016; and 3) Small Scale Renewable Electricity Generation Program (Electric Schedule 248). Precedent for cost recovery of Demand Response programs under Schedule 120 include the Commercial/Industrial Electric Demand Response Program (Electric Schedule 271) and the Demand Response Pilot Programs (Electric Schedule 249A).
7. This request for petition confirms the accounting treatment previously agreed to by discussions in the Conservation Resource Advisory Group ("CRAG"). In all of its CRAG interactions in 2016, PSE attempted to clarify and parse the "developmental" aspects of Demand Response from the "implementation" aspects. Any discussion of funding for Demand Response was focused on the implementation aspect, from PSE's perspective.
8. At the March 16, 2016 CRAG meeting, after presenting the market assessment of demand response, clarifying that the current demand response activity is funded by the Rider, and that PSE intended to fund the program from the Rider, no CRAG members voiced objections to funding the Demand Response RFP development through the Rider, nor did members object to having the CRAG be the point of review for Demand Response topics.
9. At the May 18, 2016 CRAG meeting, where the primary focus was on the topic of Demand Response, no CRAG member objected to funding the Demand Response program development costs through the Rider.
10. At the August 24, 2016 CRAG meeting, one of the first topics of discussion was funding of Demand Response. No CRAG member objected to funding the Demand Response program development costs through the Rider.

11. At the October 12, 2016 CRAG meeting, there was a discussion of how Demand Response funding would be treated in the upcoming 2017 ACP, and how Demand Response is already funded by the Rider. Afterward, no distinct objections to PSE's funding suggestions were made.
12. This request for petition confirms the accounting treatment previously agreed to by discussions and correspondence related to Demand Response initiatives. Specific to the current Demand Response funding question, during October and November of 2016, as a part of the review of PSE's draft 2017 Annual Conservation Plan ("ACP"), PSE received questions relating to the accounting treatment of Demand Response and PSE responded to those questions from CRAG members.
13. In response to a question from the Industrial Customers of Northwest Utilities requesting clarification of whether PSE had proposed to have cost recovery of Demand Response through the Rider, PSE responded that it intended to remove \$1.3 million in implementation costs from the final, filed 2017 ACP Demand Response budget, and retain only the amount needed to administer the Demand Response RFP bidder vetting process and continue developmental work.
14. In response to a question from Public Counsel regarding clarification that Demand Response RFP-related costs and associated program development costs, PSE responded that the final, filed 2017 ACP contains updated information reflecting that the approximate \$1 million in implementation costs were removed, with only the developmental costs of approximately \$322,000 (relating to Programs Support staff labor to evaluate RFP responses, program development, etc.) remaining for Demand Response.
15. In response to a question from Commission Staff regarding Demand Response programs being funded through the Rider, PSE responded to clarify that PSE management has recommended that only the program development costs of \$322,000 be allocated to the Rider.

III. PROPOSED ACCOUNTING TREATMENT

16. As stipulated in the 1997 order to Docket UE-970686, which authorized the deferral of electric conservation expenditures and recovery through a conservation rider, the Company proposes to fund the development of its Demand Response Program (as described in paragraph 5) through Electric Conservation Rate Schedule 120 which currently recovers the costs of PSE's EES Programs. Consistent with the deferred accounting approved in UE-970686, PSE requests to be allowed to continue to defer the development costs only, of the Demand Response Program consistent with PSE's existing ongoing deferred accounting for all other programs recovered through Schedule 120.

17. PSE proposes approval to recover 2016 Demand Response development expenses of \$170,905, and budgeted 2017 Demand Response development expenses of \$332,457, in Schedule 120 until the program enters implementation with the filing of Demand Response Program tariff schedules.
18. PSE requests to defer the costs to Account 182.3 consistent with the accounting utilized for other conservation costs allowed for recovery in Schedule 120.

IV. PRAYER FOR RELIEF

19. By removing approximately \$1.3 million of implementation/operational planned expenses—originally indicated in PSE's October 15 draft Exhibit 1—from its filed 2017 ACP, PSE believes that it responded appropriately to, and in support of Commission Staff's concerns expressed in their January 26, 2017 Open Meeting memo.
20. Based on the foregoing, the precedence for including Demand Response development in the Conservation Rider, and PSE's proactive and comprehensive engagement with its CRAG, PSE respectfully requests that the Commission issue an Accounting Order authorizing the aforementioned accounting treatment.

Dated this __ day of April, 2017.

PUGET SOUND ENERGY


Ken Johnson
Director, State Regulatory Affairs

VERIFICATION

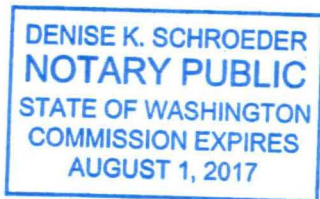
STATE OF WASHINGTON)
County of King)

Ken Johnson, being first duly sworn on oath, deposes and says: That he is a Director, State Regulatory Affairs, for PSE and makes this verification for and on behalf of said corporation, being thereto duly authorized;

That he has read the foregoing Petition, knows the contents thereof, and believes the same to be true.

[Handwritten signature]

SIGNED AND SWORN to before me on this 18th day of April 2017



Denise K. Schroeder

NOTARY PUBLIC in and for the State of Washington, residing at *Snogqualmie, WA*

Commission Expires: 8/1/2017