

July 16, 2012

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Washington Utilities and Transportation Commission
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PO Box 47250
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RE: UE-100177, Puget Sound Energy's 2010-2011 Conservation Program
Achievement pursuant to WAC 480-109-040

INTRODUCTION AND RECOMMENDATION

The following comments are provided by the NW Energy Coalition ("Coalition") in response to the Commission's June 5, 2012 Notice of Opportunity to Comment on Puget Sound Energy's Report Concerning its Annual Reporting Requirements Regarding its Progress in Meeting its Conservation Target During the Preceding Biennium Pursuant to RCW 19.285.070 and WAC 480-109-040.

PSE filed its' report on June 1, 2012 with the Commission and the Department of Commerce "on its progress in the preceding year in meeting the targets established in RCW [19.285.040](#), including expected electricity savings from the biennial conservation target, expenditures on conservation, [and] actual electricity savings results, ..." ¹ The Company also made its report available to its customers. ² As demonstrated in its' filing, PSE cost-effectively exceeded its approved biennial target of 622,000 MWh and fully complied with its 2010 electric settlement conditions. ³

We recommend the Commission find Puget Sound Energy ("PSE") to be in compliance with RCW 19.285.040 and RCW 19.285.070 with regard to meeting its 2010-2011 biennial conservation target and reporting its conservation savings.

DISCUSSION

The Coalition is an active member of PSE's Conservation Resource Advisory Group ("CRAG"). The CRAG has been well informed throughout the 2010-2011 biennium regarding PSE's progress in meeting its conservation target and the terms of the associated Conditions List.

¹ RCW 19.285.070

² RCW 19.285.070(3) and WAC 480-109-040 require qualifying utilities to make their reports available to their customers. PSE posted its report to its website at <http://pse.com/savingsandenergycenter/AboutReEnergize/Pages/default.aspx>

³ UE-100177, (Amended) Order 05, issued October 13, 2010, set PSE's 10-year conservation potential and biennial target subject to conditions.

We commend PSE for its conservation program management and achievements.⁴ The independent third party review of PSE's conservation savings⁵ "generally ... verified that PSE's 2010-11 savings claim is sound, defensible, and well-documented."⁶ According to the evaluation team,

We periodically uncovered small documentation discrepancies, but these were minor and in our minds were not symptomatic of larger systemic problems that could call into question the veracity of the claimed savings for a program. Considering the breadth and depth of the scrutiny PSE received during the third-party review process, this is remarkable and speaks well to the management and procedures.⁷

Although the evaluators recommended no savings adjustments based on the aforementioned discrepancies, PSE reconciled the identified errors and reduced its claimed savings by 31 MWh.

The evaluation revealed one area of some controversy that is in need of further in-depth evaluation, i.e., measuring precise savings from PSE's resource conservation manager ("RCM") program. It is important to note that the detailed review of the RCM program conducted for the purposes of this evaluation "was not intended to be a formal impact evaluation that provided revised savings estimates within prescribed statistical significance limits."⁸ However, the evaluators believe that PSE's billing analysis approach to determining savings for the RCM program and its approach to including customer facilities in savings analyses may result in an overstatement of those savings.⁹ The evaluators therefore recommend a reduction of 17.5% in reported savings for the RCM program for the 2010-11 biennium, though they recognize that "the magnitude of this discrepancy is uncertain at this point."¹⁰

In the initial draft evaluation, the evaluators had recommended a reduction in overall RCM program savings of 35%. We expressed discomfort with this adjustment because of the lack of precision, significant uncertainties and limited data collection associated with it. Therefore, we appreciate the final report adjusting that figure to 17.5%. In its' filing, PSE provides some compelling reasons against adjusting RCM program savings at this time.¹¹ We also respect that this recommendation for a downward adjustment reflects best

⁴ While all PSE conservation program staff deserve credit for these accomplishments, we would like to take this opportunity to highlight the behind-the-scenes organizational efforts of Dan Anderson and Andy Hemstreet, who have done an admirable job of keeping the CRAG well informed and actively engaged. They also developed a solid tracking system to ensure CRAG members understood the metrics for determining when each of the 2010 electric settlement conditions were met, and notified the CRAG throughout the biennium of action items associated with each condition.

⁵ This review was required in Condition K(6)g.

⁶ SBW Consulting Inc. and KEMA, *Independent Third-Party Review of PSE's 2010-2011 Electric Conservation Energy Savings*, p. ES-7.

⁷ Id., pp. ES-7, 8.

⁸ Id., p. 38.

⁹ Id., pp. 46-48.

¹⁰ Id., p. 50.

¹¹ Puget Sound Energy's 2010-2011 Biennial Electric Conservation Achievement, pp. 11-13.

professional judgment of the evaluators. While we agree that more analysis is necessary, it seems appropriate to be conservative in assigning savings and to take (somewhat reluctantly) the recommendation of the evaluator at this time.

That said, the Coalition strongly agrees with the evaluators' recommendation to re-evaluate the RCM program as soon as reasonably possible,¹² allowing time to delve into the issues raised by the evaluators and others that may be raised by CRAG members and determine the most effective form of impact evaluation for this type of complex conservation program. After a more comprehensive evaluation, PSE and the CRAG will have a better understanding of how this program performs and how savings should be accounted for in the 2012-13 biennial report.

The good news is that even with a downward adjustment of 17.5% to RCM program savings, PSE exceeded its biennial conservation target by 2.3%.¹³ Without that adjustment, PSE exceeded its target by 3.6%.¹⁴ For purposes of its biennial Conservation Report Card,¹⁵ future conservation potential assessments, and basic transparency, we believe the Commission should approve a final point savings achievement level for PSE for the 2010-2011 biennium that includes the adjustment of savings for the RCM program.

CONCLUSION

The Energy Independence Act requires that “the commission shall determine compliance with the provisions of this chapter and assess penalties for noncompliance.”¹⁶ PSE has clearly demonstrated compliance with the energy conservation mandate in the law, regardless of the Commission's ultimate decision with regard to achieved level of savings from the RCM program.

Coalition Policy Director Nancy Hirsh will attend the Open Meeting on July 27 and will be available for questions.

¹² Id., pp. 50-51.

¹³ Id., p. 9.

¹⁴ Id.

¹⁵ UE-100177, 2010 Electric Settlement Agreement, approved in (Amended) Order 05, Section I, provision 18.

¹⁶ RCW 19.285.060(6)