

Agenda Date: December 17, 2015

Item Numbers: A3 and F3

Dockets: UG-152043 and UG-152075

Company: **Puget Sound Energy**

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

Recommendation

Take no action, acknowledging Puget Sound Energy's (PSE's) 2016-2017 natural gas biennial conservation target of 6.96 million therms, as filed in Docket UG-152075, and allowing the tariff revision filed by PSE in Docket UG-152043 to take effect Jan. 1, 2016, by operation of law.

Background

On October 29, 2015, PSE filed its "2016-2017 Biennial Conservation Plan" (BCP or Plan) with the Washington Utilities and Transportation Commission (commission) under Docket UG-152075, in accordance with the requirements of the Settlement Stipulation approved by the commission in Docket UG-011571. The Plan identifies a 2016-2017 biennial conservation target of 6.96 million therms and business plan to implement conservation programs to achieve that target.

Also on October 27, 2015, PSE filed tariff changes under Docket UG-152043 to provide for continuation of PSE's natural gas conservation programs, which are set to expire on Dec. 31, 2015, until December 31, 2017. The proposed changes include an update to the commercial and industrial incentive program. The tariff changes do not impact current rates.

PSE serves approximately 790,000 natural gas customers in King, Kittitas, Lewis, Pierce, Snohomish and Thurston counties.

Biennial Conservation Target

PSE identified a 2016-2025 achievable conservation potential of 33,780,000 therms during the July 16 CRAG meeting using its conservation potential assessment (CPA), which was developed through the 2015 Integrated Resource Plan. The two-year share of PSE's 10-year potential is 6.76 million therms. Applying similar methodologies used to develop the electric biennial conservation target, PSE then made a couple of adjustments to derive its biennial conservation target. First, the company added 239,967 therms of projected savings from its existing Home Energy Reports initiative to the target. Next, PSE subtracted 37,680 therms of savings attributable to NEEA programs from the biennial conservation target. These adjustments resulted in a 2016-2017 biennial conservation target of 6.96 million therms.

Table 1. Development of PSE’s 2016-2017 Natural Gas Penalty and Portfolio Targets

Savings Category	Savings (therms)
End-Use Efficiency Measures (CPA)	6,756,000
Less NEEA	(37,680)
Plus Legacy Home Energy Reports	239,967
2016-2017 Target Subject to Penalty¹	6,958,287
Plus 2016-2017 NEEA	37,680
Plus Home Energy Reports Pilot	430,529
2016-2017 Total Portfolio Savings	7,426,496

Biennial Budget

The BCP provides budget details regarding PSE’s plan for achieving the savings identified in its biennial conservation target and total portfolio. A summary of these details is provided in Table 2 below. PSE’s 2016-2017 budget is \$29,481,000, which is approximately 18 percent higher than the 2014-2015 biennial budget. The increase in anticipated expenditures is driven by increased costs in the residential sector, a significant increase in planned business sector incentive expenditures, increased program marketing, and the NEEA gas market transformation initiative, among a few other factors. Despite continued low natural gas prices, PSE’s expected total portfolio savings for 2016-2017 are slightly higher than the 2014-2015 biennium.

Table 2. Comparison of Savings and Budgets from PSE’s 2014-2015 and 2016-2017 BCPs.

Program	2014-2015 Projected Savings (therms)	2014-2015 Budget	2016-2017 Projected Savings (therms)	2016-2017 Budget
<i>Residential</i>	3,195,700	\$13,345,900	3,468,025	\$14,102,910
<i>Low-income</i>	54,800	\$739,000	37,283	\$568,090
Residential Total	3,250,500	\$14,084,900	3,505,308	\$14,671,000
Non-Residential	2,920,000	\$7,472,200	3,452,978	\$9,537,000
Pilot	770,000	\$490,400	430,529	\$181,000
NEEA ²	-	-	37,680	\$2,476,000
Administration/Other	-	\$2,149,700	-	\$2,616,000
Total	6,940,500	\$24,197,200	6,958,300	\$29,481,000

¹ Docket UG-011571 Stipulation Agreement, Section M43.

² NEEA does not anticipate that it will deliver savings until 2017.

Cost-Effectiveness

Despite the continued downward pressures on savings and cost-effectiveness due to low natural gas prices, PSE expects its portfolio to achieve a Total Resource Cost (TRC) ratio of 1.5 and a Utility Cost Test (UCT) ratio of 1.8, indicating that the portfolio is still cost-effective. PSE's TRC calculation for the 2016-2017 biennium includes a 10 percent conservation adder, consistent with electric TRC calculations and other natural gas utilities under the commission's jurisdiction.

New Program

In 2014, the regional natural gas utilities came together to pursue regional market transformation through NEEA. In 2015 the companies signed a five-year, \$18.3 million business plan that will initially target five new residential and commercial gas initiatives. PSE's share of the costs for this biennium will be \$2,476,000. The company anticipates that NEEA will begin acquiring savings in 2017.

Proposed Tariff Revisions

To implement the programs described in the BCP, PSE filed tariff revisions in Docket UE-152043. The revisions reflect updated effective dates, text clarifications and minor administrative changes, and do not impact rates.

Stakeholder Comments

The commission did not receive any comments in these dockets.

Conclusion

Take no action, acknowledging Puget Sound Energy's (PSE's) 2016-2017 natural gas biennial conservation target of 6.96 million therms, as filed in Docket UG-152075, and allowing the tariff revision filed by PSE in Docket UG-152043 to take effect Jan. 1, 2016, by operation of law.