

Agenda Date: December 20, 2017
Item Numbers: D1 and D3

Dockets: UE-171087 and UE-171094
Company: Puget Sound Energy

Staff: Jennifer Snyder, Regulatory Analyst

Recommendation

Issue an order in Docket UE-171087 rejecting Puget Sound Energy's biennial conservation target of 448,109 megawatt-hours, and direct the company to refile its biennial conservation plan consistent with the conditions in Attachment A (biennial conservation target of 473,163 megawatt-hours).

Allow the tariff revisions filed by PSE in Docket UE-171094 to take effect January 1, 2018, by operation of law.

Background

On November 1, 2017, Puget Sound Energy (PSE or company) filed its "2018-2019 Biennial Conservation Plan" (BCP or Plan) with the Washington Utilities and Transportation Commission (commission) under Docket UE-171087. The Plan identifies a 2018-2027 achievable conservation potential of 1,799,149 megawatt-hours (MWh), a 2018-2019 biennial conservation target of 448,109 MWh, a decoupling commitment target of 23,658 MWh,¹ and business plan to implement conservation programs to achieve the combined target. Staff filed responsive comments on the Plan on December 1, 2017. On December 11, 2017, PSE filed replacement pages in response to commission Order 08 in Docket UE-170033.

On November 2, 2017, PSE filed tariff changes under Docket UE-171094 to provide for continuation of PSE's electric conservation programs, which are set to expire on December 31, 2017. The tariff changes make a couple of minor programmatic changes, but do not affect rates.

PSE serves approximately 1.1 million electric customers in Island, King, Kitsap, Kittitas, Pierce, Skagit, Thurston and Whatcom counties.

Biennial Conservation Target and Portfolio Savings

As described in staff comments, PSE conducted a Conservation Potential Assessment, which evaluated the 2018-2027 achievable conservation potential resulting in a 10-year potential of 1,799,149 MWh. The two-year share of PSE's 10-year potential is 473,163 MWh (54.0 aMW) including 1,500 MWh of distribution efficiency. PSE subtracted 25,054 MWh of savings attributable to NEEA programs from the biennial conservation target, as was done for the 2014-2015 and 2016-2017 biennia. This adjustments resulted in a 2018-2019 biennial conservation

¹ See Docket UE-121697, Order 07, ¶ 108.

target of 448,109 MWh (51.2 aMW). PSE discussed these adjustments with the Conservation Resources Advisory Group (CRAG) during the months leading up to the filing of the BCP.

Table 1. Development of PSE’s 2018-2019 Biennial Conservation Target and Portfolio Savings

Savings Category	Savings (MWh)
IRP identified potential (CPA)	473,163
Plus projected savings from retail wheeling customers	18,693
Plus pilots with uncertain savings	4,480
Plus decoupling commitment (5% of IRP)	23,658
2018-2019 Total Portfolio Savings	519,994
Less NEEA	(25,054)
Less projected savings from retail wheeling customers	(18,693)
Less pilots with uncertain savings	(4,480)
Less decoupling commitment (5%)	(23,658)
2018-2019 Biennial Conservation Target	448,109

Staff recommends that NEEA savings be included in the EIA Biennial Conservation Target and that any excess be treated the same as other excess savings. As explained in its comments, staff has concerns about continuing the practice of excluding NEEA savings from the EIA target because the risk of missing a target has been all but eliminated, the lack of consistency with public utilities creates confusion, the potential risk of shortchanging ratepayers in carbon regulation is unknown, and the practice removes an incentive for utilities to provide full support for NEEA initiatives.² Therefore, staff’s recommended target for PSE, 473,163 MWh, includes NEEA savings. The calculations are presented in Table 2 below:

² Docket UE-171087, Staff Comments, Dec. 1, 2017.

Table 2. Staff's recommendation for PSE's 2018-2019 Biennial Conservation Target and Portfolio Savings

Savings Category	Savings (MWh)
2018-2019 Total Portfolio Savings	519,994
Less projected savings from retail wheeling customers	(18,693)
Less pilots with uncertain savings	(4,480)
Less Decoupling Commitment (5%)	(23,658)
2018-2019 Biennial Conservation Target	473,163

Biennial Budget and Cost-Effectiveness

The BCP provides budget details regarding PSE's plan for achieving the savings identified in its biennial conservation target and total portfolio. Table 3, below, is a summary of these details. PSE's 2018-2019 budget is \$183,836,280, approximately 8 percent less than the budget for the 2016-2017 biennium. PSE's expected total portfolio savings for 2018-2019 are approximately 14 percent lower than the 2016-2017 biennium.

PSE expects its portfolio to achieve a Total Resource Cost (TRC) ratio of 1.4 and a Utility Cost Test (UCT) ratio of 1.6, indicating that the portfolio is still cost-effective.³

³ For this biennium PSE has elected to exclude low-income programs from the portfolio level cost-effectiveness calculation as allowed by WAC 480-109-100(10)(b).

Table 3. Savings and Budgets from PSE’s 2016-2017 and 2018-2019 BCPs.

Program	2016-2017 Projected Savings (MWh)	2016-2017 Budget	2018-2019 Projected Savings (MWh)	2018-2019 Budget
<i>Residential</i>	258,566	\$84,168,816	223,667	\$68,836,847
<i>Low-income</i>	3,120	\$6,761,963	4,132	\$9,713,357
Residential Total	261,686	\$91,160,000	227,799	\$78,550,204
Non-Residential	300,103	\$75,632,000	261,623	\$71,999,497
Pilots	17,347	\$977,000	4,480 ⁴	\$434,000
Regional ⁵	26,057	\$10,400,000	26,554	\$10,400,000
Administration/Other	-	\$20,816,000	-	\$22,452,579
Total	605,194	\$198,984,000	520,456	\$183,836,280

Proposed Tariff Revisions

To implement the programs described in the BCP, PSE filed tariff revisions in Docket UE-171094. The majority of the revisions reflect updated effective dates, text clarifications and minor administrative changes, and do not impact rates. Language was added to Schedule 83 to allow for an alternative way of calculating cost-effectiveness for low-income programs. The name of Schedule 253 was changed to Resource Conservation Management (Energy Performance Incentive Programs). Schedule 201 was revised to allow funding provided by the Microsoft Special Contract and Schedule 258 was revised to allow special contract customers to participate in the Large Power User Self-Directed Program. Staff agrees with the company’s tariff changes.

General Rate Case Settlement

On December 5, 2017, the commission approved the Settlement Agreement in Dockets UE-170033 and UG-170034 which stipulates that PSE will provide an additional \$2 million in low-income weatherization funding until June of 2019. As a portion of this increased funding is allocated to the low-income natural gas program, the overall budget for the electric low-income program was increased by \$1.7 million in PSE’s replacement BCP filing of Dec. 11, 2017.

⁴ Includes only pilots with uncertain savings. In the 2018-2019 biennium this includes only the Pay for Performance Pilot.

⁵ Savings and budgets associated with NEEA and the Generation, Transmission & Distribution Efficiency program.

Conditions List

Included as Attachment A to this memo are staff's proposed conditions. This list contains minor modifications to the existing conditions list and was created with input from the company and the CRAG. With the exception of the 2018-2019 Biennial Conservation Target, PSE has accepted the revisions. Staff recommends the company make a compliance filing incorporating the conditions into their BCP and, for this filing, the commission waive the requirement for 30-day notice to the advisory group contained in WAC 480-109-110(3).

Stakeholder Comments

In its comments filed on December 1, 2017, NW Energy Coalition (NVEC) offered general support for the filing. They specifically noted support for PSE's discontinuation of the fuel conversion program and the Pay for Performance pilot. NVEC encouraged the company to consider additional program designs to continue HVAC maintenance programs, to continue to access options for residential financing of energy efficiency measures, and to explore methods to overcome non-economic barriers to high efficiency new construction measures.

Utility Conservation Services, LLC (UCONS) also filed comments on December 1, 2017. These comments highlight concerns around PSE's acquisition of energy efficiency in hard to reach markets. UCONS presents several recommendations and specifically requests the commission take action in this docket to direct PSE to issue a new request for proposals, a broad request for information, and direct staff to take an active role in the process to ensure it is fair and thorough. Additional long term recommendations include directing staff to conduct workshops and possibly a rule-making to make improvements that enhance conservation efforts and spur innovation.

Public Counsel did not file comments in this docket.

Conclusion

Issue an order in Docket UE-171087 rejecting Puget Sound Energy's biennial conservation target, and require the company to refile its biennial conservation plan consistent with the conditions in Attachment A.

Allow the tariff revisions filed by PSE in Docket UE-171094 to take effect January 1, 2017, by operation of law.

Attachment