

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of	DOCKET UE-190905
PUGET SOUND ENERGY	ORDER 01
2020-2029 Ten-Year Achievable Electric Conservation Potential and 2020-2021 Biennial Conservation Target Under RCW 19.285.040 and WAC 480 109 010	ACCEPTING 2020-2029 TEN-YEAR ACHIEVABLE CONSERVATION POTENTIAL AND 2020-2021 BIENNIAL CONSERVATION TARGET, SUBJECT TO CONDITIONS

BACKGROUND

- 1* Under the Energy Independence Act (EIA or Act), electric utilities with 25,000 or more customers are required to set and meet energy conservation targets every two years.¹ The Washington Utilities and Transportation Commission (Commission) promulgated rules implementing the EIA, which further require that each utility must file a report with the Commission identifying its 10-year achievable conservation potential and its biennial conservation target every two years.²
- 2* On November 1, 2019, Puget Sound Energy (PSE or Company) filed its 2020-2021 Biennial Conservation Plan (BCP or Plan) identifying a 2020-2029 ten-year achievable

¹ RCW 19.285.040(a) requires each electric utility to identify its 10-year achievable cost-effective conservation potential using methodologies consistent with those used by the Pacific Northwest Electric Power and Conservation Planning Council in its most recently published regional power plan. At least every two years, a utility must also review and update its assessment for the subsequent 10-year period. RCW 19.285.040(b) requires each qualifying utility to establish and make publicly available a biennial acquisition target for cost-effective conservation consistent with its identification of achievable opportunities in RCW 19.285.040(a) and meet that target during the subsequent two-year period. At a minimum, each biennial target must be no lower than the qualifying utility's pro-rata share for that two-year period of its cost-effective conservation potential for the subsequent two-year period.

² WAC 480-109-120.

conservation potential of 1,799,149 megawatt-hours (MWh) and a 2016-2017 biennial conservation target of 359,861 MWh. The Commission authorized the Company's use of its 2017 Integrated Resource Plan (IRP) in its BCP.³

3 Table 1, below, summarizes the derivation of the Company's biennial target.

Table 1: 2020-2021 EIA Targets and Goals

Category	MWh
Pro Rata Share of 10-Year Conservation Potential (as calculated using 2017 IRP data)	359,861
EIA Target	359,861
Excluded Programs (NEEA)	(23,564)
EIA Penalty Threshold	336,297
Decoupling Penalty Threshold	17,993
Add Firm Savings Excluded from CPA	9,198
Add Pilots with Uncertain Savings	15,080
Additional Portfolio Build-Out ¹⁵	74,336
Total Utility Conservation Goal	476,468

4 Table 2, below, summarizes the Company's conservation budget and the suite of measures that the Company will use to achieve its target.

³*In re Puget Sound Energy Waiver of WAC 480-100-238(4) and Order Authorizing Use of 2017 Integrated Resource Plan for 2020-2021 Biennial Conservation Plan Targets*, Docket UE-180607 and UG-180608, Order 01 Order Granting Petition Subject to Condition ¶¶ 23, 24 (February 15, 2019).

Table 2. Electric Savings and Budgets from 2018-2019 and 2020-2021 BCPs

Program	2018-2019 Projected Savings (MWh)	2018-2019 Budget	2020-2021 Projected Savings (MWh)	2020-2021 Budget
<i>Residential</i>	223,667	\$68,836,847	168,454	\$49,192,955
<i>Low-income</i>	4,132	\$9,713,357	3,916	\$12,289,871
Residential Total	227,799	\$78,550,204	172,370	\$61,482,825
Non-Residential	261,623	\$71,999,497	263,954	\$78,252,846
Pilots	4,480 ⁴	\$434,000	15,080 ⁵	\$2,590,195
Regional ⁶	26,554	\$10,400,000	25,064	\$9,841,195
Administration/Other	-	\$22,452,579	-	\$24,304,646
Total	520,456	\$183,836,280	476,468	\$176,471,707

5 The Commission’s order accepting the Company’s previous BCP was conditioned on the utilities forming a joint advisory group to attempt to resolve disagreement among the Washington electric and gas investor-owned utilities, their respective advisory groups, and Commission staff (Staff) about the treatment of NEEA savings in conservation targets.⁷ The utilities subsequently formed the Statewide Advisory Group (SWAG). All stakeholder concerns regarding the treatment of NEEA savings under the EIA were resolved by SWAG, which achieved consensus on the meanings of certain savings terms: EIA Target, EIA Penalty Threshold, Decoupling Penalty Threshold, and Total Utility Conservation Goal. The agreed definitions are provided in Table 3, below.

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

⁵ Includes only pilots with uncertain savings. In the 2020-2021 biennium this includes the Retail Choice Pilot, the Home Energy Assessment Behavioral Pilot, the Advanced Metering Infrastructure Small & Medium Business Enhanced Engagement Pilot, the Advanced Metering Infrastructure Single-Family Home Enhanced Engagement Pilot, and the Pay for Performance Pilot.

⁶ Savings and budgets associated with NEEA and the Generation, Transmission, and Distribution Efficiency program.

⁷ *In re Puget Sound Energy Report Identifying Its 2018-2019 Electric Biennial Conservation Target Under RCW 19.285.040 and WAC 480-109-120*, Docket UE-171087, Order 01 Accepting Puget Sound Energy’s Calculation of its 2018-2019 Biennial Conservation Target; Imposing Conditions ¶¶ 26-27, 36 (Jan. 12, 2018).

Table 3: Definitions of Savings Terms Used in 2020-2021 BCPs

EIA target	All cost-effective conservation potential as required by RCW 19.285. Includes the CPA Pro-Rata Share plus other programs/measures with confident savings omitted from CPA subject to the EIA.
EIA Penalty Threshold	As approved by the Commission, which may rely on standard practice to set IOU conservation targets. Generally, the EIA target minus NEEA savings from “program measures” and “codes and standards” not included in the CPA.
Decoupling Penalty Threshold	Five percent of the EIA target.
Total Utility Conservation Goal	EIA target plus decoupling threshold and any additional savings identified outside of the EIA target.

- 6 On December 5, 2019, Staff filed comments in this Docket detailing its evaluation of the Company’s filing. Overall, Staff is satisfied with PSE’s 2020-2021 BCP and believes it demonstrates the Company’s strong commitment to pursue all reliable, cost-effective conservation. Staff believes the Company’s CPA conforms to the Northwest Power and Conservation Council’s methodology and accurately captures the rapidly evolving energy efficiency industry.
- 7 Staff recommends the Commission adopt the definitions of savings terms agreed to by SWAG, which recognizes that the EIA Penalty Threshold may diverge from the EIA Target. Staff also recommends the Commission affirm in this Order its standard practice of removing forecasted savings from previously undertaken market transformation activities when calculating the EIA Penalty Threshold.
- 8 Staff notes PSE intends to complete eight complete conservation voltage reduction (CVR) projects. Although this number is an improvement over the achievements of the previous two biennia, it will still take a substantial period of time for PSE to complete CVR projects on all eligible substations.
- 9 In its 2020-2021 BCP, PSE indicates that a significant acceleration to its CVR implementation is planned for future biennia. This expansion is tied to the Company’s advanced metering infrastructure (AMI) and substation automation rollouts, which will unlock new CVR capabilities in anticipation of impacts from the recently enacted Clean Energy Transformation ACT (CETA).

- 10 CETA additionally requires that all customers benefit from the transition to clean energy. Compliance with CETA may require PSE to acquire increased energy efficiency resources. In order to facilitate a more updated analysis of CETA's impacts, Staff believes the Commission should require the Company to file an update to its 2020-2021 BCP by April 15, 2020, to incorporate, to the extent possible, an explanation of how the social cost of greenhouse gas emissions was included in evaluating conservation targets and why the chosen methodology is appropriate.
- 11 Staff suggests two actions that PSE can take in the interim to improve distribution savings. First, PSE should apply an economic screen to quantify the economic conservation potential available in the manufactured homes sector. Second, PSE should, beginning in the 2020-2021 biennium, track and quantify how many single-family, multi-family, and manufactured homes its conservation program services each year, and report that information as requested by its conservation resource advisory group (CRAG).
- 12 Staff also believes the Commission should impose additional conditions on its acceptance of PSE's target calculations for the purpose of continued compliance with established and newly passed legislation.⁸ These conditions arose from Staff's analysis of prudence related to conservation, which included consideration of the following elements: the proper establishment of conservation potential; whether programs are cost effective, reliable, and feasible; whether all reasonable measures were pursued; if appropriate public and stakeholder involvement was included in the process (advisory group review); and verification that programs were administered efficiently.
- 13 Ultimately, Staff recommends the Commission issue an order accepting PSE's 10-year electric conservation potential of 1,799,149 MWh; EIA Target of 359,861 MWh; EIA Penalty Threshold of 336,297 MWh; and Decoupling Threshold of 17,993 MWh, subject to the conditions set out in detail in Attachment A to Staff's memo. Conditions were created with input from the Company and SWAG. In summary, the conditions require the Company to:
- File a petition to modify or retain the biennial EIA Target, Penalty Threshold, Decoupling Penalty Threshold, and 10-Year Potential by April 15, 2020, incorporating the effects of the Clean Energy Transformation Act to the degree possible.

⁸ RCW 19.285.040; RCW 19.405; WAC 480-109-120.

- Include savings data as measured at the customer meter in all planning and reporting.
- Retain responsibility for complying with RCW 19.285 and WAC 480-109.
- Continue to use its advisory group and Integrated Resource Planning advisory group, including notifying and consulting with the groups in a variety of circumstances.
- Provide its proposed budget and energy savings.
- Maintain its conservation tariffs, with program details, on file with the Commission.
- Follow approved strategies for selecting and evaluating energy conservation savings.
- Follow program design principles.
- Use the Total Resource Cost Test (TRC).
- Develop pilot programs and follow research requirements.
- Demonstrate progress towards equitable distribution of nonenergy benefits.
- Use funds collected through the Electric Conservation Service Rider on approved conservation programs and their administrative costs.
- Continue to review the feasibility of pursuing cost-effective conservation in the form of reduced electric power consumption resulting from increases in the efficiency of energy use at electric power production facilities it owns in whole or in part.
- Avoid double-counting of efficiency savings achieved at electric power production facilities owned in whole or in part.

14 Public Counsel and the Northwest Energy Coalition (NWECC) submitted comments generally in support of PSE's BCP. NWECC, however, expressed concern about data gaps among hard-to-reach and underserved markets. NWECC identified a lack of information regarding if and how these markets were being served by conservation programming and requested that PSE work to fill these gaps.

15 UCONS, LLC, filed comments opposing the Plan, and recommended the Commission:

- Take no final action on the Plan until "after the next IRP is filed."
- Direct PSE to provide additional information on 2018-2019 energy efficiency achievements in the manufactured homes sector.
- Direct PSE to produce the same information into the future.
- Direct PSE to include several specific items in the BCP update.

DISCUSSION AND DECISION

- 16 We agree with Staff’s recommendation and accept PSE’s BCP subject to certain conditions. We accept PSE’s calculation of its 10-year electric conservation potential of 1,799,149 MWh; EIA Target of 359,861 MWh; EIA Penalty Threshold of 336,297 MWh; and Decoupling Threshold of 17,993 MWh, subject to the conditions attached to and incorporated into this Order as Appendix A for the reasons explained below.
- 17 The Company, in collaboration with Staff and advisory groups, developed a BCP using methodologies consistent with the Northwest Power and Conservation Council’s most recent final Power Plan,⁹ which proposed appropriate program changes. The Plan also complies with the statutory requirement to “pursue all available conservation that is cost-effective, reliable, and feasible.”¹⁰ However, we recognize that CETA’s implementation has introduced uncertainties into the biennial conservation process that create exceptional and unique circumstances.
- 18 Although statutory changes related to energy planning and acquisition have become effective, Commission rules related to these issues, which will provide necessary guidance to utilities, have not yet been adopted. Because we authorized the Company to use its 2017 IRP guidance as the basis for its 2020-2021 BCP, the current plan is based on outdated information supplemented by 2019 IRP progress reports. To comply with the EIA, the Company agreed with Staff to update its targets once its 2019 IRP progress report is finalized. We agree that this is an appropriate solution to address the gap between newly-implemented legislation and rulemakings that are in progress but not yet complete, and thus adopt Staff’s recommendation to include it among numerous conditions for approving PSE’s 2020-2021 BCP.
- 19 CETA also significantly expands the requirements related to highly impacted communities and vulnerable populations, mandating that “all customers are benefiting from the transition to clean energy.” In addition, Section 12 of CETA requires the Department of Commerce to collect and report data on energy burden and energy assistance need for each utility beginning July 31, 2020. The CETA rulemakings will provide more specificity around a utility’s obligations to this subset of customers, and how those obligations interface with the utility’s current conservation programs. Nevertheless, CETA is now in effect, and we expect that the Company will implement

⁹ RCW 19.285.040(1)(a).

¹⁰ RCW 19.285.040(1).

CETA's requirements to the best of its abilities, even in the absence of the guidance and clarity that finalized rules will provide.

- 20 As described above, CETA places a new emphasis on nonenergy impacts that requires utilities to ensure an equitable distribution of benefits. Coinciding, the EIA requires utilities to include quantifiable environmental costs and benefits in their cost-effective conservation calculations. While the Company plans to implement a number of measures intended to enhance its conservation achievement with this sector of hard-to-reach customers in 2020, we agree with Staff that the public interest requires imposing additional conditions related to non-energy impacts, distribution savings, coordination between utilities, and public involvement as a condition of accepting the Company's 2020-2021 BCP. These conditions are outlined in detail in Appendix A.
- 21 Between the conditions and the data collection to be performed by the Department of Commerce, we agree with Staff that existing data gaps will begin to be filled in the upcoming biennium. However, we agree with Staff's recommendations to first apply an economic screen to quantify the economic conservation potential available in the manufactured homes sector. Second, PSE should, beginning in the 2020-2021 biennium, track and quantify how many single-family, multi-family, and manufactured homes its conservation program services each year, and report that information as requested by the CRAG.
- 22 In January 2018, the Commission's Order accepting the Company's previous BCP was conditioned on the utilities forming a joint advisory group to resolve its disagreement about the treatment of NEEA savings in conservation targets.¹¹ As discussed above, the Washington electric and gas investor-owned utilities and their respective advisory groups formed SWAG, which resolved the question of whether to include or exclude these savings from conservation targets via stakeholder agreement on the definitions of certain savings terms, as identified in Table 3, above. Based on SWAG's recommendation, which included consideration of all stakeholder input, we agree with Staff that it is appropriate to remove forecasted savings from previously undertaken market transformation activities when calculating the EIA penalty threshold, and thus adopt the

¹¹ *In re Puget Sound Energy. Report Identifying Its 2018-2019 Electric Biennial Conservation Target Under RCW 19.285.040 and WAC 480-109-120*, Docket UE-171087, Order 01, 8 ¶¶ 35-36 (Jan. 12, 2018) (PSE BCP 2018-19 Order)

definitions set out in Table 3, above. We note that this includes the agreed-upon language that the EIA Penalty Threshold may diverge from the EIA Target.

23 Accordingly, we accept PSE's calculation of its 10-year electric conservation potential of 1,799,149 MWh; EIA Target of 359,861 MWh; EIA Penalty Threshold of 336,297 MWh; and Decoupling Threshold of 17,993 MWh, subject to the conditions incorporated into and attached to this Order as Appendix A.

FINDINGS AND CONCLUSIONS

- 24 (1) The Commission is an agency of the State of Washington vested by statute with the authority to regulate the rates, rules, regulations, practices, accounts, securities, transfers of property and affiliated interests of public service companies, including electric companies.
- 25 (2) The Commission has authority to determine investor-owned utilities' compliance with RCW 19.285.040(1) and RCW 19.285.060(6). The Commission has authority to review and decide whether to approve investor-owned utility conservation targets. The Commission may rely on its standard practice in exercising that authority. *See* RCW 19.285.040(1)(e). The Commission has adopted WAC 480-109-010 to implement RCW 19.285.040(1).
- 26 (3) PSE is an electric company and a public service company subject to Commission jurisdiction. PSE is a qualifying investor-owned electric utility under RCW 19.285.030.
- 27 (4) On November 1, 2019, PSE filed its 2020-2021 BCP identifying a 2020-2029 ten-year achievable conservation potential, 2020-2021 EIA Target, EIA Penalty Threshold, and 2020-2021 Decoupling Threshold.
- 28 (5) This matter came before the Commission at a specially scheduled recessed meeting on December 17, 2019.
- 29 (6) PSE's calculation of its 2020-2029 10-year achievable conservation potential of 1,799,149 MWh is consistent with RCW 19.285.040(1) and WAC 480-109-120(1).
- 30 (7) PSE's calculation of its 2020-2021 biennial conservation target (EIA Target) of 359,861 MWh is consistent with RCW 19.285.040(1) and WAC 480-109-120(1).

- 31 (8) It is the Commission's standard practice to remove forecasted savings from previously undertaken market transformation activities when calculating the EIA Penalty Threshold.
- 32 (9) Pursuant to our January 12, 2018, Order in the previous biennium, the Washington investor-owned utilities, their advisory groups, and Staff formed SWAG to resolve how NEEA savings should be factored in conservation targets. All stakeholder concerns were resolved by the stakeholders' agreement to the definitions of certain savings terms: EIA Target, EIA Penalty Threshold, Decoupling Penalty Threshold, and Total Utility Conservation Goal.
- 33 (10) The SWAG's agreed definitions of EIA Target, EIA Penalty Threshold, Decoupling Penalty Threshold, and Total Utility Conservation Goal, are consistent with RCW 19.285.040(1), WAC 480-109-120(1), and Commission precedent.
- 34 (11) PSE's calculation of its 2020-2021 EIA Penalty Threshold of 59,948 MWh is consistent with RCW 19.285.040(1) and WAC 480-109-120(1).
- 35 (12) PSE's calculation of its 2020-2021 2020-2021 Decoupling Penalty Threshold of 336,297 MWh is consistent with Order 07 in Docket UE-121697.
- 36 (13) It is in the public interest to accept PSE's biennial conservation target, as authorized by RCW 19.285.040(1)(e) and WAC 480-109-120(5), subject to the conditions proposed by Staff, as set out in Appendix A to this Order.
- 37 (14) The Commission should accept PSE's calculation of its 10-year electric conservation potential of 1,799,149 MWh; EIA Target of 359,861 MWh; EIA Penalty Threshold of 336,297 MWh; and Decoupling Penalty Threshold of 17,993 MWh; subject to the conditions attached to this Order as Appendix A.

ORDER

THE COMMISSION ORDERS:

- 38 (1) Puget Sound Energy's 2020-2029 Ten-Year Achievable Electric Conservation Potential of 1,799,149 MWh; 2020-2021 EIA Target of 359,861 MWh; 2020-2021 EIA Penalty Threshold of 336,297 MWh; and 2020-2021 Decoupling Penalty Threshold of 17,993 MWh, are accepted subject to the conditions attached to this Order in Appendix A.

- 39 (2) The Commission retains jurisdiction over this matter for purposes of effectuating this Order.

DATED at Lacey, Washington, and effective December 17, 2019.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chairman

ANN E. RENDAHL, Commissioner

JAY M. BALASBAS, Commissioner