

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

PUGET SOUND ENERGY'S REPORT
CONCERNING ITS TEN-YEAR
CONSERVATION POTENTIAL AND ITS
BIENNIAL CONSERVATION TARGET
PURSUANT TO RCW 19.285.040 AND
WAC 480-109-010

DOCKET UE-152058

COMMENTS OF PUBLIC COUNSEL

December 3, 2015

I. INTRODUCTION

1. Pursuant to the Commission's November 12, 2015 Notice of Opportunity to Comment, (Notice) the Public Counsel Section of the Washington State Attorney General's Office (Public Counsel) respectfully submits these comments in advance of the Commission's December 17, 2015 Open Meeting. These comments address Puget Sound Energy's (PSE or the Company) report concerning its ten-year conservation acquisition potential and its biennial conservation target, filed with the Commission in compliance with RCW 19.285.040 and WAC 480-109-010. The ten-year potential and biennial conservation target are included in PSE's 2016-2017 Biennial Conservation Plan (BCP).
2. PSE proposed a ten-year conservation potential of 2,782,232 MWh and a biennial conservation target of 537,078 MWh based on its 2015 IRP.¹ PSE's BCP and its exhibits and attachments provide information regarding how the ten-year potential and biennial target were developed, as well as discussion of the programs and budgets that will be used to meet the

biennial target. These comments will provide a brief discussion of (1) the proposed ten-year potential and biennial target, and other PSE conservation goals, (2) the process associated with the development of the biennial target and the BCP, and (3) recommended conditions for approval of the target.

II. PSE's 2016-2017 CONSERVATION PORTFOLIO

A. PSE's Ten-Year Potential and Biennial Target

3. PSE's ten-year potential and the biennial target were derived from the conservation potential selected by PSE's resource portfolio model for the 2015 Integrated Resource Plan.² The biennial target was developed using the pro-rata share of the ten-year potential, which was then adjusted to account for savings associated with the Northwest Energy Efficiency Alliance (NEEA) and PSE's Legacy Home Energy Reports (HER) behavioral program, as discussed in further detail below.

4. As in the previous biennium, PSE estimates its total portfolio of programs will achieve conservation savings in excess of what is included in its biennial target due to additional programs and requirements that are not included or accounted for in the biennial target.³ PSE included the following table in its BCP, which provides a useful outline of how the Company calculated its biennial target, the target associated with the decoupling commitment, as well as the total estimated total portfolio savings for the biennium:⁴

¹ 2016-2017 Biennial Conservation Plan, Exhibit i, pp. 9, Docket UE-152058 filed November 1, 2015.

² *Id.*, p. 4. Previously, PSE has also included potential for electric energy savings from improvements to the efficiency of PSE's power generation facilities in Washington state. However, an assessment found that there are no cost-effective opportunities for conservation from these facilities for 2016-2017. PSE discussed these findings with the advisory group several months in advance of filing the BCP.

³ The Company's full portfolio of programs is projected to achieve 605,194 MWh of conservation savings, or 113 percent of PSE's biennial target of 537,078 MWh. *See*, Exhibit i, Figure 4, p. 9.

⁴ *See*, Biennial Conservation Plan Overview, p. 5 and Exhibit i, pp. 9.

Puget Sound Energy 2016-2017 Electric Portfolio Savings					
	Description	MWh	aMWh	Comment	Calculation
	Colored cells correspond to indicated lines in Exhibit 1: Savings and Budgets, 2-Year Portfolio View.				
	Add			These are specific elements that comprise the Portfolio View of Exhibit 1.	
a	Total Biennial Potential IRP Guidance	554,132	63.3	Bundle D + DE from IRP	Figure 3, Exhibit 1
b	Plus Legacy HER	5,722	0.7		line l of Exhibit 1 Portfolio View
c	Total Base Savings	559,854	63.9		= a + b
d	Plus Decoupling Commitment (5% add)	27,993	3.5	All programs contribute to the decoupling commitment.	= c * 0.05 ("base" * 5%)
e	Plus Energy Reports Pilots Without Verified Savings	17,347	2.0	2016-2017 Pilots	line z of Exhibit 1 Portfolio View
f	Total 2016-2017 Portfolio Savings	605,194	69.1	This figure is what Energy Efficiency is managing to.	= c + d + e; lines bb & bf of Exhibit 1 Portfolio View
	Exclude			Remove these elements in order to calculate the EIA penalty target.	
g	NEEA Savings	-22,776	-2.6		line aa of Exhibit 1 Portfolio View
h	Energy Report Pilots	-17,347	-2.0		= e
i	Decoupling Commitment Amount	-27,993	-3.5		= d
j	Total Exclusion	-68,116	-8.0		= g + h + i
	Resultant Targets				
k	EIA Penalty Target	537,078	61.3	\$50/MWh shortfall penalty	= f + j
l	Decoupling Commitment	27,993	3.5	\$50/MWh shortfall penalty	= d

D.C. = Decoupling Commitment
EIA = Energy Independence Act, referencing RCW 19.285, or "I-937".
HER = Residential Home Energy Reports
IRP = Integrated Resource Plan

5. The adjustments accounting for the difference between the estimated total portfolio savings and the biennial target are discussed in further detail below.

B. Adjustments to PSE's Biennial Target

1. NEEA

6. PSE reduced the conservation potential estimated in its IRP to remove 22,776 MWh in savings that are anticipated to be provided through NEEA. This is consistent with the approach taken in the previous biennium.⁵ In July 2015, PSE engaged the CRAG in discussions on continuing the current treatment of NEEA savings. Following that meeting, the electric utilities met with stakeholders to discuss the NEEA methodology and whether any changes were

⁵ In response to concerns raised in earlier biennia, the Commission ordered the electric IOUs to collaborate and develop a consistent approach to claiming NEEA savings in the 2014-2015 biennium. The utilities jointly proposed that NEEA savings no longer be included in the biennial target or reported at the end of the biennium. (See, Joint Proposal for consistent approach to Northwest Energy Efficiency Alliance claimed conservation savings, in compliance with Order 07 in Docket UE-100177, filed October 31, 2012.) Under this arrangement, NEEA provides the utility with a forecast for the biennium which is then backed out of the biennial target. The utility tracks NEEA savings for internal reporting purposes.

necessary. Ultimately, it was agreed that the methodology worked well and should be used again for 2016-2017. Public Counsel supports this approach, and believes it continues to provide a reasonable solution to the previous concerns.

2. Legacy Behavioral Programs

7. PSE's conservation potential assessment done through its IRP does not include any savings from behavioral programs, thus, the Company increased its target by 5,722 MWh to account for savings anticipated from PSE's Legacy Home Energy Reports (HER) program.⁶ This program, which currently serves approximately 18,000 customers, has been in place since 2008 and has undergone multiple analyses. Thus, the estimated savings for this program are relatively predictable and reliable.⁷ For the upcoming biennium the Company proposes to continue the current Legacy HER program through the end of its contract in 2016, but has no savings or budget included for 2017.⁸

C. Additional Portfolio Savings

1. Pilot Behavioral Programs

8. PSE's has three residential behavioral pilot programs,⁹ as well as a program aimed at small to midsize businesses.¹⁰ While the anticipated savings from the Legacy

⁶ In addition to the Legacy HER Program, PSE also has several pilot behavioral programs, as discussed below. The savings from these programs are treated differently. In 2014-2015, PSE included savings from the Legacy HER program, and excluding savings from the pilot programs. In this docket, PSE proposes to continue the same treatment of these savings in the upcoming biennium, and discussed this approach with the CRAG.

⁷ Despite the relatively reliability of these savings, PSE provided information to the CRAG indicating that the most recent evaluation of the Legacy HER found that 2014 savings were lower than anticipated. It is uncertain at this time whether savings for this group have peaked. PSE will continue to evaluate the program and its savings, and will report to the CRAG.

⁸ The Company has indicated that it will discuss 2017 plans for its behavioral programs with the CRAG.

⁹ These three programs were launched in 2014 and are focused on serving 100,000 (1)non-urban customers, (2) high relative users, or (3)electric-only customers. *See*, BCP, Exhibit 3, p. 47-48.

¹⁰ PSE plans to target 10,000 small-to midsize businesses over the 18 month period, beginning December 2014.

HER programs were added to the biennial target derived from PSE's conservation potential assessment, no savings from these pilot programs will be included.

9. These programs, which began in 2014, are still under evaluation to determine whether they will perform as expected. Because PSE's pilot behavioral programs are directed at specific sub-groups of customers who did not previously participate in the Legacy HER program, there is greater uncertainty as to whether the anticipated savings will be realized. According to information provided to the CRAG, initial evaluation results found that savings were below expectation for year 1; however, the Company indicated that it expects substantial year 2 incremental savings based upon the trajectory of the Legacy HER program. PSE continues to evaluate these programs, and, depending on performance, will determine whether to continue them beyond 2016, when the current contract expires. PSE discussed concerns about the uncertainty associated with the savings associated with these programs with the CRAG, and stakeholders agreed it was reasonable for PSE to continue to exclude any anticipated savings associated with the pilot programs in its target for the 2016-2017 biennium.¹¹ This represents 17,347 MWh of savings that are included in the Total Portfolio Savings, but are not included in the Biennial Target.

2. Decoupling Target

10. As a result of a requirement associated with its decoupling mechanism, PSE is required to achieve 5% additional savings beyond its biennial target.¹² This increases the

¹¹ Likewise, PSE will not count any of these savings toward meeting its Biennial Target or Decoupling Target.

¹² See, Order 07 in Docket UE-121697.

anticipated savings in PSE's conservation portfolio by 27,993 MWh.¹³ PSE plans to achieve these additional savings by adaptively managing its programs and expanding its outreach, but has stated that the Company cannot distinguish which additional savings might be due to the decoupling commitment.¹⁴

II. DEVELOPMENT OF THE 2016-2017 CONSERVATION PORTFOLIO

11. Public Counsel is pleased that in this, the fourth biennial target-setting process,¹⁵ many of the challenges and questions that emerged in the early years of the implementation of the Energy Independence Act have largely been resolved, and the solutions have been successfully incorporated into PSE's processes for development of its BCP.
12. PSE began meeting with the CRAG in May 2015 to discuss the development of the 2016-2017 portfolio. Prior to that, PSE provided detailed information on the development of the Conservation Potential Assessment in the IRP in several meetings in 2014. PSE's early engagement with the CRAG and IRP advisory group is appreciated. Public Counsel believes that the quality of the content provided in meetings, discussions, and drafts prior to the submission of the BCP, PSE's responsiveness to CRAG input, as well as PSE and the CRAG's commitment to resolving issues in advance of filing, facilitate an efficient review of what is a sizable amount of material contained in the BCP document and its attachments. At this time, Public Counsel has no specific areas of concern with PSE's 2016-17 biennial target or the BCP outlining how PSE's programs will operate to meet that target.

¹³ See, BCP, p.36-37 for discussion of the decoupling commitment.

¹⁴ *Id.*, p. 36.

III. RECOMMENDED CONDITIONS

13. The Commission recently updated its rules associated with the Energy Independence Act,¹⁶ and many of those changes adopted items previously incorporated into the conditions that accompanied the Commission's orders approving the biennial targets. In light of the updated rules, PSE and the CRAG worked together to revise PSE's conditions list to integrate the new rules where appropriate, eliminate overlap between the rules and the conditions, and to preserve items that are not in the rules for the next biennium. The remaining conditions address significant topics such as the rate spread for the conservation rider, requirements for how PSE will engage the CRAG, formatting requirements for budget and savings reporting, and instructions for the development of the third-party review of savings. These, and the other conditions, are essential components of how PSE's programs are operated and crucial to ensure the transparency and fairness of PSE's conservation programs.
14. The CRAG circulated several drafts of PSE's updated conditions list, and the proposed changes were discussed in CRAG meetings. Public Counsel understands that Staff will present the proposed updated conditions list at the open meeting, and we support the inclusion of the proposed conditions in the Commission's order approving PSE's biennial target and ten-year potential.

V. CONCLUSION

15. Public Counsel appreciates the opportunity to comment on PSE's proposed 2016-2017 Biennial Conservation Plan. At this time, Public Counsel has no outstanding issues with PSE's

¹⁵ PSE's first biennial target, for 2010-2011, was set in Docket UE-100177. Subsequent biennia have included 2012-2013 (Docket UE-111881), and 2014-2015 (Docket UE-132043).

¹⁶ WAC 480-109

filing, and we are supportive of the Company's proposed ten-year potential and biennial target, subject to the conditions to be presented by Staff at the December 17, 2015 Open Meeting.

Public Counsel will attend the Open Meeting and be present for questions.