

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

Amended Petition of

PUGET SOUND ENERGY, INC.

**For an Order Authorizing the Use of the
Proceeds from the Sale of Renewable
Energy Credits and Carbon Financial
Instruments**

Docket No. UE-070725

**PUGET SOUND
ENERGY, INC.'S ANSWER TO
PETITIONS FOR
RECONSIDERATION FILED BY
COMMISSION STAFF AND THE
ENERGY PROJECT**

I. INTRODUCTION

1. Pursuant to WAC 480-07-850(3) and the Notice Allowing Answers to Petition for Reconsideration issued June 3, 2010, Puget Sound Energy, Inc. ("PSE") hereby submits this answer to the petitions for reconsideration filed by The Energy Project and the Staff of the Washington Utilities and Transportation Commission ("Commission Staff"). PSE respectfully requests that the Commission deny Commission Staff's Petition for Reconsideration and grant The Energy Project's Petition for Reconsideration requesting an extension of the date to spend low income funding.

2. Commission Staff's argument that the Joint Parties failed to disclose material facts is inconsistent with the record. As discussed in more detail herein, the evidentiary record makes clear that there are, and have been, multiple sources of funding for low income energy efficiency. However, when low income repair funding is viewed over the seven-year period proposed by the Joint Parties in this proceeding, the funds for repairs are inadequate, diminishing, and insufficient, even with the \$2.1 million funding from the Enron settlement that must be used by December 31, 2010. Granting The Energy Project's request to expend the \$4.57 million granted in this proceeding on low income energy efficiency through

**PSE'S ANSWER TO PETITIONS
FOR RECONSIDERATION FILED BY
COMMISSION STAFF AND THE ENERGY
PROJECT**

December 31, 2013 will allow PSE to enhance or accelerate the Company's acquisition of additional cost effective conservation for the current and upcoming biennial target periods, and to do so in a more efficient, effective manner.

II. DISCUSSION

3. In Order No. 03 in this proceeding, the Commission ordered \$4.57 million in proceeds from the sale of renewable energy credits ("REC") to be allocated for low income funding during PSE's 2010-2011 program year. The Energy Project filed a Petition for Reconsideration requesting that the Commission extend the date by which the funding may be spent to December 31, 2013.¹ One reason The Energy Project gave for requesting this extension was an influx of funds from an Enron settlement, which must be spent by the end of 2010. Commission Staff then filed a Petition for Reconsideration, requesting that the Commission completely reject the low income funding, claiming that it constitutes an undue preference and that PSE and the low income advocates failed to disclose a material fact by not filing testimony regarding the Enron settlement funds.²

A. Low Income Funding For Energy Efficiency Is Not an Undue Preference

4. Commission Staff's argument that the low-income funding is an undue preference should be rejected for the reasons set forth in PSE brief. PSE's proposal to allocate a portion of the REC Proceeds to low income energy efficiency programs will benefit *all* customers, not just low-income customers. PSE's proposal is intended to treat PSE customers fairly and equitably by providing low-income customers equal access to energy efficiency. The programs are intended to open up areas of conservation that previously have not been available to low income customers, and the resulting conservation

¹ See The Energy Project's Petition for Reconsideration at ¶1, May 28, 2010.

² Commission Staff's Petition for Reconsideration, at ¶10, June 1, 2010. Alternatively, Commission Staff states that the Commission should at least offset the \$4.57 million amount by the full amount of the Enron monies. *Id.*

will benefit all customers by, among other things, lowering demand and thus reducing the need to buy higher cost electricity at the margin.³

B. The Material Facts Were Disclosed To the Commission

5. Commission Staff's argument that the Joint Parties failed to disclose material facts is without merit and controverted by the evidence in the record. At the hearing, both Charles Eberdt and Danielle Dixon discussed the dilemma of dealing with short-term funding infusions for low income energy efficiency programs. The Enron funding is one such source of short-term low-income funding. Though the Enron funds were never expressly identified, the Joint Parties never purported to list all sources of existing low income weatherization funding in this proceeding, nor were they asked to do so.⁴

6. Specifically, when Commissioner Jones expressed concern over the low income agencies' ability to handle a large influx of money,⁵ Charles Eberdt explained that The Energy Project had been dealing with a large infusion of money over the last year that required them to recruit staff.

[O]ne of the things we've been dealing with for the last year is a huge infusion of money, and actually one of the concerns we have is what happens in two years if that goes away, because we have in fact been doing a lot of recruitment.⁶

As Danielle Dixon explained in response to a question from Commissioner Jones at the hearing, the Joint Parties specifically proposed a seven-year program in an attempt to alleviate problems caused by such sudden influx of short-term funds.⁷

³ See PSE Brief at ¶¶37-40.

⁴ Further, as Commission Staff points out, the Enron funds were the subject of a 2009 press release, publicly available during the course of this proceeding.

⁵ See TR. 80:21-81:7.

⁶ Eberdt, TR. 81:8-12.

⁷ See Dixon, TR. 82:24 -83:1.

7. From the Joint Parties' initial testimony through post-hearing briefs, discussions of the low income proposal in this proceeding were in terms of a seven-year program.⁸ The Enron funds do not change the need for funds over the next seven years because they will be completely expended in approximately six months.⁹

8. Commission Staff's argument that somehow low income funding is no longer necessary because of the Enron funds is completely without merit. As Cal Shirley explained in PSE's 2009 press release cited by Commission Staff in its Petition for Reconsideration, the funds were welcomed as a means to help more low-income customers weatherize their homes;¹⁰ however, this short-term funding source is not available after 2010 and would do nothing to address low income funding deficiencies beyond the next six months. The Joint Parties demonstrated that over the next seven years, low income funding is inadequate, diminishing, subject to increasing competition from other purposes and insufficient to address the need, regardless of the Enron funds.

9. Rather than alleviating the need for low income funding, as Commission Staff claims, monies such as the Enron funds were actually a fundamental reason for the Joint Parties' request that funds be spread out over seven years. With Order No. 3, which requires the low income agencies to expend \$4.57 million in approximately 18 months, the problem with expending a huge infusion of money over a short period is exacerbated.

⁸ See Exh. No. J-1T at 13:17 – 14:6. See also Exhibit No. KCH-1T, at 8:7; TR. 83:2, (Commissioner Jones acknowledging Ms. Dixon's point that the Joint Parties' proposal was for seven years); TR. 90:3-6; 91:4; 94:2-3; 94:6 (Chairman Goltz clarifying several times that the proposal was to be spread out over seven years); TR. 100:14-15 (Commissioner Oshie acknowledging that the funding is to be "divided up over a number of years").

⁹ Commission Staff's position that PSE and the low income advocates failed to disclose a material fact is surprising given the requirement to use Enron funds in 2010 and the fact that Commission Staff and other parties had notice that PSE planned to initiate spending of REC funds for low-income weatherization in January 2011. This notice was provided to the parties through PSE's responses to Public Counsel Data Request No. 38, which is attached hereto.

¹⁰ See Commission Staff's Petition for Reconsideration, note 10.

C. The Energy Project's Petition Should Be Granted

10. While the Enron funds were never a material fact in this proceeding because of the scope and timing of the low income proposal and the expiration date of the Enron funds, The Energy Project is correct that the funds must now be considered in light of the Commission's order to expend all REC funds by 2011. Allowing the REC funds to be used for low income energy efficiency programs through 2013 (the current and upcoming biennial conservation target periods) as The Energy Project requested in its Petition for Reconsideration, will allow PSE to capture, in a more effective manner, cost-effective, reliable and feasible conservation that is stranded due to the need for repairs to structures.

III. CONCLUSION

11. Based upon the foregoing, PSE respectfully requests that the Commission deny Commission Staff's Petition for Reconsideration and grant The Energy Project's Petition for Reconsideration with regard to extending the date to spend low income funding to December 31, 2013.

DATED: June 15, 2010

PERKINS COIE LLP

By: Sheree S. Carson
Sheree S. Carson, WSBA No. 25349
Donna L. Barnett, WSBA No. 36794
The PSE Building
10885 N.E. Fourth Street, Suite 700
Bellevue, WA 98004-5579
Telephone: 425.635.1400
Facsimile: 425.635.2400

Attorneys for
PUGET SOUND ENERGY, INC.

PSE'S ANSWER TO PETITIONS
FOR RECONSIDERATION FILED BY
COMMISSION STAFF AND THE ENERGY
PROJECT

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Docket No. UE-070725

**Amended Petition of Puget Sound Energy, Inc. For an Order Authorizing
the Use of the Proceeds from the Sale of RECs and CFIs**

PUBLIC COUNSEL DATA REQUEST NO. 038

PUBLIC COUNSEL DATA REQUEST NO. 038:

Please provide the estimated distribution of total net proceeds to low income programs under PSE's proposal for each of the next 36 months.

Response:

The renewable energy systems portion of this funding will be distributed, most likely, in Q3 and Q4 of each year, but it would be very speculative to try to pinpoint which months. The first part of the year will focus on developing the application and evaluation processes and issuing a notice for proposals. Puget Sound Energy, Inc. ("PSE") will distribute the money as needed in order to ensure a timely construction process.

The low-income energy efficiency (weatherization) portion of this funding will be allocated via existing contracts to approved agencies in the PSE electric service territory. Each agency will have an annual budget for the designated REC/CFI funding and will spend the funding throughout the year as energy efficiency (weatherization) measures are completed. It is hard to predict how much funding will be spent each month, because project maturation is dependent on multiple variables (contractor availability, size of project and project timelines, etc.).

The table below provides a rough estimate of monthly spending of proceeds for 36 months commencing in January 2011 and extending through December 2013 (36 months):

Month	2011	2012	2013
<i>January</i>	\$44,000	\$44,000	\$44,000
<i>February</i>	\$110,000	\$110,000	\$110,000
<i>March</i>	\$240,000	\$240,000	\$240,000
<i>April</i>	\$176,000	\$176,000	\$176,000
<i>May</i>	\$198,000	\$198,000	\$198,000
<i>June</i>	\$132,000	\$132,000	\$132,000
<i>July</i>	\$198,000	\$198,000	\$198,000
<i>August</i>	\$132,000	\$132,000	\$132,000
<i>September</i>	\$220,000	\$220,000	\$220,000
<i>October</i>	\$264,000	\$264,000	\$264,000
<i>November</i>	\$154,000	\$154,000	\$154,000
<i>December</i>	\$330,000	\$330,000	\$330,000
Total	\$2,198,000	\$2,198,000	\$2,198,000