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September 9, 2011

Via Electronic Mail and U.S. Mail

Chairman Jeffery Goltz
Commissioner Patrick Oshie
Commissioner Phillip Jones
Washington Utilities and Transportation Commission
PO Box 47250
1300 S. Evergreen Park Drive, SW
Olympia, WA 98504-7250

Re: In the Matter of Puget Sound Energy Advice No. 2011-17
Revisions to Large Power Use Self-Directed Program

Dear Commissioners:

The Industrial Customers of Northwest Utilities (“ICNU”) recommends that the Washington Utilities and Transportation Commission (the “Commission”) approve Puget Sound Energy’s (“PSE”) proposed revisions to the large customer conservation self-direction program in Schedule 258 (“Revised Conservation Tariffs”). ICNU supports the revisions because they retain the basic overall structure of the successful and popular large customer self-direction conservation program, while making necessary changes to reflect the usage of the peak credit methodology and to ensure that all customers contribute funding toward PSE’s administration costs and the Northwest Energy Efficiency Alliance (“NEEA”), as required by previous conservation settlement agreements.

ICNU has actively participated in PSE’s conservation resource advocacy group (“CRAG”) to evaluate PSE’s conservation programs, including the large project funding and implementation. ICNU participated in the discussions which led to the filing of these Revised Conservation Tariffs, as well as early conservation filings, including but not limited to the creation of PSE’s large customer conservation program. PSE should be commended for actively working with all stakeholders and crafting Revised Conservation Tariffs that reflect a reasonable compromise and continue to support the large customer self-directed conservation that has been responsible for increasing industrial conservation in its service territory.

The most important aspect of PSE’s Revised Conservation Tariffs is what is not changing: PSE is continuing the basic structure of the self-direction program. Individual large customers will continue to be able to use (through self-direction) the conservation revenues that

are collected from them on their own cost-effective conservation projects. Self-direction has provided large customers with a significant incentive to develop and support their own cost effective conservation programs, because under Schedule 258, they do not have to compete with other projects (proposed by other companies) for some of their funding. PSE's conservation tariffs from a large customer perspective are a lot like having a flexible spending account, because once you have put money into a flexible spending account, you have a large incentive to use it or lose it. Thus, the self-directed aspects of the program are strongly supported by ICNU's members. It cannot be overstated how important its continuation is for maintaining today's robust large customer implementation of cost effective conservation measures as they strive to find cost effective conservation projects to avoid losing this favorable source of capital that they have already paid for in their Schedule 120 charges.

ICNU also strongly supports retention of the non-competitive and competitive aspects of PSE's conservation program. The competitive phase of the program allows large customers that have a greater need or ability to invest in conservation to submit request for proposals, and they gain access to funds collected by and for the benefit of other Schedule 258 customers who are unable to use their allocation of Schedule 120 collections. Winning project bids are appropriately selected based on cost effectiveness, and all large projects are subject to PSE's rigorous cost effectiveness standards.

PSE also largely maintains the "true-up" process that will roll over any difference in actual collections to the funding for the competitive phase of the next program cycle. If actual collections for Schedule 258 customers differ from amounts expended, then those amounts will be credited or debited to the funding for the next program cycle. While PSE expects that actual differences will likely be minor, it is appropriate to ensure that the same large customers are responsible for undercollections and will eventually be able to use any overcollections. This is consistent with the equitable principle underlying the self-direction program, which is that large customers will have an opportunity and the responsibility to utilize those conservation funds that are collected from them.

PSE has proposed its Revised Conservation Tariffs primarily to account for the fact that the recent increase in Schedule 120 rates have resulted in a significant increase in the total funding available for Schedule 258 customers. On May 1, 2011, the Schedule 120 charges that collect conservation funding were significantly increased. For example, the charge for Schedule 40 increased from 1.527 mills/kWH to 4.713 mills/kWH, or an increase of 208%.


To account for these increased funds, PSE has proposed to add an extra year to the large customer program to allow customers additional time to submit and complete their conservation projects. Other changes include clarification of the program cycle milestones, the time periods, the description of the competitive and non-competitive phases, and the true-up process. PSE's decision to add another year, extending the program through December 31, 2014, provides large customers with additional time to ramp up conservation projects to match the higher amount of available conservation funding. Adding another year to the program is a creative effort to address the issue of a large increase in funding in the middle of the program

cycle without significantly changing the program. This change is a critical improvement to the program and will likely result in greater industrial conservation, to the benefit of all customers.

ICNU is aware that some parties may raise concerns or proposed changes to PSE's large customer self-direction program. ICNU urges the Commission to approve PSE's Revised Conservation Tariffs as filed without modification. The Commission should be mindful that the Revised Conservation Tariffs are the result of reasonable compromises by all parties, and many of PSE's changes to its large customer conservation program over the past few months have had negative consequences for large customers. For example, PSE's revisions to limit the ability of Schedule 40, 46 and 49 customers to utilize funds from other customers until after they utilize all their Schedule 258 allocation for conservation incentives reduced the flexibility previously enjoyed by these customers. In addition, many large customers have experienced significant Schedule 120 rate increases. Finally, any unused large customer funds that were budgeted will be transferred for use in energy efficiency programs for all customers. ICNU, however, is not disputing any of these changes, because ICNU believes that these changes are either necessary to comply with past conservation settlement agreements, or are reasonable compromises to ensure a healthy and vibrant large customer self-direction conservation program.

ICNU emphasizes that it supports PSE's Revised Conservation Tariffs and urges the Commission to approve them without modification. PSE is appropriately maintaining the essential elements of the successful self-direction program, while ensuring that large customers fully fund their approximate share of cost-effective conservation in a manner that best ensures their full participation and support. PSE's large conservation program and collaborative modeling for designing program changes should be recognized as a successful model that all utilities should strive to emulate.

Sincerely yours,



Irion A. Sanger

cc: PSE CRAG participants (via email)