BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Petition of PUGET SOUND ENERGY Report Identifying Its 2014-2023 Ten-Year Achievable Electric Conservation Potential and Its 2014-2015 Electric Biennial Conservation Target Under RCW 19.285.040 and WAC 480-109-01	DOCKET UE-132043 COMMENTS OF PUGET SOUND ENERGY, INC.

I. INTRODUCTION

1. The Commission issued a Notice of Opportunity To File Written Comments in the above-referenced docket. The comments were to address the application of Puget Sound Energy, Inc.'s ("PSE") commitment to accelerate its acquisition of energy efficiency on its 2014-2015 Electric Conservation Target, established in Docket UE-132043. Set forth below is PSE's response to the Commission's request for written comments.

II. PSE'S 2014-2015 DECOUPLING CONSERVATION COMMITMENT

2. To PSE's knowledge, there is no dispute about the implementation of PSE's decoupling conservation commitment for the current biennium, 2014-2015. Decoupling will be in effect throughout the 2014-2015 biennium, and PSE

communicated clearly with its Conservation Resource Advisory Group ("CRAG") and the Commission as to how PSE would comply with its commitment to accelerate conservation above the amount required under the Energy Independence Act ("EIA") biennial conservation target.

A. PSE's Decoupling Adder Exceeds Five Percent of its EIA Target

3. PSE was clear and transparent, and engaged the CRAG in key stages in how it calculated the additional five percent decoupling conservation "adder" to its 2014-2015 biennial target. Notably, PSE's 2014-2015 decoupling adder is more than five percent of the Commission-approved EIA target of 485,770 megawatt-hours (MWh). Rather than base the adder on the EIA target, PSE voluntarily, and through its own initiative, based the five percent decoupling adder on its amended two-year potential of 558,300 MWh. It is important to note that this voluntary commitment represents a commitment to accelerate electric savings by six percent, rather than the five percent decoupling commitment:

485,770 MWh * 5% = 24,288 MWh

558,300 MWh * 5% = 27,920 MWh or 6% of 485,770 MWh.

B. PSE Communicated Its Methodology to the CRAG and Commission

4. The topic of PSE's decoupling commitment was reviewed in four separate 2013 CRAG meetings, conducted to specifically discuss PSE's 2014-2015 Biennial Conservation Plan preparation. PSE reviewed with the CRAG its

calculations to achieve five percent above its 2014-2015 EIA target of 485,770 MWh as these meeting progressed.

CRAG Meeting Date	Key Topic Related to Establishing the Decoupling 5 Percent Commitment
June 6, 2013	PSE presented its two-year conservation potential of 551,880 MWh, based on 2013 IRP guidance.
July 18, 2013	PSE shared the effect of accounting for NEEA savings, and then adding five percent to the result.
August 22, 2013	PSE and the CRAG discussed accounting for Energy Reporting pilots. This was the first presentation of the Electric Portfolio Savings table (illustrated below), indicating that PSE intended to add five percent to its two-year potential, rather than the (then draft) EIA target.
October 1, 2013	PSE presented its final Electric Portfolio Savings table, representing that PSE would add legacy[1] Energy Reporting to the "base" savings, upon which the five percent adder would be calculated.

C. PSE Was Clear and Transparent with Respect to Establishing Its Decoupling Commitment

5. PSE coordinated its 2013 CRAG meetings to align with the 2014-2015 Biennial Conservation Plan deliverables, outlined in condition (8)(f) in Order 01 of Docket No. UE-111881. These discussions also included the decoupling commitment figure, as noted in the table above. The decoupling commitment is

[1] "Legacy" Energy Reporting include Residential Home Energy Reports, included in PSE's conservation suite of programs since 2009. The CRAG agreed that pilot Energy Reporting (including an expansion of Residential offerings and new Business reporting) are excluded from the 2014-2015 EIA target.

clearly noted in the 2014-2015 Biennial Conservation Plan documentation in two separate sections of the documentation, which was filed on October 28, 2013, extensively reviewed by Commission Staff, and approved by the Commission.

1) The Biennial Conservation Plan Executive Summary[2]

6. On page 10, Table 1c in the Biennial Conservation Plan Overview illustrates the steps that PSE used to derive the commitment value, and the CRAG approved in its October 1 meeting.

2014-2015 Electric Portfolio Savings

	Description	MWh	aMW	Comment	Calculation
a	Total Biennial Potential	551,880	63.0	IRP guidance (no behavior savings)	Figure 5, Exhibit i
b	Plus legacy HER	6,420	0.7	15,000 residential HER customers	line *l* of Exhibit 1
c	Total "base" savings	558,300	63.7		
d	Less NEEA	72,530	-8.3	NEEA's adjusted TRS	
e	**Total Biennial EIA Target**	**485,770**	**55.5**	**Penalty: $50/MWh shortfall**	**c - d** *("base" - NEEA)*
f	Decoupling Commitment (5% add)	27,920	3.2	5% of "base" savings	c * 0.05 *("base" * 5%)*
g	**Total savings subject to decoupling penalty**	**513,260**	**58.6**	**Penalty: $50/MWh shorfall**	**e + f** *(EIA target + D.C.)*
h	Individual Energy Reports (IER)	35,330	4.0	New Residential + Small Business	line ***ab*** of Exhibit 1
i	**2014-2015 Portfolio Total**	**621,120**	**70.9**	**Biennial budget is built to achieve this**	**c + f + h** *("base" + D.C. + IER)*

D.C. = Decoupling Committment
EIA = Energy Independence Act; referencing RCM 19.285, or "I-937".
HER = Residential Home Energy Reports
IER = Individual Energy Reports
IRP = Integrated Resource Plan
NEEA = Northwest Energy Efficiency Alliance
TRS = Total Regional Savings

[2] Energy Efficiency 2014-2015 Biennial Conservation Plan, Overview, Executive Summary, page 10.

As is clearly noted on line "f", the adder is based on the two-year potential of 558,300 MWh, rather than 485,770 MWh.

7. This table is also repeated in Chapter 3 of the Overview on page 37, as part of the broader "Key Savings Drivers" discussion, which begins on page 34. Decoupling is thoroughly discussed in this section of the Overview.

2) Exhibit 1: 2014-2015 Savings and Budgets

8. PSE included its decoupling conservation commitment in the 2014-2015 savings and budgets presentation. The commitment to accelerate conservation by five percent in the 2014-2015 biennium is clearly indicated in two pages of this Microsoft® Excel™ workbook:

- "Building the elec. target" page, which contains the same table used in the Overview document, and
- "2014-2015 Portfolio View" page, where the three key electric savings indicators are clearly noted at the bottom of the table.

9. In summary, PSE's calculated the accelerated conservation under its decoupling commitment in a manner that was transparent, acceptable to all parties, and that exceeded five percent of the Commission-approved EIA target of 485,770 MWh.

III. RESOLUTION OF DECOUPLING COMMITMENT FOR THE 2012-2013 BIENNIUM AND FOR THE 2016-2017 BIENNIA

10. PSE maintains that it has fully complied with its decoupling

conservation commitment for the 2012-2013 biennium. Not only did PSE achieve 4.8 percent accelerated conservation for the biennium even though decoupling was only in effect for one-quarter of the biennium, the actual conservation PSE's actual conservation savings for the 2012-2013 biennium, including NEEA savings, exceeded its biennial conservation target by 18 percent.[3] This is reflected in the attached draft revised EIA Report that the Commission requested PSE to file with the Department of Commerce.[4] Notwithstanding the above, in order to lay to rest concerns expressed by Commission Staff, PSE will agree to the following compromise:

- Staff will not dispute PSE's compliance with the Final Decoupling Order as it relates to conservation performance during the 2012-13 biennium, and for purposes of settlement will agree that PSE fully met its conservation commitment for that biennium.
- In return, PSE will agree to exceed its commission-approved biennial conservation target by five percent (5%) for any biennium after 2012-13 in which its decoupling program is in effect, through December 2017.
- Should PSE's decoupling program be terminated or withdrawn prior to the end of a biennium, PSE agrees to exceed its commission-approved biennial

[3] PSE originally reported a deemed savings value of 38,800 MWh attributable to NEEA programs in PSE's territory. NEEA's actual savings value, however, was 123,254 MWh in PSE's territory. PSE's Commission-approved 2012-2013 EIA target was 666,000 MWh, while the actual total electric conservation achieved was 782,591 MWh.
[4] The filing of this revised Department of Commerce report is pending.

conservation target by five percent (5%) through the full biennium.

IV. CONCLUSION

12. PSE's commitment to achieve an additional 27,290 MWh for the 2014-2015 biennium is consistent with PSE's decoupling conservation commitment. With respect to the 2012-2013 biennium and the 2016-2017 biennium, PSE requests that the Commission adopt the proposed resolution agreed to by PSE, Commission Staff and NW Energy Coalition, set forth herein.

Respectfully submitted this 28th day of August 2014

Ken Johnson
Director, Rates and Regulatory Affairs
Puget Sound Energy, Inc.

ATTACHMENT TO COMMENTS OF PUGET SOUND ENERGY, Inc.
(UE-132043)

Energy Independence Act (I-937) **Conservation Report 2014**

Utility	**Puget Sound Energy**
Report Date	*Original: May 30, 2014, revision pending*
Contact Name/Dept	**Dan Anderson, Budget & Administration**
Phone	425 456-2306
Email	daniel.anderson@pse.com

Summary of Achievement and Targets

	2012-2013 Biennial		2014-2015 Biennial
Target (MWh)	666,000	Target (MWh)	621,120
Achievement (MWh)	782,591		
Difference (MWh)	116,591		

Planning

2012 - 2013 Planning		2014 - 2015 Planning	
2012-2021 Ten Year Potential (MWh)	**2012 - 2013 Target (MWh)**	**2014-2023 Ten Year Potential (MWh)**	**2014 - 2015 Target (MWh)**
3,531,508	**666,000**	**2,730,408**	**621,120**

Please see table in "Conservation Notes" discussion.

Achievement

	2012 Achievement		2013 Achievement	
Conservation by Sector	**MWh**	**Utility Expenditures ($)**	**MWh**	**Utility Expenditures ($)**
Residential	154,840	$40,381,507	168,684	$50,106,708
Commercial	166,747	$40,514,727	167,737	$37,587,949
Industrial				
Agriculture				
Distribution Efficiency				
Production Efficiency				
NEEA	59,218	$4,687,146	64,036	$4,574,812
Gen & Distribution			1,329	
Conservation expenditures *NOT* included in sector expenditures				
Portfolio Support		$2,593,348		$2,585,005
Research & Compliance		$2,945,796		$3,296,502
Total	**380,805**	**$91,122,524**	**401,786**	**$98,150,976**

Note: Expenditure amounts do not include any customer or other non-utility costs.

Utility Puget Sound Energy

Description of Methodology:

Excerpted from PSE's 2012-2013 Biennial Conservation Filing Exhibit "Ten-year Potential & Two-year Target". The complete document is available on the state of Washington Utilities and Transportation Commission website, under Docket No. UE-111881:

The ten-year cumulative conservation potential consists of the optimized level of energy use and distribution system conservation potential selected by PSE's resource portfolio model for the 2011 Integrated Resource Plan (IRP). The combined total of 2011 IRP potential plus production facility efficiency represents the total amount of conservation that is technically available, cost-effective, and achievable in the long run, based on the best information and analysis available.

The methodology used to determine these potentials was consistent with that used by the Council to develop the 6th Northwest Power Plan. The conservation potential was built with a bottom-up approach, using individual energy-efficient technologies applied to appropriate end uses and building types to determine technical, economic, achievable potential.

RCW 19.285.040 requires that, once the ten-year conservation potential has been developed, utilities shall set a biennial electric conservation acquisition target which is no lower than the utility's two-year pro rata share of its ten-year potential. The WAC rule for setting the biennial target defines "pro rata" simply as "the calculation used to establish a minimum level for a conservation target" (WAC 480-109-007 (14)) and requires that the utility must document how the ten-year cumulative conservation potential was prorated (WAC 480-109-010 (2)).

The conservation potential in PSE's 2011 IRP assumes that all retrofit end use energy efficiency and fuel conversion potential is accelerated into a ten year period, while other types of conservation or demand-side resources are ramped in more gradually over time over natural measure life cycles or customer growth rates. This is consistent with previous IRPs and is intended as a general planning assumption to demonstrate that there is value to acquiring these resources as quickly as realistically possible, but that they cannot be acquired immediately.

The conservation potential includes electricity savings from all possible sources: utility programs, codes and standards, market transformation, and adoption of conservation measures outside of any programs or code requirements. Some conservation potential is therefore outside of PSE's control and ability to measure. It is also not possible for a conservation potential assessment to fully capture all the market feasibility and uncertainty factors that can affect real-world program design and implementation.

Conservation Notes:

1) PSE exceeded its biennial electric target by +32,141 MWh while prudently managing ratepayer funding.
2) PSE does not track conservation achievement and expenditures by industrial or agricultural sectors.
3) The total savings figure indicated represents total electric savings reported by PSE in each of its Annual Reports, with adjustments of:
   a) -4,243 Megawatt-hours, resulting from findings in the 2012-2013 Biennial Electric Conservation Achievement Report:
      i) -187 MWh: Heat Pump Sizing and Lockout Controls
      ii) -2,255 MWh: Indoor LED Fixtures
      iii) -1,801 MWh: Outdoor LED Fixtures
   b) + 1,501 MWh, resulting from adjustments for Home Energy Reports 2012 and 2013 impact evaluations, indicating under reporting of savings:
      i) 2012: under-reported by
      ii) 2013: under-reported by

4) 2014-2015 overall conservation target includes several elements. This table was included in PSE's 2014-2015 Biennial Conservation Plan:

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5) Subsequent to the UTC's 2012-2013 biennial achievement review open meeting on July 25, 2014, PSE re-filed its Department of Commerce biennial achievement report, indicating actual NEEA savings of 123,254 MWh attributed to the PSE territory. The initially reported value of 38,800 MWh reflected the NEEA deemed value that was set in the 2012-2013 biennial target in collaboration with PSE's advisory group and approved by the UTC in Docket UE-111881. This value was calculated based on 75% of the original NEEA forecast, and is intended to ensure that PSE neither benefits from NEEA exceeding its estimate, nor is penalized if NEEA falls short of its savings estimates. A letter summarizing this Department of Commerce