

Agenda Date: December 21, 2012
Item Numbers: D4, D5 and D6

**Dockets: UE-111881
UG-121911
UG-121894**

Company: **Puget Sound Energy**

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Recommendation

Take no action, acknowledging the timely receipt of Puget Sound Energy's 2013 Annual Conservation Plan on November 29, 2012, in Dockets UE-111881 and UG-121911, thereby allowing the tariff revision filed by Puget Sound Energy in Docket UG-121894 to take effect January 1, 2013, by operation of law.

Background

Puget Sound Energy (PSE or company) currently operates its electric conservation programs under conditions approved by the Washington Utilities and Transportation Commission (commission) in this docket, and operates its natural gas conservation programs under a previous settlement.¹ On October 28, 2011, PSE filed its "2012-2013 Biennial Conservation Plan" (BCP), which identified a 2012-2021 ten-year achievable conservation potential, 2012-2013 biennial conservation potential, and business plan to implement conservation programs to achieve those targets. PSE's 2012-2013 biennial electric conservation target is 666,000 megawatt-hours and 2012-2013 biennial natural gas target is 9.55 million therms.

As outlined in Condition (8)(b) of Order 01 in Docket UE-111881, PSE must file by December 1, 2012, the 2013 Annual Conservation Plan (2013 ACP) which identifies any changes to the "2012-2013 Biennial Conservation Plan" program details and budgets. PSE must also provide a draft of the 2013 ACP to the Conservation Resources Advisory Group (CRAG) by November 1, 2012. On October 31, 2012, the company timely provided to the CRAG its draft 2013 ACP, as well as associated proposed tariff filings. On November 29, 2012, the company timely filed the 2013 ACP for electric in Docket UE-111881 and natural gas in Docket UG-121911, as well as tariff revisions for natural gas conservation schedules in Docket UG-121894. Although PSE is only required to file an electric conservation plan consistent with RCW 19.285, the company filed a combined electric and natural gas 2013 ACP to support consistent review of both portfolios.

¹ *In the Matter of Puget Sound Energy's Ten-Year Achievable Conservation Potential And Biennial Conservation Target Under RCW 19.285.040 and WAC 480-109-010*, Docket UE-111881, Order 01, (June 14, 2012); *WUTC v. Puget Sound Energy, Inc.*, Dockets UE-011570 and UG-011571 (consolidated), Twelfth Supplemental Order, Exhibit F to Settlement Attachment (June 20, 2002).

PSE proposes minor program changes and narrative clarifications to its electric and natural gas conservation programs. The proposed changes have no effect on the level of funding collected by the conservation service rider tariffs. Annual updates to the natural gas or electric conservation service rider tariff will be submitted on or before March 1, 2013.

PSE’s conservation portfolio serves all customer classes through information and financial incentives for customers to incorporate cost-effective energy-efficient measures and services. The 2013 ACP includes detailed descriptions of program changes planned for 2013, budgets, energy savings estimates, program and portfolio cost-effectiveness, and an evaluation plan.

PSE serves approximately 1.1 million electric customers in Island, Jefferson, King, Kitsap, Kittitas, Pierce, Skagit, Thurston and Whatcom counties, and approximately 750,000 natural gas customers in King, Kittitas, Lewis, Pierce, Snohomish and Thurston counties.

Docket UE-111881 – Electric Conservation Plan Changes

PSE proposes an approximately 1 percent decrease in its total 2013 electric conservation budget, decreasing from roughly \$95 million to \$94.4 million. The company projects electric conservation acquisition of 38.1 average megawatts (aMW) for 2013, an increase of about 2 percent over the projected 2013 savings from the BCP. The sector specific savings target decreased by less than 1 percent for residential programs, and increased by 4 percent for nonresidential programs.

| Electric Program Budgets | 2012 BCP Budget² | 2013 BCP Budget³ | 2013 ACP Budget | 2012-2013 Change⁴ |
|--------------------------------------|------------------------------------|------------------------------------|------------------------|-------------------------------------|
| Residential | \$ 42,698,000 | \$ 42,353,709 | \$ 42,477,029 | -1% |
| Nonresidential | \$ 41,871,000 | \$ 38,639,980 | \$ 38,521,235 | -8% |
| Regional Efficiency Programs | \$ 5,573,000 | \$ 5,571,000 | \$ 5,260,640 | -6% |
| Support | \$ 3,514,000 | \$ 4,049,800 | \$ 3,569,762 | 2% |
| Research and Compliance ⁵ | \$ 3,172,000 | \$ 2,632,053 | \$ 3,738,772 | 18% |
| Other | \$ 1,648,000 | \$ 2,117,802 | \$ 834,907 | -51% |
| Total | \$ 98,476,000 | \$ 95,053,983 | \$ 94,402,344 | -4% |

The two major budget changes occurred in PSE’s budgets for research and compliance and other electric programs. The updated research and compliance budget reflects the addition of PSE’s internal verification team and the expansion of program evaluation efforts. The change in the

² Docket UE-111881, Puget Sound Energy, “2012-2013 Biennial Conservation Plan,” Exhibit 1, Portfolio Budgets & Savings.

³ Id.

⁴ Compares the 2012 Budget and 2013 ACP Budget columns.

⁵ Research and compliance encompasses conservation supply curves, strategic planning, evaluation, measurement, and verification (EM&V), and program support.

other electric programs budget is primarily due to the the company scaling back its Commercial/Industrial Load Control program.

| Electric Conservation | BCP Target | Projected Savings⁶ | Percent of Target | ACP Target |
|------------------------------|-------------------|--------------------------------------|--------------------------|-------------------|
| 2012 | 38.4 aMW | 39.8 aMW | 103.5% | |
| 2013 | 37.6 aMW | | | 38.1 aMW |
| 2012-2013 Biennium | 76.0 aMW | | | |

The company's analysis of its 2013 updated electric portfolio cost-effectiveness yields a Total Resource Cost test ratio of 2.19.⁷ All programs are funded through the company's Schedule 120 conservation rider tariff.

Electric Program Changes for 2013

Although PSE proposes no major change to the programs in its electric conservation portfolio, the company has modified some of the measures within the programs. In the residential programs, PSE has added new measures such as LED lights, room occupancy sensors, clothes washer replacements, expanded Energy Star® refrigerators, web-enabled thermostats, mobile-home duct sealing, and higher-efficiency showerheads. PSE updates savings values on an annual basis, and has updated savings values in the 2013 ACP for clothes washers, single family weatherization, and water heaters. PSE retired the 2.0 gallons per minute (gpm) showerhead measure and refrigerator replacement measures, because they are no longer cost-effective. PSE has also launched a "Residential Marketing Propensity Modeling" pilot which will use anonymized customer data and analytics to enable the company to target marketing to customers who are most likely to participate in conservation programs. This pilot is expected to help PSE improve the efficiency of its marketing efforts in driving customer participation. Programs will still be available to all eligible customers.

For non-residential programs, PSE added new LED lighting measures, increased lighting conversions, began quantifying non-energy benefits for the Resource Conservation Manager and commercial rebate programs, and retired the CoolerMiser direct install program because it is no longer cost-effective.

Regional Efficiency Programs

PSE expects to achieve approximately 19,400 MWh of electric conservation savings in 2013 through its participation and funding of the Northwest Energy Efficiency Alliance (NEEA). PSE scaled back its expected electric savings from generation and transmission & distribution (T&D) in the 2013 ACP, because the company originally anticipated using Schedule 120

⁶ Savings projected through end of 2012, presented at the October 11, 2012 CRAG meeting.

⁷ The Total Resource Cost test result must be greater than 1 to demonstrate cost-effectiveness.

Conservation Rider funding, which the commission did not allow. The company is looking for other sources of funding for this program. Although this program is not funded at the originally intended level, the company expects to meet its biennial target despite reduced savings from generation and T&D.

Docket UG-121911 – Natural Gas Conservation Plan Changes

PSE proposes a 0.1 percent increase in its total 2013 natural gas conservation budget, increasing from \$13,166,255 to \$13,185,279. The company projects natural gas conservation acquisition of 4.62 million therms for 2013, a decrease of about 1.1 percent as compared with the 2013 projections made in the BCP. The expected sector-specific savings increased 4 percent for residential programs, but decreased 4.7 percent for nonresidential programs.

| Natural Gas Budgets | 2012 Budget⁸ | 2013 Budget⁹ | 2013 ACP Budget | 2012-2013 Change¹⁰ |
|---------------------------------------|--------------------------------|--------------------------------|------------------------|--------------------------------------|
| Residential | \$ 6,938,000 | \$ 6,764,513 | \$6,865,289 | -1% |
| Nonresidential | \$ 5,291,000 | \$ 5,271,090 | \$4,987,041 | -6% |
| Support | \$ 538,000 | \$ 552,652 | \$554,399 | 3% |
| Research and Compliance ¹¹ | \$ 683,000 | \$ 578,000 | \$778,550 | 14% |
| Total | \$ 13,450,000 | \$13,166,255 | \$13,185,279 | -2% |

| Gas Conservation | BCP Target | Projected Savings¹² | Percent of Target | ACP Target |
|-------------------------|---------------------|---------------------------------------|--------------------------|-----------------------------|
| 2012 | 4,840,000 therms | 4,924,282 therms | 101.8% | |
| 2013 | 4,670,000 therms | | | 4,620,000 million therms |
| 2012-2013 Biennium | 9,550,000 therms | | | |

⁸Docket UG-121911, Puget Sound Energy, “2012-2013 Biennial Conservation Plan,” Exhibit 1, Portfolio Budgets & Savings.

⁹ Id.

¹⁰ Compares the 2012 Budget and 2013 ACP Budget columns.

¹¹ Research and compliance encompasses conservation supply curves, strategic planning, EM&V, and program support. EM&V constitutes a large portion of the costs within this category of the natural gas efficiency services budget for 2013.

¹² Savings projected through end of 2012, presented at the October 11, 2012 CRAG meeting.

The company's analysis of its proposed natural gas portfolio cost-effectiveness results in a Total Resource Cost test ratio of 1.26.¹³ All programs are funded through the company's conservation rider tariff Schedule 120.

Natural Gas Program Changes for 2013

Although PSE proposes no major change to the programs in its natural gas conservation portfolio, the company has modified some of the measures within the programs. In the residential programs, PSE has retired 2.0 gpm showerheads and natural gas furnaces because they are no longer cost-effective. PSE updates savings values on an annual basis, and has updated savings values in the 2013 ACP for some measures, including clothes washers and duct sealing. PSE has put forth significant effort to expand existing measures, identify additional measures, and utilize Non Energy Benefits to sustain measures where possible to offset the measures being retired. This effort helped to deliver the four percent increase in therm savings. Increased participation in web-enabled thermostats in the residential sector and the Energy Smart Grocer program in the business sector are some examples of program expansions that the company has made.

PSE will no longer combine electric and natural gas energy savings in the process for designing individual custom grant funding, decreasing expected natural gas savings from custom grants by 10 to 15 percent in 2013. The Comprehensive Building Tune-Up program's expected natural gas savings decreased because most participants are large facilities which do not have significant natural gas space heat requirements. The Energy Smart grocer program will offer additional natural gas measures, and a large new construction project is expected to deliver significant therm savings, which offsets part of the expected savings decrease.

Public Involvement

The company worked closely with the CRAG in 2012 to provide opportunity for feedback on conservation programs and measure change, holding four in-person meetings, a conference call, and vibrant email conversations. PSE presented key changes and drivers to be included in the 2013 ACP at the October 11, 2012, CRAG meeting. The company provided an electronic copy of the draft 2013 ACP to the CRAG on October 31, 2012, giving the CRAG 30 days to review the draft and provide comments before the final ACP was filed. The company provided prompt and thorough responses to stakeholder questions and feedback.

Evaluation, Measurement and Verification (EM&V) Plan

The company plans to spend approximately \$2.2 million on electric program evaluation, which includes the third-party portfolio review and third-party program evaluations.¹⁴ PSE formed a

¹³ The Total Resource Cost test result must be greater than 1 to demonstrate cost-effectiveness.

¹⁴ The third-party portfolio review is required by Condition (6)(g) of Order 01 in Docket UE-111881. Third-party program evaluations include market, process, and impact evaluations and are used to determine whether a program

new internal verification team in 2012 to conduct internal program audits and verify correct measure installation. The verification team has a 2013 electric budget of about \$633,000. The company plans to spend about \$550,000 of its 2013 gas conservation budget on EM&V, including independent, third-party reviews. The verification team has a natural gas budget of about \$101,000.

Docket UG-121894 – Proposed Revisions to Natural Gas Efficiency Schedules

On December 1, 2012, PSE filed Docket UG-121894 to rename three natural efficiency program schedules in order to bring consistency between the natural gas and electric energy efficiency program schedule numbers. The affected schedules and their new names are shown in Table 2 below. Commission staff has no objections to this new naming convention.

| Existing Schedule Name | Proposed Schedule Name |
|-------------------------------|-------------------------------|
| Schedule 203 ¹⁵ | Schedule 201 |
| Schedule 205 ¹⁶ | Schedule 250 |
| Schedule 208 ¹⁷ | Schedule 253 |

Discussion

The overall increase in savings estimates for PSE’s electric conservation programs combined with a decrease in expected expenditures has led to improved electric portfolio economics for 2013. Despite the low cost of natural gas, PSE is able to continue providing cost-effective natural gas conservation programs and expects to meet its biennial conservation target. Staff believes that savings and expenditures estimates are fairly presented in PSE’s 2013 ACP, and the programmatic changes have been designed appropriately and are accurately captured in the 2013 ACP. Therefore, staff recommends that the commission acknowledge the 2013 ACP as filed.

Conclusion

Take no action, acknowledging timely receipt of PSE’s 2013 Annual Conservation Plan on November 29, 2012, thereby allowing the tariff revision filed by Puget Sound Energy in Docket UG-121894 to take effect January 1, 2013, by operation of law.

has achieved its claimed savings, understand the effects of the program, identify ways to improve current programs, or identify new program opportunities. All PSE programs are evaluated by third-parties on a four-year cycle.

¹⁵ Schedule for Residential Low-Income programs.

¹⁶ Schedule for Commercial/Industrial Retrofit Program.

¹⁷ Schedule for Resource Conservation Manager (RCM) Program.