

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

<p>WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,  Complainant,  v.  PUGET SOUND ENERGY,  Respondent.</p>	<p>DOCKETS UE-190529 and UG-190530 <i>(consolidated)</i>  ORDER 13</p>
<p>In the Matter of the Petition of  PUGET SOUND ENERGY  For an Order Authorizing Deferral Accounting and Ratemaking Treatment for Short-life IT/Technology Investment</p>	<p>DOCKETS UE-190274 and UG-190275 <i>(consolidated)</i>  ORDER 10</p>
<p>In the Matter of the Petition of  PUGET SOUND ENERGY  For an Order Authorizing Deferred Accounting associated with Federal Tax Act on Puget Sound Energy's Cost of Service</p>	<p>DOCKETS UE-171225 and UG-171226 <i>(consolidated)</i>  ORDER 08</p>
<p>In the Matter of the Petition of  PUGET SOUND ENERGY  For an Order Authorizing the Accounting treatment of Costs of Liquidated Damages</p>	<p>DOCKETS UE-190991 and UG-190992 <i>(consolidated)</i>  ORDER 08  REJECTING COMPLIANCE FILING; AUTHORIZING REPLACEMENT FILING</p>

## BACKGROUND

1 On July 8, 2020, the Washington Utilities and Transportation Commission (Commission) entered Final Order 08/05/03 (Order 08) in the above-captioned dockets. Order 08 resolved all the contested issues in Puget Sound Energy's (PSE or Company) general rate case. Among other things, Order 08 approved PSE's proposed Conjunctive Demand Service Option pilot program (CDSO Pilot). Although Order 08 declined to require PSE to refile its CDSO pilot as Commission staff (Staff) proposed, the Commission directed PSE to file a report that incorporates elements of Staff's pricing pilot proposal (Report). Specifically, Order 08 required the Company to

[U]se the design and evaluation elements in Staff's pricing pilot proposal as general guidelines, applying those elements it deems relevant and providing discussion for those that the Company deems have little or no application to this particular Pilot. In addition, the Commission would like to see more detail regarding the pros and cons of the Pilot and how the Company envisions expanding the Pilot over time. PSE should file a report addressing these issues within 90 days of the effective date of this Order.<sup>1</sup>

2 The tariff revisions PSE filed in these consolidated dockets consistent with Order 08 became effective on October 15, 2020. Accordingly, PSE's Report was due by January 12, 2021.

3 On January 14, 2021, PSE filed its Report.

4 On January 27, 2021, Staff filed a letter recommending the Commission reject the Company's Report. Staff argues that PSE's Report fails to comply with three of the four requirements in Order 08. Specifically, Staff alleges that, with respect to these three requirements, PSE (1) largely failed to incorporate Staff's proposed pricing pilot elements into the report in a meaningful fashion, (2) misinterprets the S.M.A.R.T. goal acronym by responding individually for each letter, (3) dismisses the concept that pricing pilots have "internal validity," and (4) failed to provide a reasonable response to clarify the future of the CDSO Pilot. Finally, Staff contends that PSE's Report is neither practical nor understandable.

5 Staff does, however, believe that PSE technically complied with one reporting element required by Order 08 related to the list of various pros and cons of the CDSO Pilot.

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<sup>1</sup> Order 08, ¶596.

Although Staff contends that the list is based on faulty assumptions, which, in turn, fails to cure various other deficiencies, Staff nevertheless recommends the Commission find that the Company has complied with this requirement.

- 6 Finally, Staff argues that PSE's response was not timely filed. Calculating forward from the date the last final order was entered in this proceeding on October 14, 2020, Staff asserts that PSE's filing was made two days past the 90-day deadline. After the Company contacted Staff on October 9, 2020, Staff explained in its letter that it had serious concerns with the Report and requested a phone call with the Company to review its contents. The Company failed to reply. According to Staff, no other communication occurred with the Company until Staff reached out to the Company informally on January 12, two days prior to the date the Report was filed.
- 7 On February 5, 2021, the Commission issued a Notice of Opportunity to Respond to Commission Staff's Dispute Related to the CDSO Pilot Report Compliance Filing.
- 8 On February 12, 2021, PSE filed a response to Staff's dispute (Response). As a preliminary matter, PSE acknowledges that the Report was not timely filed by the January 12, 2021, deadline. In response to Staff's assertion that the Company failed to communicate with Staff, PSE contends that it incorporated Staff's feedback in its final Report.
- 9 PSE argues in its Response that the Commission clearly delegated the manner in, and extent to which, PSE was required to apply Staff's pricing pilot elements and requests the Commission finds that the Report complies with the requirements of Order 08. PSE argues that its Report is compliant because the Company fulfilled its obligations to incorporate elements of Staff's pricing pilot proposal as general guidelines, used the design and evaluation elements it deemed relevant and provided discussion on those elements the Company deemed to have little or no application, provided details on the pros and cons of the CDSO Pilot, and discussed how the Company envisions expanding the Pilot over time.
- 10 In the alternative, PSE requests the Commission authorize the Company to work with Staff to amend its Report, as necessary, to comply with Order 08.

## DISCUSSION AND DECISION

11 We reject PSE's CDSO Pilot Report and require the Company to work collaboratively with Staff to supplement the Report as discussed below. We address each of the requirements set forth in Order 08 in turn.

12 **Use the Design and Evaluation Elements in Staff's Pricing Pilots as General Guidelines.** Order 08 required PSE to use Staff's design and evaluation elements, which include "recommendations regarding pricing pilot design and evaluation related to goals, structure, administration, standards for study findings, study development and administration, evaluation of program costs and benefits, and an evaluation of program risk."<sup>2</sup> As relevant to the 90-day CDSO Report at issue here, Staff identified the following design elements in testimony:

- Use Specific, Measurable, Achievable, Relevant, and Time-Bound (S.M.A.R.T.) goals.
- Be specific and understandable, account for customer needs and engagement, and be accessible to customers and not present a barrier to participation.
- Design to provide a meaningful signal, ideally reflecting all tiers of energy consumption, and clearly articulating how and why it is addressing some or all of these tiers.
- Base the design in cost causation, using underlying cost drivers as the starting point for any rate.
- Be easy to implement.
- Have internal validity, which includes statistically valid roots and clear program design with transparent assumptions.
- Have consistent and regular reporting.

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<sup>2</sup> Order 08, ¶572.

- Prioritize customer engagement and communication to improve the overall experience.<sup>3</sup>

13 Staff further identified multiple elements for Commission evaluation, many of which apply to the second report the Company is required to file 18 months after the CDSO Pilot is implemented and the Company has gathered meaningful data. The following evaluation elements, however, are relevant to the Report at issue here:

- A discussion of the assumptions made in the design application, or analysis of pricing pilots.
- An overview of data collection needs and methods.
- A discussion of customer outreach and education efforts, including delivery channels, and how the Company will engage with vulnerable populations.
- Privacy implications from customer participation and methods to ensure security of consumer information.<sup>4</sup>

14 PSE's Report briefly describes the purpose of the CDSO Pilot, provides a "SMART Goals Breakdown" in the form of a short, bulleted list, and briefly touches on price signals, cost causation, implementation, reporting, certain evaluation elements, data collection needs and methods, customer outreach, costs and benefits, and product risks. We agree with Staff, overall, that the Report lacks meaningful information and thus fails to comply with Order 08. Rather than be overly prescriptive, however, we direct the Company to work with Staff to amend the Report to specifically and thoroughly address the items identified in paragraphs 12 and 13, above.

15 **Apply Elements Deemed Relevant and Provide Discussion for those Elements Deemed to Have Little or no Application to the CDSO Pilot.** Order 08 further instructed PSE to apply Staff's evaluation and design elements to the CDSO Pilot that it deems relevant, and to provide discussion for those elements the Company deems to have little or no application to the Pilot. In its Report, PSE identifies which of Staff's criteria

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<sup>3</sup> Ball, Exh. JLB-1T at 54:20-55:9.

<sup>4</sup> *Id.* at 55:17-58:23.

are “not applicable” and offers short, cursory explanations rather than meaningful discussions related to the Company’s decision to exclude those elements.

- 16 Although the Company should strive to provide a detailed explanation for each element of Staff’s proposal as it relates to (1) large customers with multiple locations and (2) removing barriers to transportation electrification, the Commission recognizes there may be limitations to the practical application of Staff’s pricing pilot proposal to each of these elements. For example, the design, implementation, expansion, and evaluation of the program for large customers with multiple locations may not lend itself to, or require the application of, each design element outlined in Staff’s proposal. On the other hand, the Commission believes that Staff’s pricing pilot proposal applies broadly to removing barriers to transportation electrification. With this guidance in mind, the Company should work with Staff to ensure its explanations are thorough and provide adequate justification for excluding the elements the Company believes do not apply.
- 17 **Provide Detail Regarding the Pros and Cons of the CDSO Pilot.** The Commission also required PSE to provide detail regarding the pros and cons of the CDSO Pilot. Although we agree with Staff that this section of the Report technically complies with Order 08, we expect the Company to expand and revise this section as necessary to incorporate other changes made to the Report as required by this Order.
- 18 **Provide Detail Regarding how the Company Envisions Expanding the CDSO Pilot Over Time.** Finally, we agree with Staff that PSE failed to provide adequate detail regarding how the Company envisions expanding the CDSO Pilot in the future. In its Report, PSE states that it “prefers to wait until a few years of customers taking service under the CDSO has already occurred before offering more details in that regard. PSE could envision an expanding offering of the CDSO to more vehicle electrification related customer sites.”<sup>5</sup> We agree with Staff that this portion of the Report fails to comply with Order 08, specifically lacking precise and measurable metrics that will allow for effective evaluation for expanding or continuing the pilot, not just subjective consideration. As directed above, PSE should work with Staff to develop a meaningful response to this requirement, particularly as it relates to electric vehicle charging sites.

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<sup>5</sup> PSE Report, p. 7.

**ORDER**

THE COMMISSION ORDERS THAT:

- (1) The Commission rejects Puget Sound Energy's Conjunctive Demand Service Option Pilot Program Report.
- (2) Puget Sound Energy is directed to work with Commission Staff to supplement its Conjunctive Demand Service Option Pilot Program Report consistent with the guidance provided in the body of this Order.
- (3) Puget Sound Energy must file a replacement Conjunctive Demand Service Option Pilot Program Report within 90 days of the effective date of this Order.
- (4) The Commission retains jurisdiction over the subject matters and parties to this proceeding to effectuate the terms of this Order.

DATED at Lacey, Washington, and effective March 8, 2021.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chairman

ANN E. RENDAHL, Commissioner

JAY M. BALASBAS, Commissioner