

Agenda Date: May 21, 2020

Item Number: A1

Docket: UE-190905
Company: Puget Sound Energy

Staff: Andrew Rector, Regulatory Analyst

Recommendation

Issue an order in Docket UE-190905 accepting Puget Sound Energy's petition to modify:

- (1) 10-year electric conservation potential of a range from 1,900,920 to 3,258,720 megawatt-hours (MWh),
- (2) EIA Target of 434,197 MWh,
- (3) EIA Penalty Threshold of 410,633 MWh,
- (4) Decoupling Penalty Threshold of 21,710 MWh, and
- (5) Finding PSE compliant with condition 1(b) in Attachment A (1)(b) to Order 01 of this docket.

Background

On November 1, 2019, Puget Sound Energy (PSE or company) filed its "2020-2021 Biennial Conservation Plan" (BCP or Plan) with the Washington Utilities and Transportation Commission (commission) under Dockets UE-190905 and UG-190913. Commission staff (staff) filed responsive comments on the Plan on December 5, 2019. In addition to the BCP required by the Energy Independence Act (EIA), the Plan addresses natural gas conservation goals and programs.

On November 1, 2019, PSE filed tariff changes under Dockets UE-190909 and UG-190910 to provide for continuation of PSE's electric conservation programs. On December 17, 2019, the commission issued Order 01, accepting the 2020-2029 Ten-Year Achievable Conservation Potential and 2020-2021 Biennial Conservation Target, subject to conditions. The conditions included filing a petition to either modify or retain the EIA target and EIA penalty threshold at the levels accepted in Order 01 by April 15, 2020. The petition would incorporate, to the degree possible, the Clean Energy Transformation Act (CETA) and explain how the social cost of greenhouse gas emissions (AKA the social cost of carbon, SCC) was included in the evaluation of conservation targets and why the methodology used is appropriate. This requirement is detailed in Order 01, Attachment A, condition 1(b). On April 15, 2020, PSE filed the petition to modify.

PSE serves approximately 1.1 million electric customers and 807,000 natural gas customers in Island, King, Kitsap, Kittitas, Lewis, Pierce, Skagit, Snohomish, Thurston, and Whatcom counties.

Modifications to the EIA Targets and Thresholds

PSE's petition proposes to modify the targets accepted in Order 01 of this docket. Table 1 on page two of the petition compares the revised results to the results from the initial filing in 2019. To calculate its new target, PSE began by adopting three scenarios from its conservation potential assessment and 2019 IRP progress report. These scenarios were: a baseline scenario that meets the EIA requirements but does not incorporate the SCC or CETA; a scenario that incorporates the SCC but not CETA; and a CETA scenario that incorporates the SCC and an 80 percent non-emitting and renewable portfolio by 2030. The results were a 10-year electric conservation potential of a range of from 1,900,920 to 3,258,720 MWh.

To arrive at its new EIA Target, PSE moved the 8.5 average megawatts (aMW) of "additional portfolio buildout" that it incorporated as additional savings in its original BCP to its modified EIA Target. PSE feels confident it can achieve these additional savings. The result is revised EIA Target increased from 359,861 MWh to 434,197 MWh. The EIA Penalty Threshold of 336,297 MWh increased to 410,633 MWh. The Decoupling Penalty Threshold of 17,993 MWh increased to 21,710 MWh.

Even absent the current circumstances surrounding the COVID-19 pandemic, staff understands and acknowledges the uncertainties that PSE operated under when setting the revised BCP target. For this reason, even though some calculations showed additional cost-effective conservation potential, staff believes PSE performed its analysis sufficiently and accepts the revised BCP target as filed in the petition.

Incorporating the Social Cost of Carbon and CETA

PSE incorporates the SCC in a manner consistent with the approaches discussed in a January 16, 2020, workshop held by the commission. The social cost of carbon cited in CETA comes from the Interagency Working Group on Social Cost of Greenhouse Gases, Technical Support Document, August 2016 update. RCW 80.28.405. It projects a 2.5 percent discount rate, starting with \$62 per metric ton (in 2007 dollars) in 2020. The document lists the CO2 prices in real dollars and metric tons. PSE adjusted the prices for inflation (nominal dollars) and converted to U.S. tons (short tons). This cost ranges from \$86 per ton in 2020 to \$184 per ton in 2039. The social cost of carbon is not applied in economic dispatch decisions. Instead, the SCC is calculated for possible fossil fuel plants after economic dispatch, then reflected as a cost when deciding whether to add the plant.

For the purposes of satisfying condition 1(b) of Order 01, staff is satisfied with the analysis presented. However, the method for including the SCC as either an adder or a tax in the IRP has not been settled and remains under consideration in the commission's open IRP rulemaking. Staff's acceptance of the modified targets and thresholds in this petition does not indicate that this approach will be adopted or accepted under future commission rules related to the social cost of carbon.

Stakeholder Comments

Public Counsel and UCONS, LLC, submitted comments on the petition. Public Counsel praised PSE's target-setting process, noted the uncertainty around the ongoing coronavirus pandemic, and recommended approving the petition.

UCONS recommended that the Commission require PSE to take three actions:

- Make supplemental filings monthly (or at least quarterly) showing a break-out of manufactured homes treated "as envisioned by Order 01".
- Undertake a manufactured home ductless heat pump pilot program similar to one recently completed by Tacoma Power.
- Quantify and obtain an "equitable" level of conservation in the manufactured home market.

Staff maintains that the conditions enumerated in Order 01 and Attachment A to Order 01 are sufficient to address conservation in the manufactured home sector at this time. Staff will continue to work with PSE to ensure those conditions are met.

Conclusion

Staff recommends that the commission issue an order granting the petition to modify the EIA Target, Penalty Threshold, Decoupling Commitment and Ten-Year Potential. The commission should also find PSE in compliance with the condition (1)(b) in Attachment A of Order 01 of this docket.