

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of

PUGET SOUND ENERGY

2020-2029 Ten-Year Achievable Electric  
Conservation Potential and 2020-2021  
Biennial Conservation Target Under  
RCW 19.285.040 and WAC 480 109 010

DOCKET UE-190905

ORDER 02

GRANTING PETITION; GRANTING  
EXEMPTION

**BACKGROUND**

- 1 Under the Energy Independence Act (EIA or Act), electric utilities with 25,000 or more customers are required to set and meet energy conservation targets every two years.<sup>1</sup> The Washington Utilities and Transportation Commission (Commission) promulgated rules implementing the EIA, which further require that each utility must file a report with the Commission identifying its 10-year achievable conservation potential and its biennial conservation target every two years.
- 2 On November 1, 2019, Puget Sound Energy (PSE or Company) filed its 10-Year Conservation Potential and 2020-2021 Biennial Conservation Plan with the Commission, as required by the EIA.

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<sup>1</sup> RCW 19.285.040(a) requires each electric utility to identify its 10-year achievable cost-effective conservation potential using methodologies consistent with those used by the Pacific Northwest Electric Power and Conservation Planning Council in its most recently published regional power plan. At least every two years, a utility must also review and update its assessment for the subsequent 10-year period. RCW 19.285.040(b) requires each qualifying utility to establish and make publicly available a biennial acquisition target for cost-effective conservation consistent with its identification of achievable opportunities in RCW 19.285.040(a) and meet that target during the subsequent two-year period. At a minimum, each biennial target must be no lower than the qualifying utility's pro-rata share for that two-year period of its cost-effective conservation potential for the subsequent two-year period.

- 3 On December 18, 2019, the Commission entered Order 01 in Docket UE-190905, which accepted PSE's 2020-2029 Ten-Year Achievable Conservation Potential and 2020-2021 Biennial Conservation Target subject to conditions. Order 01 included a 10-year electric conservation potential of 1,799,149 MWh; EIA Target of 359,861 MWh; EIA Penalty Threshold of 59,948 MWh; and Decoupling Threshold of 336,297 MWh. Order 01 required PSE to file 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 must incorporate, to the degree possible, the Clean Energy Transformation Act (CETA) and explain how the social cost of greenhouse gas emissions was included in the evaluation of conservation targets and why the methodology used is appropriate.
- 4 On April 15, 2020, PSE filed a Petition to Modify the Commission Approved Biennial EIA Target, Penalty Threshold, Decoupling Commitment, and Ten Year Potential (Petition).
- 5 In its Petition, PSE explains that it based the Savings Targets and Thresholds that it filed in its 2020-2021 Biennial Conservation Plan on the 2020-2021 pro-rata shares of the 2017 IRP 10-year conservation potential. To calculate the new conservation targets in the Petition, PSE began by adopting three scenarios from its conservation potential assessment and 2019 Integrated Resource Plan (IRP) progress report. These scenarios included a baseline scenario that meets the EIA requirements but does not incorporate the social cost of greenhouse gas emissions or CETA; a scenario that incorporates the social cost of greenhouse gas emissions 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 Biennial Conservation Plan to its modified EIA Target. PSE is confident that this additional savings can be achieved. The result is an original EIA Target that was modified from 359,861 MWh to 434,197 MWh. The EIA Penalty Threshold of 336,297 MWh was modified to 410,633 MWh. The Decoupling Penalty Threshold of 17,993 MWh was changed to 21,710 MWh.
- 6 PSE submits that it has examined applicable elements associated with the implementation of CETA to the extent possible. It has calculated for possible fossil fuel plants after economic dispatch, then reflected it as a cost when deciding whether to add the plant. While admitting that these proposed targets are based on preliminary analysis and made

under a compressed timeframe, PSE petitions to modify the conservation targets accepted in Order 01.

7 PSE notes that it has suspended in-person consultations, exchanges, and installations due to the COVID-19 pandemic. PSE explains that it is working to conduct program tasks remotely, and that once the Company can resume its energy efficiency operations it will seek a smooth transition to normalcy.

8 On May 11, 2020, Utility Conservation Services, LLC (UCONS) submitted comments on PSE's Petition. UCONS recommends that the Commission require PSE to make monthly supplemental findings showing a breakout of manufactured homes; undertake a manufactured home ductless heat pump pilot program similar to one recently completed by Tacoma Power; and quantify and obtain an "equitable" level of conservation in the manufactured home market.

9 Commission Staff (Staff) recommends granting the petition to modify EIA target, penalty threshold, decoupling commitment, and ten-year potential. Staff also recommends that the Commission find PSE in compliance with the condition (1)(b) in Attachment A of Order 01 in this Docket.

10 Staff submits that PSE incorporates the social cost of greenhouse gas emissions in a manner consistent with the approaches discussed in a January 16, 2020, workshop held by the Commission and the Department of Commerce. As required by RCW 80.28.405, PSE considers the social cost of greenhouse gas emissions. This cost ranges from \$86 per ton in 2020 to \$184 per ton in 2039. PSE does not apply the social cost of greenhouse gas emissions in economic dispatch decisions. Instead, the social cost of greenhouse gas emissions 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 compliance with condition 1(b) of Order 01, Staff is satisfied with the analysis presented.

11 Regarding the comments filed by UCONS, Staff takes the position 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.

12 Staff notes that the analysis in PSE's Petition was developed prior to the COVID-19 pandemic, and that the pandemic is impacting PSE's conservation programs. Staff expects PSE to focus on adaptive management and to achieve all conservation that is possible under the circumstances.

## DISCUSSION AND DECISION

- 13 As noted in Order 01, the Commission recognized that CETA’s implementation has introduced uncertainties into the biennial conservation process that create exceptional and unique circumstances. This solution addressed the gap between newly implemented legislation and rulemakings that are in progress but not yet complete. Order 01 therefore required PSE to “file a petition to modify or retain the biennial EIA target, penalty threshold, decoupling commitment, and ten-year potential incorporating the effects of the Clean Energy Transformation Act to the degree possible.”<sup>2</sup> Furthermore, Order 01 required, “[t]he petition must detail how the social cost of greenhouse gas emissions has been included in evaluating conservation targets and why the methodology used is appropriate.”<sup>3</sup>
- 14 We agree with Staff’s finding that PSE’s proposed targets sufficiently include the social cost of greenhouse gas emissions in evaluating its conservation targets and that PSE should be allowed to modify the EIA target, penalty threshold, decoupling commitment and ten-year potential approved in Order 01. While the appropriate method for including the social cost of greenhouse gas emissions in the IRP remains under consideration in the IRP rulemaking in Docket UE-190698, in PSE’s Petition the social cost of greenhouse gas emissions is calculated for possible fossil fuel plants after economic dispatch, then reflected as a cost when deciding whether to add the plant. This analysis satisfies condition 1(b) of Order 01. However, PSE should continue to monitor and participate in the IRP rulemaking in Docket UE-190698, for guidance on how to incorporate the social cost of greenhouse gas emissions in future filings.
- 15 In regard to the comments filed by UCON, we agree with Staff that the conditions enumerated in Order 01 are sufficient to address conservation in the manufactured home sector at this time. Among other requirements, Order 01 required PSE to apply an economic screen to quantify the economic conservation potential available in the manufactured homes sector and to track and quantify how many single-family, multi-family, and manufactured homes its conservation program services each year, and report that information as requested by the Conservation Resource Advisory Group. We find that these conditions are sufficient.

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<sup>2</sup> Order 01, Exhibit A(1)(b).

<sup>3</sup> *Id.*

16 Finally, we note that the analysis in PSE's Petition was prepared prior to the COVID-19  
pandemic. We appreciate PSE's commitment to conducting conservation program tasks  
remotely for the present time. We expect PSE to practice adaptive management to sustain  
its conservation program going forward.

### FINDINGS AND CONCLUSIONS

- 17 (1) The Commission is an agency of the State of Washington vested by statute with  
the authority to regulate the rates, rules, regulations, practices, accounts,  
securities, transfers of property and affiliated interests of public service  
companies, including electric companies.
- 18 (2) PSE is an electric company, a public service company subject to Commission  
jurisdiction, and a qualifying electric company under RCW 80.04.010.
- 19 (3) This matter came before the Commission at a regularly scheduled open meeting  
on May 21, 2020.
- 20 (4) On April 15, 2020, PSE filed a Petition to modify the Commission-approved  
biennial EIA target, penalty threshold, decoupling commitment, and ten year  
potential. PSE modifies an original EIA target from 359,861 MWh to 434,197  
MWh. The EIA penalty threshold of 336,297 MWh was modified to 410,633  
MWh. The decoupling penalty threshold of 17,993 MWh was modified to 21,710  
MWh.
- 21 (5) The Company sufficiently considers the social cost of greenhouse gas emissions  
in evaluating conservation targets as required by Order 01 in Docket UE-190905.
- 22 (6) Allowing PSE to modify the biennial EIA target, penalty threshold, decoupling  
commitment and ten-year potential approved in Order 01 is consistent with the  
purpose of that order and the public interest.

**ORDER**

**THE COMMISSION ORDERS:**

- 23 (1) Puget Sound Energy may modify the Biennial EIA Target, Penalty Threshold,  
Decoupling Commitment, and Ten Year Potential approved in Order 01 in Docket  
UE-190905.
- 24 (2) The Commission accepts Puget Sound Energy's Revised 2020-2021 conservation  
targets, including an EIA target 434,197 MWh, an EIA penalty threshold of  
410,633 MWh, and a decoupling penalty threshold of 21,710 MWh.
- 25 (3) The Commission retains jurisdiction over this matter for purposes of effectuating  
this Order.

DATED at Lacey, Washington, and effective May 21, 2020.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chair

ANN E. RENDAHL, Commissioner

JAY M. BALASBAS, Commissioner