

Agenda Date: August 22, 2024
Item Number: D2

Docket: UG-210823
Company: Puget Sound Energy

Staff: Wesley Franks, Regulatory Analyst
Emily Gilroy, Regulatory Analyst
Paul Koenig, Regulatory Analyst

Recommendation

Issue an order in Docket UG-210823, finding that Puget Sound Energy:

- (1) Has complied with the biennial reporting requirements in Order 01,¹ Docket UG-210823;
- (2) Achieved 9,327,416 therms of its 2022-2023 biennial conservation target of 9,262,931 therms, a surplus of 64,485 therms;
- (3) Is in compliance with the biennial conservation targets accepted in Order 01² in Docket UG-210823, in accordance with RCW 80.28.380;
- (4) Applied 64,485 therms to its 2022-2023 decoupling commitment of 463,147 therms, a deficit of 398,662 therms;
- (5) Has not complied with its natural gas conservation decoupling mechanism, pursuant to Order 08 in consolidated Dockets UE-170033 and UG-170034;
- (6) Is subject to a penalty in the amount of \$75,000, pursuant to Order 08 in consolidated Dockets UE-170033 and UG-170034.

Background

RCW 80.28.380 requires Washington’s gas utilities to “acquire all conservation measures that are available and cost-effective.” Natural gas utilities are required to acquire this conservation by setting (and achieving) biennial conservation targets.³ The year 2023 marks the second half of the 2022-2023 biennium, and as such, gas utilities are held accountable for the achievement of their biennial targets at the conclusion of 2023.

The Commission must determine whether a utility has acquired enough conservation resources to comply with the conservation targets established in its 2022-2023 Biennial Conservation Plans. On May 31, 2024, Puget Sound Energy (PSE or Company) filed its 2022-2023 Biennial

¹ *In the Matter of Puget Sound Energy 2022-2023 Biennial Acquisition Target Under RCW 80.28.280*, Docket UG-210823, Order 01 at Page 5 (Jan. 18, 2022).

² *In the Matter of Puget Sound Energy 2022-2023 Biennial Acquisition Target Under RCW 80.28.280*, Docket UG-210823, Order 01 at Page 1 (Jan. 18, 2022).

³ RCW 80.28.380.

Conservation Report (BCR)⁴ with the Washington Utilities and Transportation Commission (Commission) in the same docket as its corresponding BCP. On July 24, 2024, Commission Staff (Staff) filed responsive comments on the Company's BCR.⁵

Targets

As stated in Commission Staff comments on PSE's 2022-2023 BCR, it was a difficult biennium for conservation achievement.⁶ As shown in Table 1 below, the Company achieved 9,327,416 therms of its 2022-2023 biennial conservation target of 9,262,931 therms, achieving a surplus of 64,485 therms. The 64,485 therms of surplus that PSE achieved over its Two-Year Conservation Goal of 9,262,931 therms falls short of the Company's decoupling penalty threshold of 463,147 therms.

Table 1: PSE's Natural Gas Targets and Savings (Therms)

A	Total Conservation Goal ⁷	9,791,327
B	Decoupling Penalty Threshold	463,147
C	Two-Year Conservation Target	9,262,931
D	Total Reported Savings	9,225,209
E	Home Energy Report Evaluation Adjustment	102,207
F	Total Conservation Achievement	9,327,416
G	% of Total Conservation Goal Achieved (F/A X 100%)	95%

⁴ PSE filed updated BCRs on July 18, 2024, and on August 9, 2024. Both updates corrected errors in which the BCR did not reflect adjustments from final Home Energy Reports evaluation savings.

⁵ *In the Matter of Puget Sound Energy 2022-2023 Biennial Acquisition Target Under RCW 80.28.280*, Docket UG-210823, Commission Staff Comments Regarding Electric and Natural Gas Utility Conservation Achievements at 1 (July 24, 2024).

⁶ *In the Matter of Puget Sound Energy 2022-2023 Biennial Acquisition Target Under RCW 80.28.280*, Docket UG-210823, Commission Staff Comments Regarding Electric and Natural Gas Utility Conservation Achievements at 9 (July 24, 2024).

⁷ The Total Conservation Goal includes the Two-Year Conservation Target (C), the Decoupling Commitment, projected savings from the Northwest Energy Efficiency Alliance (NEEA) savings, and any additional conservation savings that PSE expects to achieve from pilots or other programs. In the biennium, there were no reported savings from NEEA or other programs.

Basis for Fines for Failure to Meet Natural Gas Conservation Goals

The Company's 2002 General Rate Case Settlement outlines the enforcement provisions for PSE's natural gas conservation.⁸ Specifically, the Commission can assess penalty if the Company's average annual savings targets are not achieved during a two-year period, as follows:

- Achieve savings that are 90 percent to 99 percent of the goal: \$200,000 penalty applies.
- Achieve savings that are 75 percent to 89 percent of the goal: \$500,000 penalty applies.
- Achieve savings that are less than 75 percent of the goal: \$750,000 penalty applies.

Basis for Penalty Under Decoupling Mechanism

The Company's enforcement provisions for natural gas are provided for in Order 08 in Docket UG-170034.⁹ Specifically, the natural gas utility is liable to penalties outlined below:¹⁰

- \$20,000 for meeting between 4.5 percent and 5.0 percent of its incremental gas conservation commitment,
- \$50,000 for meeting between 3.75 percent and 4.5 percent of its incremental commitment, and
- \$75,000 for less than 3.75 percent of its incremental commitment.

The corresponding therm thresholds for each penalty are as follows:

- \$20,000 penalty for achievement between 416,832 therms and 463,147 therms,
- \$50,000 penalty for achievement between 347,360 therms and 416,832 therms,
- \$75,000 penalty for achieving anything less than 347,360 therms.

Discussion

Natural Gas Targets in Statute

As noted above, the Company achieved 9,327,416 therms during the 2022-2023 biennium, overachieving its conservation target of 9,262,931 therms by 64,485 therms, and is therefore not liable for a penalty. Staff briefly discuss below the Company's efforts towards conservation achievement during the biennium.

⁸ *Wash. Utils. & Transp. Comm'n v. Puget Sound Energy*, Dockets UE-011570, UG-011571, and UE-100177, Order 05, at 5-6, ¶13, (Sept. 28, 2010).

⁹ *Wash. Utils. & Transp. Comm'n v. Puget Sound Energy*, Dockets UE-170033 and UG-170034, Order 08 at 85, ¶250, at 91, ¶261 (Dec. 5, 2017).

¹⁰ *Wash. Utils. & Transp. Comm'n v. Puget Sound Energy*, Dockets UE-170033 and UG-170034, Exh. JAP-1T (Testimony of Jon A. Piliaris), at 145, ¶11-20 (Jan. 13, 2017).

Staff agrees with the Company's assessment that the 2022-2023 biennium was a difficult period for conservation achievement. As discussed in Staff comments, the Company cited lingering effects of the COVID-19 pandemic, which include customer financial challenges, drop in customer demand, and labor and supply chain shortages, as impacts to its conservation achievement.¹¹ The Company indicated that these pressures prevented it from achieving its forecasted savings target in its Annual Conservation Plan filed in November of 2022.¹²

In response to these challenges, the Company implemented several adaptive management efforts, which included increased measure incentives, extended limited time offers, virtual outreach events, and increased email and social media marketing to adapt to changing circumstances this biennium.¹³ Table 2 shows that the Company's conservation achievement trended upward over the course of the biennium reflecting that its adaptive management likely helped ameliorate some of the challenges associated with COVID-19 pandemic.

Table 2: Percent of PSE's Annual Penalty-liable Savings (Therms) Achieved

Program	2018	2019	2020	2021	2022	2023
Residential	147%	92%	92%	65%	65%	82%
<i>Low-Income Weatherization</i>	220%	117%	88%	49%	133%	157%
Business (Commercial and Industrial)	77%	114%	91%	77%	93%	143%
Total ¹⁴	115%	103%	89%	70%	74%	104%

Decoupling Compliance

As noted above, the Company overachieved its conservation target of 9,262,931 therms by 64,485 therms. This surplus of natural gas savings equals 0.7 percent of its incremental decoupling commitment. As this is less than 3.75 percent of the Company's incremental decoupling commitment the Company is liable for \$75,000 in penalties. Staff did not find any penalty exemption provisions contained within Order 08, and the Company is therefore liable for not meeting its decoupling commitment.

Comments from Interested Parties

As of August 13, no interested party filed comments in this docket.

¹¹ Staff's BCR Comments at 14.

¹² PSE's 2023 Annual Conservation Plan, Dockets UE-210822 and UG-210823, at 2 (Nov. 15, 2022).

¹³ PSE's 2023 Annual Report of Energy Conservation Achievement, Dockets UE-210822 and UG-210823 (May 9, 2024).

¹⁴ Includes savings from low-income weatherization and excludes savings from pilots and NEEA.

Conclusion

Staff find that while the Company met its natural gas conservation target, the Company did not meet its natural gas decoupling commitment. Staff finds that there are no exemption provisions under Order 08 in Docket UG-170034 for failure to meet decoupling commitment. Staff therefore recommends that the Commission issue an order requiring the Company to pay penalties in the amount of \$75,000 for failure to meet its natural gas decoupling commitment.