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**ATTORNEY GENERAL OF WASHINGTON**

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December 23, 2010

**SENT VIA E-MAIL & ABC LMI**

David Danner  
Executive Director and Secretary  
Washington Utilities and Transportation Commission  
1300 S. Evergreen Pk. Dr. S.W.  
PO Box 47250  
Olympia, WA 98504-7250

**Re: Puget Sound Energy's Annual Conservation Plan, Docket No. UE-100177, and Energy Efficiency Services (EES) Program Tariff filing, Docket Nos. UE-101942 & UG-101943**

Dear Mr. Danner:

Public Counsel submits this letter in advance of the Commission's December 30, 2010, Open Meeting. These comments address Puget Sound Energy's (PSE) Annual Conservation Plan (ACP) filed December 1, 2010, as a compliance filing pursuant to Order 05 in Docket UE-100177, as well as PSE's EES program tariff filings. Public Counsel understands the Staff recommendation is to allow PSE's EES program tariff filings to take effect, and we support that recommendation.

**Annual Conservation Plan.**

PSE's Annual Conservation Plan includes substantial detail, including program level budget detail for each major program component in PSE's energy efficiency portfolio.<sup>1</sup> PSE presented the CRAG with a draft version of the ACP on November 1, 2010, and provided a valuable presentation of the ACP at the November 4, 2010, CRAG meeting. Subsequent to that presentation Public Counsel sent several inquiries to PSE on a range of topics, and the Company provided timely responses to our queries to all CRAG members. The ACP is well-organized and represents a substantially enhanced level of detail, particularly budget detail, compared to prior biennial EES filings. We commend PSE on their efforts in this regard.

**Program Changes.**

PSE has made some recent changes to their energy efficiency portfolios. Among those changes, PSE has suspended the electric and gas residential windows program, due in large part to cost-effectiveness concerns. The Company has also substantially scaled back its energy education program (Powerful Choices), to eliminate the direct education component and instead offer

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<sup>1</sup> Docket No. UE-100177, December 1, 2010 Annual Conservation Plan, compliance filing (hereafter, "December 1, 2010 ACP").



## ATTORNEY GENERAL OF WASHINGTON

To: David Danner  
Re: Docket Nos. UE-100177, UE-101942 & UG-101943  
December 23, 2010  
Page 2

teacher training. This change was made as a result of evaluation challenges posed by the program and difficulty verifying any savings. PSE has also adjusted certain incentive levels based upon evaluation and market information. In addition, PSE has discussed with the CRAG the Company's plans to streamline and refine their marketing and communication efforts. PSE informed and consulted with the CRAG regarding these changes, and others. Public Counsel supports program modifications such as these, which help ensure that ratepayer funds are allocated in the most effective and efficient manner to support cost-effective energy efficiency programs.

### **Evaluation, Measurement & Verification (EM&V).**

As described in the Evaluation Plan Summary in the ACP outline, PSE has indicated they will be working with the CRAG in 2011 on the development of an EM&V framework and protocols, in accordance with conditions in Order 05 of Docket No. UE-100177.<sup>2</sup> In addition, PSE has retained the firm Research Into Action to conduct an assessment of PSE's overall evaluation process. According to PSE, that assessment is nearly complete, and PSE will be sharing the results and findings with the CRAG.<sup>3</sup> As we have noted in prior comments, we commend PSE for the evaluation work they have conducted the past few years. We believe that experience will serve the Company well as it works with the CRAG to develop a more comprehensive EM&V framework. Public Counsel looks forward to working with PSE and the CRAG on these EM&V issues in 2011.

### **Home Energy Report (HER) Program (OPower).**

#### *20-Month Evaluation Draft of the Original Pilot.*

PSE's Home Energy Report (HER) pilot program is a behavior-change program that is based upon social psychology research regarding persuasion and social messaging. The program is administered by OPOWER. The original pilot selected about 40,000 single-family households in PSE's combined gas and electric service territory for the treatment group, and approximately 40,000 for the control group. Beginning in November 2008, customers selected for the treatment group received a report either monthly or quarterly indicating how their energy consumption compares to similar homes in their area. The reports provide bar graphs and indicate that household usage is either above average or below average. Beginning in October, 2010, approximately 35% of households in the treatment group no longer receive reports, in order to measure savings persistence.

PSE recently provided the CRAG with a 20-month evaluation draft of the HER pilot, conducted by KEMA.<sup>4</sup> The evaluation did find a statistically significant difference in usage between the treatment and control groups, although the reduced usage by the treatment group was quite small

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<sup>2</sup> Conditions K(3)(a)(i)(1), K(6)(e) and K(6)(f) of Order 05, UE-100177.

<sup>3</sup> December 1, 2010 ACP, Evaluation Plan Summary, p. 19.

<sup>4</sup> *Puget Sound Energy's Home Energy Reports Program, 20 Month Impact Evaluation – DRAFT*, KEMA, Madison, Wisconsin, October 26, 2010.

## ATTORNEY GENERAL OF WASHINGTON

To: David Danner  
Re: Docket Nos. UE-100177, UE-101942 & UG-101943  
December 23, 2010  
Page 3

in terms of overall annual consumption (less than 2% electric and less than 1.5% natural gas).<sup>5</sup> One major area not yet explored by this evaluation is the persistence of these savings, due to the timeline of the initial pilot program, as described above. In addition, while KEMA did compare the treatment and control groups to participants in PSE's residential rebate programs, in order to examine possible double-counting of savings, the analysis conducted to-date does not appear to be sufficient, as it does not thoroughly examine installation of CFLs. Because CFL sales are not tracked at the customer-level, PSE's programs database does not reflect customer participation in CFL programs. The majority of PSE's residential electric savings are attributed to various CFL programs, however<sup>6</sup>, and the HER reports specifically include recommendations that customers install CFLs as a means of achieving energy savings.<sup>7</sup> In this regard, we do not yet have conclusive findings regarding possible double-counting of savings.

Public Counsel is continuing to review the KEMA report, and as necessary, we will continue to seek clarification or additional information from PSE regarding this evaluation draft and issues relating to the original pilot.

### *Expansion of the HER Pilot.*

In prior comments Public Counsel has raised concerns with what we viewed as a premature, substantial expansion of this pilot program.<sup>8</sup> PSE's current budget plans include \$1,123,766 for this pilot program in 2011, with the bulk of these expenditures devoted to expansion in nine different communities (\$811,504 is budgeted for expansion and \$247,660 is budgeted for the existing pilot).<sup>9</sup> We continue to have some reservations about expansion of this pilot. One area of significant concern is the substantial expansion of the pilot, reaching over 90,000 additional households (more than double in the original pilot treatment group), prior to a complete and full evaluation of the original pilot.

Another area of concern is whether PSE's intent to compare the seven electric and gas expansion communities (C-7) to the original pilot control group is reasonable and effective, since the original control group included customers in a much broader geographic area of over thirty communities.<sup>10</sup> While the original pilot employed an experimental research design whereby treatment and control groups were randomly selected at the outset of the program, the expansion effort is now identifying additional treatment households at a later date, using slightly different eligibility criteria, with the intent of comparing the C-7 expansion households to the original

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<sup>5</sup> *Puget Sound Energy's Home Energy Reports Program, 20 Month Impact Evaluation – DRAFT*, KEMA, Madison, Wisconsin, October 26, 2010, Table 1-2 (All Month Average Annual Savings, November, 2008 – June, 2010), p. 1-3. (hereafter, "KEMA Draft Evaluation").

<sup>6</sup> For example, approximately 75% of PSE's single-family existing residential electric savings are attributed to various CFL programs. See December 1, 2010 ACP, Exhibit 1-3 RE EES program details REM Electric, pp. 6-7.

<sup>7</sup> KEMA Draft Evaluation, Appendix D, pp. D-1-D2.

<sup>8</sup> Docket Nos. UE-100382, UG-100383, & U-091954, Comments of Public Counsel, March 19, 2010, pp 5-6.

<sup>9</sup> PSE responses to Public Counsel's November 24, 2010 Questions. In addition to the amounts shown above, PSE internal costs represent \$64,602 of the \$1.12M budget.

<sup>10</sup> The seven expansion communities are primarily located in the Eastside; the original pilot treatment and control groups were drawn from over thirty areas in PSE's combined electric and gas service territory. PSE's Responses to Public Counsel's February 12, 2010 Questions to PSE, Docket No. U-091954.

ATTORNEY GENERAL OF WASHINGTON

To: David Danner  
Re: Docket Nos. UE-100177, UE-101942 & UG-101943  
December 23, 2010  
Page 4

pilot control group.<sup>11</sup> The KEMA draft evaluation emphasized that successful evaluation of such a program, in light of the small savings relative to total consumption, hinges on “the experimental design that was put in place at the outset of the program. Without a similar experimental design, the likelihood of incorrect, biased results increases dramatically.”<sup>12</sup> KEMA’s report continued by highlighting the importance of a control group if the program expands.<sup>13</sup>

Because of our concerns, we have continued to communicate to PSE that Public Counsel’s preference is that the Company finance the expansion with shareholder funds instead of ratepayer funds. PSE has acknowledged our concern, and has committed to continuing to examine the program with the CRAG in an open and transparent manner.<sup>14</sup> The prudence and cost-effectiveness of PSE’s energy efficiency program expenditures is not before the Commission as part of these filings. For PSE, those issues have generally been reviewed in the context of PSE’s electric and natural gas tariff rider filings, with the next filings expected by March 1, 2011.<sup>15</sup>

*Ongoing CRAG Review of the HER Pilot.*

Public Counsel appreciates the Company’s responsiveness in providing timely responses to our inquiries on this program, as well as other programs. We will continue to analyze evaluation and other program findings, along with the CRAG. Lastly, while PSE has expressed an interest in possibly claiming savings associated with this pilot in 2011, based upon further evaluation findings, that would only occur subsequent to consultation and approval by the CRAG, as well as Commission review.<sup>16</sup>

**Conclusion.**

In closing, Public Counsel supports the Staff recommendation to allow PSE’s proposed program tariffs to take effect. We applaud the Company for their efforts in developing the 2011 Annual Conservation Plan, which is well-organized and includes substantial program detail. Public Counsel is also appreciative of PSE’s efforts to modify their programs as necessary, in response to evaluation and market research, to help ensure that ratepayer funds are directed in the most efficient and cost-effective manner. Public Counsel remains concerned with expansion of the HER pilot, as discussed above. We look forward to continuing to work with PSE and the CRAG in the review of this pilot program and its expansion.

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<sup>11</sup> PSE responses to Public Counsel’s November 24, 2010 Questions, pp. 5-7.

<sup>12</sup> KEMA Draft Evaluation, p. 5-2.

<sup>13</sup> *Id.*

<sup>14</sup> PSE Responses to Public Counsel’s November 24, 2010 Questions, p. 4.

<sup>15</sup> The prudence of 2011 program expenditures would likely be reviewed in the context of the March, 2012 electric and natural gas tariff rider filings.

<sup>16</sup> Docket No. UE-100177, Order 05, Settlement Agreement Condition K(7)(d)(i).

ATTORNEY GENERAL OF WASHINGTON

To: David Danner  
Re: Docket Nos.UE-100177, UE-101942 & UG-101943  
December 23, 2010  
Page 5

I will attend the December 30, 2010, Open Meeting and will be available for any questions regarding these comments.

Sincerely,



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