

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of

PUGET SOUND ENERGY

Report Identifying Its 2016-2025 Ten-Year Achievable Electric Conservation Potential and Its 2016-2017 Electric Biennial Conservation Target Under RCW 19.285.040 and WAC 480-109-010

DOCKET UE-152058
DOCKET UE-152042

COMMISSION STAFF'S ANSWER TO THE PETITION OF PUGET SOUND ENERGY SEEKING AUTHORIZATION TO APPLY EXCESS CONSERVATION SAVINGS TO FUTURE DECOUPLING CONSERVATION TARGET SHORTFALL

I. INTRODUCTION

I In Docket UE-132043, Commission Staff (Staff) recommended that Puget Sound Energy (PSE or the Company) file a petition with the Commission to address the question of “whether excess savings should be allowed to make up for a future shortfall in PSE’s decoupling commitment.”¹ There was some confusion, however, amongst the parties as to where (that is, in which docket or case) this question should be addressed. To resolve this confusion, parties filed a joint motion for ministerial amendment in Dockets UE-121697 and UG-121705 and the Commission granted that motion, amending Order 07 to include:

Prospectively from the date the Commission enters Order 16 in these dockets (i.e., October 14, 2016), issues related to the Company’s decoupling conservation commitments, including compliance with the decoupling conservation commitments approved in this Order 07, will be considered in the same dockets as the Company’s biennial conservation plan and report.²

¹ *In the Matter of Puget Sound Energy’s 2014-2015 Biennial Conservation Target Under RCW 19.285.040*, Docket UE-132043, Order 05, Order Regarding Conservation Achievement for the 2014-2015 Biennium, ¶ 4 (Aug. 15, 2016).

² *In the Matter of the Petition of Puget Sound Energy and NW Energy Coalition For an Order Authorizing PSE to Implement Electric and Natural Gas Decoupling Mechanisms and to Record Accounting Entries Associated with the Mechanisms*, Dockets UE-121697 and UG-121705 (consolidated), Order 16, Granting Joint Motion for Ministerial Amendment, ¶ 5 (Oct. 14, 2016).

This ministerial amendment directed the Company and parties to address issues regarding compliance with the Company’s decoupling conservation commitments, including any filings about the use of excess conservation towards compliance with a decoupling conservation commitment, in the same dockets going forward as the Company’s biennial conservation plan and report.³

2 Accordingly, on October 24, 2016, in the same docket as its biennial conservation plan and report, PSE filed its Petition seeking an order from the Commission to authorize the Company to apply excess conservation savings earned in a qualifying biennium to be applied towards a potential shortfall in achieving its future decoupling conservation target.⁴

3 WAC 480-07-370(1) allows a party to file an answer to petition with the Commission within twenty days after the petition is filed. Staff files this answer pursuant to that rule. The Company filed its petition on October 24, 2016, therefore the deadline for any answer is November 14, 2016.⁵

II. APPLICABLE RULES

4 This question of excess conservation for the Company’s decoupling conservation commitment is related to the Company’s obligations to comply with conservation requirements in Washington’s Energy Independence Act (EIA) found at RCW 19.285. The Company correctly cites the applicable statutes and rules, relevant to its petition: RCW 80.01.040, RCW 19.285, WAC 480-109-100, and WAC 480-07-370.⁶

³ *Id.* at ¶ 3.

⁴ *See In the Matter of Puget Sound Energy Report Identifying Its 2016-2025 Ten-Year Achievable Electric Conservation Potential and Its 2016-2017 Electric Biennial Conservation Target Under RCW 19.285.040 and WAC 480-109-010*, Dockets UE-152058 and UE-152042, Petition of Puget Sound Energy Seeking Authorization to Apply Excess Conservation Savings to Future Decoupling Conservation Target Shortfall, ¶ 1 (Oct. 24, 2016) [hereinafter “PSE Petition”].

⁵ *See* WAC 480-07-370(1)(c)(iv).

⁶ *See* PSE Petition, ¶ 3.

III. RESPONSE

5 Staff believes that the Company's petition is timely, relevant, and ripe for determination. Recent updates to RCW 19.285 allowed for excess conservation achieved in prior biennia to be used for compliance towards a utility's conservation targets in future biennia, but the Commission has not yet determined whether this should encompass the decoupling conservation commitments of PSE. Staff believes this determination is vital to the conservation planning of the Company and that it would further encourage the Company to continue striving for greater conservation achievements.

6 Staff agrees with the Company that the Commission should authorize the Company to apply excess electric savings earned in a qualifying biennium to a potential shortfall of its Commission-approved Decoupling Conservation Target in a future qualifying biennium pursuant to WAC 480-07-370, WAC 480-109-100 and RCW 19.285. In the 2014-2015 biennium, the Company achieved 38,906 megawatt-hours of excess conservation.⁷ Staff believes that this amount of excess conservation should be available from the 2014-2015 biennium for use towards a shortfall of the Commission-approved EIA biennial conservation target or the Company's decoupling conservation commitment (referred to in the Petition as "Decoupling Conservation Target") in the two immediately subsequent biennia (2016-2017, 2018-2019), consistent with the EIA.

A. METHODOLOGY

7 Staff does not agree, however, with the suggestion that the Commission should set a binding methodology, at this time, for determining the amount of excess electric savings

⁷ *In the Matter of Puget Sound Energy's 2014-2015 Biennial Conservation Target Under RCW 19.285.040*, Docket UE-132043, Order 05, Order Regarding Conservation Achievement for the 2014-2015 Biennium, ¶ 19 (Aug. 15, 2016).

achieved in every biennium going forward. Staff believes that the Commission should retain its authority and discretion to evaluate a utility's biennial conservation plan and report and to determine based upon the circumstances presented the quantity of excess electric savings the utility has achieved.

8 In its petition, the Company explains a methodology for calculating excess conservation.⁸ Staff does not believe the Company's petition asks for, or requires, the Commission to determine any particular calculation methodology at this time.⁹ Staff would encourage the Commission to refrain from making such a determination. If the Commission interprets the Company's petition as a request for approval of any particular methodology for calculating the amount of excess electric conservation savings, for all biennia going forward, Staff would oppose that element of the Company's petition. Refraining from a decision at this time would preserve the Commission's ability to consider circumstances in future biennia that may influence the Commission's determination for quantifying excess electric conservation savings.

B. EIA TARGET AND DECOUPLING COMMITMENT

9 Staff notes that the Company's decoupling conservation commitment is inextricably intertwined with its Commission-approved EIA target. The decoupling conservation commitment requires that the Company achieve an additional five percent of conservation

⁸ PSE Petition, ¶ 11. The methodology presented follows the one presented in PSE's current biennial conservation plan, and Staff acknowledges that symmetry.

⁹ See PSE Petition, ¶¶ 1, 11, 32. In fact, it makes sense to address the expected calculation methodology in a utility's biennial conservation plan. A guiding principle has been to make sure the inclusion or exclusion of a particular type of conservation is treated the same in setting the target and in establishing the conservation achievement for a particular biennium.

beyond its EIA biennial target.¹⁰ The Company's decoupling conservation commitment is set, therefore, based upon its approved EIA biennial target.

10 The Company correctly explains in its petition that the EIA was recently updated to allow a utility to use conservation achieved in excess of its biennial target in either of the prior two biennia (beginning January 1, 2014) towards a shortfall with the utility's EIA biennial target, with certain limitations.¹¹ Staff agrees that the update to the EIA does not expressly address whether excess conservation should also be allowed to comply with a utility's decoupling conservation commitments.¹² Guidance from the Commission is appropriate. Staff believes that allowing the Company to use excess electric conservation from a qualifying biennium towards a future shortfall of its decoupling conservation commitment is consistent with the update to the EIA.

11 Staff disagrees with NWECC and the concerns it raises in regard to the Company's petition. Staff encourages the Commission to foresee the implications and impact of a decision to disallow the use of excess conservation for the Company's decoupling conservation commitment. NWECC's comments imply that granting the Company's petition will disincentivize "pursuing robust conservation targets."¹³ The opposite is true. Granting the Company's petition should encourage greater, and immediate, conservation efforts. The update encourages immediate conservation efforts beyond the Company's current obligations by allowing the benefit from these conservation efforts to be retained for use

¹⁰ PSE Petition ¶ 19; *In the Matter of the Petition of Puget Sound Energy and NW Energy Coalition For an Order Authorizing PSE to Implement Electric and Natural Gas Decoupling Mechanisms and to Record Accounting Entries Associated with the Mechanisms*, Dockets UE-121697 and UG-121705 (consolidated), Order 07, Final Order, ¶¶ 108-112.

¹¹ PSE Petition, ¶ 18; RCW 19.284.040(c).

¹² PSE Petition ¶ 19.

¹³ NWECC Response to PSE's Petition, p. 2 (filed Nov. 10, 2016).

towards compliance in a later biennium.¹⁴ Staff believes it is consistent for the Commission to preserve this incentive by allowing the update to RCW 19.285 to encompass the Company's decoupling conservation commitments.¹⁵

12 Staff believes the hypothetical situation described in the Company's petition presents a fair and reasonable depiction of how excess electric conservation could be accounted for and applied in the event of a shortfall towards its decoupling conservation commitment.¹⁶ In the event of a shortfall, Staff would review the calculations of the Company as part of its evaluation of the Company's biennial conservation report, ensuring the calculation's accuracy and the absence of any double-counting. If any flaws in the methodology used by the Company were found, the Commission could address them and make a determination about the amount of excess electric conservation achieved by the Company.

IV. CONCLUSION

13 Staff opposes any implication that the Commission should predetermine the calculation methodology used to establish the quantity of excess conservation that the Company will achieve at the conclusion of any future biennium.

14 Staff agrees that the Commission has the discretion and authority to apply the update of RCW 19.285 to decoupling conservation commitments in order to consistently incentivize utilities, like PSE, to undertake as much immediate conservation efforts as possible by allowing utilities to apply excess conservation achieved in prior biennia towards a shortfall of compliance in either of the two immediately subsequent future biennia.

¹⁴ Excess conservation can only be used in either of the two immediately subsequent biennia: the excess conservation is not retained as a "safety net" in perpetuity. RCW 19.285.040.

¹⁵ The application of excess conservation is still limited to use during either of the two immediately subsequent biennia after the excess conservation is achieved. RCW 19.285.040. Excess conservation is not "banked" for use in perpetuity during any future biennia. RCW 19.285.040.

¹⁶ PSE Petition ¶¶ 24-30.

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Staff supports the Company's petition for a Commission order that permits PSE to apply excess electric conservation savings earned in a qualifying biennium, including the excess of 38,906 MWh for the 2014-2015 biennium, to a potential shortfall of its Commission-approved EIA biennial target and its decoupling conservation commitment in a future qualifying biennium, in a manner consistent with RCW 19.285.¹⁷

DATED this 14th day of November 2016.

Respectfully submitted,

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¹⁷ The application of excess conservation is still limited to use during either of the two immediately subsequent biennia after the excess conservation is achieved. RCW 19.285.040. Excess conservation is not "banked" for use in perpetuity during any future biennia. *See* RCW 19.285.040.