

November 5, 2019

To: Irena Netik – Puget Sound Energy (PSE) Director of Energy Supply Planning and Analytics

Cc: Jay Balasbas – UTC Commissioner
Rachel Brombaugh – King County Executive Energy Policy & Partnerships Specialist
Brad Cebulko – UTC Staff
Carla Colamonici – Regulatory Analyst, Public Counsel Division
David Danner – Utilities and Transportation (UTC) Commission Chair
Lisa Gafken – Assistant Attorney General, Public Counsel Unit Chief
Steve Johnson – UTC Staff
Ann Rendahl – UTC Commissioner
Deborah Reynolds – UTC Staff
Kathi Scanlan - UTC Staff

Subject: 2019 IRP Technical Input – **Requesting that Puget Sound Energy treat energy efficiency spending as capital spending. This letter is in reference to** UTC Docket No [U-180907](#)

Note: The TAG acknowledges the WUTC Staff petition for an IRP schedule exemption. This technical input is submitted in response to PSE’s commitment to “continue to ... maintain and respond to public input”. This technical input should be considered an integral part of the collection of 2019 PSE IRP documents. We appreciate PSE’s commitment to also include these technical inputs in the 2021 PSE IRP.

Many people have recognized for years that funding and support for energy efficiency is at a competitive disadvantage in trying to be treated equally as a supply resource to meet Puget Sound Energy’s future resource needs.

One of the big disadvantages making it hard for energy efficiency to compete is that the WUTC sets PSE’s allowed rates based on their spending on capital resources. Traditionally capital resources are things like coal plants, natural gas plants, wind projects, solar, and other projects that PSE either owns or purchases power from. Energy efficiency is different in that once the energy efficiency equipment is installed in a home or business, even if PSE paid a rebate for it, the business or homeowner is the owner of that resource.

But each of those energy efficiency items is acting like a mini-power plant in that it reduces the need for other energy sources. And even though it has not traditionally been thought of as capital equipment of PSE’s, it certainly is in most cases thought of as capital equipment by the business or homeowner who had it installed, owns, and operates it.

This equipment is thought of as capital equipment by the businesses and homeowners and it acts like capital equipment in that it helps PSE address its resource needs. So, why not try out the idea of more fully treating it as capital equipment and ask that the WUTC treat it as such in terms of allowing PSE a rate of return on it just like is allowed for power plants.

Shifting to treating energy efficiency as capital equipment would remove one of the main disadvantages of investing in it, and this would allow PSE to invest more fully in this still very large energy efficiency resource that is one of the lowest cost resources, well proven, climate friendly, and reliable. Continuing to stick with not counting energy efficiency as a capital resource, will continue to lead to PSE buying resources that are often more costly than energy efficiency.

I request that PSE post this letter on your 2019 IRP website and provide a written response to these questions:

- **Will PSE develop an alternate ratemaking proposal to the UTC, including treatment of efficiency investments as a capital resource suitable for return on investment?**

Respectfully submitted:

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