

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Washington Utilities and Transportation Commission
v.
Puget Sound Energy, Inc.

Dockets UE-111048 and UG-111049 (consolidated)

NWIGU'S RESPONSE TO BENCH REQUEST

BENCH REQUEST:

TO ALL PARTIES:

On November 4, 2010, the Washington Utilities and Transportation Commission (Commission) issued the Report and Policy Statement on Regulatory Mechanisms, Including Decoupling, to Encourage Utilities to Meet or Exceed Their Conservation Targets (Decoupling Policy Statement). In the Decoupling Policy Statement, the Commission examined several lost margin recovery mechanisms and stated its policy preference for full decoupling.¹ The Commission expressed interest in considering a full decoupling² mechanism for electric and natural gas utilities in the context of a general rate case, so as to “allow a utility to either recover revenue declines related to reduced sales volumes or, in the case of sales volume increases, refund such revenues to its customers.”³

On June 13, 2011, Puget Sound Energy, Inc. (PSE) filed for general rate increases for electric and gas service, in Dockets UE-111048 and UG-111049, respectively. PSE’s filing includes a proposal for a Conservation Savings Adjustment (“CSA”) Rate “to mitigate the negative financial effects that conservation has on its ability to recover certain of its fixed costs.” Exhibit TAD-1T at 10:8-10. In the interest of having a more complete record concerning the issues raised by PSE’s proposal, the Commission requests that Staff examine full decoupling, as

¹ Wash. Util. & Trans. Comm., Docket U-100522, Report and Policy Statement on Regulatory Mechanisms, Including Decoupling, to Encourage Utilities to Meet or Exceed Their Conservation Targets (Decoupling Policy Statement), ¶¶ 27 - 37 (2010).

² Full decoupling recognizes not only lost margin, i.e., diminishing customer usage resulting in a utility under-recovering its fixed expenses in its volumetric charges, but also found margin, i.e., increasing customer usage whereby the utility over-recovers fixed expenses contained within its volumetric charges. Decoupling Policy Statement, ¶ 11.

³ Decoupling Policy Statement, ¶ 28.

discussed in the Decoupling Policy Statement, as an option for PSE. In response to this Bench Request, Staff should provide the Commission with a discussion of the critical elements that a full decoupling proposal should contain, consistent with the Decoupling Policy Statement, including consideration of lost sales revenues that are potentially offset by avoided costs and other benefits. It should also indicate whether, based on the information it supplies the Commission, it believes that the Commission could make a final decision on a decoupling proposal by the end of this rate proceeding or whether more process may be necessary or desirable.⁴

Staff's filing should be made concurrently with its responsive case on December 7, 2011. Public Counsel and the Intervenor are also invited to present the Commission with full decoupling proposals, or other alternatives, by December 7, 2011. If it did not do so in preparation of its direct case, PSE may analyze alternative recovery mechanisms, including full decoupling, taking into account the Decoupling Policy Statement. If PSE wishes to provide such analysis, it must do so by December 7, 2011. Parties may address Staff's or each other's initial responses to this Bench Request in their January 17, 2012, rebuttal or cross-answering testimony.

Response:

As explained more fully in the Northwest Industrial Gas Users' ("NWIGU") comments filed in *Conservation Incentive Inquiry*, Docket No. U-100522 (2010), NWIGU does not believe that full decoupling is appropriate in this matter with respect to Puget Sound Energy's gas operations. NWIGU, therefore, is not providing the Commission with a full decoupling proposal or any alternatives to full decoupling in response to this Bench Request. NWIGU reserves its right to respond to any decoupling mechanism proposed in this proceeding as a response to this Bench Request through the further development of testimony, through cross examination, and in any briefs submitted in this matter.

⁴ While the Commission expects Staff to provide an analysis of PSE's proposal in light of the our Decoupling Policy Statement, we are neither directing Staff to, nor preventing it from, advocating full decoupling or another alternative. Staff's response may be in the form of testimony, or may be presented in another form (*e.g.*, a narrative discussion), as Staff deems appropriate.