

Agenda Date: April 30, 2015
Item Number: F12

Docket: UE-150341
Company: Puget Sound Energy

Staff: Juliana Williams, Regulatory Analyst
Jeremy Twitchell, Regulatory Analyst

Recommendation

Take no action, allowing the tariff to go into effect by operation of law.

Background

On February 27, 2015, Puget Sound Energy (PSE or company) filed revisions to its Electricity Conservation Service Rider, Schedule 120, with an effective date of May 1, 2015. This mechanism was established as part of a settlement agreement previously approved by the Washington Utilities and Transportation Commission (commission),¹ and must comply with conditions related to the requirements of Washington's Energy Independence Act (EIA).²

The purpose of this tariff filing is to establish rates for conservation programs, reflecting changes documented in PSE's 2014 Annual Report of Energy Conservation Accomplishments³ (2014 Annual Report) and expected 2014 expenditures. The 2015 conservation budget and target were reviewed by the Conservation Resources Advisory Group (CRAG) and acknowledged by the commission on the No Action Agenda of the December 30, 2014, open meeting.

Discussion

During 2014, PSE spent a total of \$99,335,153 on electric energy efficiency programs,⁴ which was an increase of approximately 4 percent from originally projected 2014 expenditures.

The total revenue requirement in this filing is \$108,574,995, composed of:

- \$98,406,891 for projected 2015 program expenditures;⁵
- a \$5,214,804 true-up of 2014 revenues and expenditures; and
- a \$4,953,300 revenue-sensitive adjustment.

This filing proposes to change the electric rider rates as shown in the table below, reflecting actual costs and collections in 2014, correcting the true-up of actual expenditures and revenues from 2013, and covering the amount budgeted for energy efficiency in 2015.

¹ Dockets UE-011570 and UG-011571 (consolidated), Twelfth Supplemental Order, Exhibit F to Settlement Attachment. See also Docket UE-970686 for details on deferral.

² Docket UE-132043, Order 01, December 19, 2013.

³ Docket UE-132043, 2014 Annual Report of Energy Conservation Accomplishments, February 27, 2014.

⁴ This includes \$3,840,674 associated with Large Power Self-Direct 449 Customers, which is recovered separately.

⁵ This includes \$2,878,146 for the Electric Vehicle Charger Incentive.

	Schedule	Current Rate per kWh	Proposed Rate per kWh
Residential Service	Schedule 7	\$0.005297	\$0.005557
Commercial Service	Schedule 24	\$0.004620	\$0.004815
Commercial Service	Schedule 25	\$0.004538	\$0.004446
Commercial Service	Schedule 26	\$0.004715	\$0.004638
Commercial Service	Schedule 29	\$0.004138	\$0.004464
Primary Service	Schedule 31	\$0.004245	\$0.004692
Primary Service	Schedule 35	\$0.003821	\$0.003456
Primary Service	Schedule 43	\$0.003837	\$0.004581
Campus Service	Schedule 40	\$0.004750	\$0.005440
Large Users	Schedule 46	\$0.003754	\$0.003734
Large Users	Schedule 49	\$0.003990	\$0.004260
Lighting	Schedules 50-59	\$0.004642	\$0.005751

The proposed rates for schedules 7, 24, 29, 31, 40, 43, 49 and lighting would increase, while the proposed rates for schedules 25, 26, 35 and 46 would decrease, due to the 2015 projected load forecasts for each class and the cost of service allocations agreed to by settlement in Docket UE-141368. The proposed rates reflect a 0.19 percent increase in annual revenue. The average bill for an electric residential customer using 1,000 kWh per month would increase by \$0.26.

Review of variance

PSE spent approximately \$3.5 million more on its electric conservation programs in 2014 than originally budgeted and achieved approximately 110 percent of expected conservation savings, subject to evaluation and commission approval. PSE's 2014 electric portfolio had a Total Resource Cost (TRC) ratio of 1.68. Recent audits have examined the Direct Benefit to Customers (DBtC) metric, which is the ratio of incentives paid to customers compared to the total expenditures, and is a measure of programmatic efficiency.

PSE Electric Direct Benefit to Customers (DBtC)	2014	2013	2012	2011
Residential	84%	82%	81%	70%
Business	77%	75%	80%	83%
Total Portfolio⁶	75%	75%	76%	75%

⁶ The total portfolio includes all non-project-specific administration, research, regional initiatives and other electric programs funded by Schedule 120, such as net metering and the Electric Vehicle Charger Incentive.

Staff review and program expenditure audit

The commission staff (staff) review of PSE's conservation program expenditures occurs not only through this filing, but through participation in CRAG meetings throughout the year. On March 30, 2015, staff performed an on-site audit of PSE's 2014 electric and gas conservation expenditures. The audit focused on operating expenses and incentive rebates for select programs during specific months, confirming that expenditures were appropriate and paid as stated.

Overall, the information, documentation and internal controls in place for PSE's conservation programs were good. Staff reviewed 66 monthly program orders, reflecting 20 percent of the total annual expenditures and examined 150 expense items, representing 10 percent of the total annual expenditures. For each payment, the total dollar amounts in the files matched documentation provided by PSE. Staff has confidence that PSE's internal controls and review procedures are robust and working as intended.

During the review of this filing, staff identified a difference of \$85,866 between the 2015 budgeted expenditures, as filed in PSE's 2015 Annual Conservation Plan, and the revenue requirement workpapers for this filing. In January, 2015, PSE identified a mathematical error associated with the overhead rate for the Rebate Processing budget and updated its budget spreadsheets to reflect the correct amount. The corrected budget was included in this filing, but did not match the budget filed with the commission in the 2015 Annual Conservation Plan. On April 9, 2015, PSE filed replacement pages to its 2015 Annual Conservation Plan in Docket UE-132043 to reflect the corrected budget, which has been placed on the No Action Agenda for the April 30, 2015, open meeting.

Customer Comments

On March 31, 2015, PSE notified its customers of the combined proposed rate increases of multiple filings, including this one, by published notice in area newspapers. PSE also provided television stations, radio stations, and local newspapers with information about the filing. The commission received three customer comments, all opposed to the increase.

All three customers feel the company increases its rates too frequently and that the commission needs to look more closely at these requests. They believe the rates are too high and are making it difficult for customers to make ends meet. One of the customers believes the problems have been worse under foreign ownership. Staff provided information on the ratemaking process and energy rates. Staff advised customers that state law requires rates to be fair and reasonable and sufficient to allow the company the opportunity to recover reasonable operating expenses and earn a reasonable return on investment.

Conclusion

Take no action, allowing the tariff to go into effect by operation of law.