BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Docket Nos. UE-011570 and UG-011571
Puget Sound Energy, Inc.'s General Rate Case
To Recover Increased Electric and Gas Costs
Bench Request
Exhibit 576

A. Time-of-Use

1) Are the meters of customers who are not on the time-of-use tariffs, but who are equipped with time-of-use meters, read four times a day? Can these PEM-only customers see their time-block usage on the PSE web-page?

Response

Some of the customers who are not on the time-of-use tariffs, but who are equipped with AMR (automated meter reading) meters currently have their consumption read four times per day.

Those customers, for which four meter reads are collected, can currently view their consumption information on the Company's web-page.

The Settlement Stipulation is silent on whether these customers will have their consumption read four times per day in the future. The Company has the option in the future to continue to read consumption four times daily for non-TOU customers with AMR meters.

2) Are all of the directly assigned time-of-use charges ($1.16/month, after removing the $.10 recovered from the conservation tariff rider) solely attributable to the incremental cost of the time-of-use program (e.g. billing, record keeping, etc.)?

Response

Yes.

3) Is any of the revenue proposed to be collected from the TOU-billed customers used to defray the cost associated with Personal Energy Management (but non-TOU) meter-reading, data processing, and web-page information? If yes, please indicate how much and explain.

Response

No, revenues collected from the TOU-billed customers (i.e., $1.16 per TOU customer per month) is used to offset the current incremental costs of proving TOU rates to these

customers. No additional revenue is being collected from these customers to defray any other costs for any other customers.

B. Conservation Agreement

1) What is the current level of the electric Conservation Tariff Rider charge? What would be the level of the electric Conservation Tariff Rider charge if the estimated $17 to $21 million annual budget for electric conservation programs were approved by the Commission? What does this level of expenditure represent as a percentage of PSE's total electric revenue requirement?

Response

The revenue generated by the current set of conservation riders is approximately $14,735,020, which is an average charge per kWh of 0.0698¢ / kWh. Please note that of the $14.7 million, $4.6 million is associated with prior period under-collections, which makes up 0.0230¢ / kWh of the 0.0698¢ / kWh. Thus, absent prior period under-collections, the current rider is .0468 cents/kWh.

Assuming the Company, with assistance from the Conservation Advisory Committee, identifies and targets cost effective conservation of $20,937,278, the overall average conservation rider charge would increase from).0468 to 0.0985¢ / kWh. Please note the actual average rate will vary with the $20.9 million and also vary slightly based on timing of the billing determinants (i.e., which months are included for the annual period). Additionally, please note the prior period under-recovery amount noted above of $4.6 million will continue, as the under-recovery was spread over two years. Thus, in addition to the 0.0985¢ / kWh for the new current programs, the total rider will include an additional 0.0230¢ / kWh to continue to recover the prior period under-recover.

Conservation rider revenue at the current level (the $14.7 million) is 1.1% of revenue requirement. The $20.9 million level is 1.5% of electric revenue requirement (please note this does not include the $4.6 million of prior period under-recovery).

2) What is the current level of the gas Conservation Tariff Rider charge? What would be the level of the gas Conservation Tariff Rider charge if the estimated $2 million annual budget for gas conservation programs were approved by the Commission? What does this level of expenditure represent as a percentage of PSE's total gas revenue requirement?

Response

The rider currently collects $1,519,051. These revenues are generated by a rider of 0.184¢/ therm from Firm Schedules and 0.164¢/ therm from Interruptible Schedules.

At the estimated level of $2,086,420, rates for Firm Schedules would be approximately 0.253¢/ therm, Interruptible Schedules would be approximately 0.225¢/ therm.

The current level ($1.5 million) is 1.2% of revenue. The new spending level of approximately $2.1 million will be approximately 1.6% of revenue.

3) Please explain the meaning the parties intend for Paragraph 27 of the Settlement Terms for Conservation.

Response

Each Schedule 449 customer has access to 82.5% of the dollars they have paid into the tariff rider, through programs offered directly by the Company and/or through self-direction. The remaining 17.5% of their payments to the tariff rider will support the funding of PSE energy efficiency administration costs and market transformation activities.

4) With respect to Paragraph 24 and Paragraph 34 of the Settlement Terms for Conservation, do the parties intend the same cost-effectiveness criteria to apply to Low Income Weatherization programs as apply to all other conservation programs. If not, why not? What cost-effectiveness criteria would apply? Please explain.

Response

The cost-effectiveness criteria are the same. In applying these criteria, low income programs are designed to meet a Utility Cost Test, in recognition of the non-energy benefits of low income programs. PSE pays the lesser of the full avoided cost or the installed cost of the measure.

5) With respect to Paragraph 31 of the Settlement Terms for Conservation, do the parties intend the same cost-effectiveness criteria to apply to renewable energy programs as applies to all other conservation programs? If not, why not? What cost-effectiveness criteria would apply? Please explain.

Response

The Bonneville Conservation and Renewables Credit program is focused on leveraging achievement in conservation savings and installation of renewable resources. The BPA program has pre-determined reimbursement levels for a variety of renewable resource applications as outlined below in Table 1. For any renewable resource investments made as part of the BPA C&RD program it is the intent of the parties that any remaining above market costs of these renewable resources will be absorbed by

the consumer siting the renewable resource or by the funds coming into the company from a PSE sponsored green power program.

Additionally, if the Company finds value in renewable resource installations that exceeds allowable BPA C&RD funding guidelines, then the Company may bring this information to the Conservation Advisory Committee for consideration of the merits of a supplemental program.

Beyond this Stipulation agreement the Company's Least Cost Planning process may identify other renewable resource applications as cost-effective per least cost planning guidelines.

TABLE 1. AMOUNT OF THE C&RD

	Category 1	Category 2	Category 3	Unmetered Resources	Research, Development, & Demonstration
Resource Type	Solar facilities that are New Facilities	Geothermal or wind facilities that are New Facilities	Biomass or hydro facilities that are New Facilities Geothermal, solar, wind, biomass, or hydro facilities that are an Expansion of an Existing Facility	Unmetered Renewable Energy Facilities 25kW and larger+ Unmetered customer-side generating resources 25kW and larger+	Wind or solar resource assessment* Other RD&D, as approved by the BPA New technologies**
Credit	20 mills/kWh	15 mills/kWh	10 mills/kWh	The C&RD in Category 1, 2 or 3 applied to "deemed" output	Full cost reimbursement up to 20% limit#

+ Renewable Energy Facilities smaller than 25kW and Direct Application Renewables will be treated like conservations measures claimed in Section 4.1.3.

* Wind or solar resource assessment refers to the existing programs administered by Oregon State University and the University of Oregon, respectively.

** BPA will determine what constitutes a "new technology" and the appropriate level of the C&RD on a case-by-case basis, with the RTF's assistance.

Limited to 20 percent of customer's total C&RD. See Section 8.3 for details.

6) With respect to Paragraph 29 of the Settlement Terms for Conservation, do the parties intend that programs implemented under the Conservation and Renewable Discount program of the Bonneville Power Administration, and the savings and budgets attributable to those programs, be separate and apart from programs undertaken by the Company under tariff-rider funding? If so, how is the accounting for savings and budget proposed to be separated? Please explain.

Response

Yes, programs will be budgeted, tracked and accounted for independently. Some programs may be funded through both the tariff rider and the C&RD. Additionally, the Company will provide access for auditing to WUTC Staff.

7) With respect to Paragraph 6 of the Settlement Terms for Conservation, what do the parties intend the August 1, 2002 filing to include? Will detailed program evaluation plans and analysis designs be included in this filing? If not, when will evaluation plans be filed with Commission and on what schedule will PSE be required to file program evaluation results documenting actual savings and cost-effectiveness?

Response

The August 1, 2002 filing will include program descriptions, projected budgets, estimated savings and revised tariffs. Detailed evaluation plans are not expected to be included in the August 1, 2002 filing. However, such plans will be developed in conjunction with the Conservation Advisory Committee and are expected to be finalized by October 31, 2002. The schedule for filing evaluation results will be included in those evaluation plans.

C. Settlement Terms for Low-Income

1) We understand the Settlement Terms for Low-Income to provide that PSE will delegate the administration of the Low-Income Program (LIP) to “Designated Agencies” through the mechanism of a contract between PSE and the agency. The proposed LIP serves to distribute ratepayer dollars among PSE’s customers. Is it the parties’ intention that the contracts governing administration of the program will be submitted for review by Staff and approval by the Commission? If not, why not? Please explain.

Response

PSE intends to Administer the program at all times. While the Agencies will implement elements of the program including the process of approving prospective LIP candidates, their work will remain subject to the tariffs, the contract they execute with PSE, and the settlement agreement that is presently before the Commission. For the following reasons,

PSE did not intend to separately file and request approval of the implementing contracts: a) the implementing contracts will conform to the governing tariffs, and b) PSE agreed to file an annual report that will document and summarize the ongoing operation of the LIP for the benefit of the Commission and other interested parties. However, should the Commission desire to review or approve the form of the contracts or the individual contracts themselves, PSE will comply.

2) Referring to paragraph 15 of the Settlement Terms for Low-Income, has the "predetermined formula" been established and agreed to by the parties? If not, when will this formula be established? Will it be subject to review and approval of the Commission?

Response

The parties agreed that program assistance levels should mimic LIHEAP as closely as possible. The parties agreed that a formula be developed based on the LIHEAP formula, but modified to account for agreed on differences between the LIP and LIHEAP. Specifically, the LIHEAP formula must be modified to return valid results up to 150% of the Federal Poverty Guidelines. If the Settlement is approved, PSE intends to develop the LIP formula in consultation with the contracting low-income Agencies and the Washington Office of Community Development, which establishes the state LIHEAP formula. The LIP formula would be developed prior to October 1, 2002. Should the Commission desire to review the formula itself prior to its implementation, PSE will certainly comply.

D. Settlement Terms for Service Quality Index

1) Referring to Paragraph 7 of Settlement Terms for Service Quality Index, each of the penalty paragraphs specifies amounts for "each full point below a benchmark." How do these levels apply to partial percentage points? For example, what do the parties propose as a penalty if performance is 1.5 percentage points below a benchmark? Please provide an example.

Response

The term "each full point below a benchmark" is a carryover from the current service quality program, and is used in a similar manner in the proposed program. The term is based on the percentage point deviation from the given benchmark and is calculated as follows:

- **The point calculation computes the difference between actual performance and the benchmark and divides that amount by the benchmark to arrive at a percentage point deviation. This percentage point deviation is then multiplied by a factor of either 10 or 100 to determine the number of "full" points that performance falls below benchmark. The number of full points is then multiplied by the Penalty per Point for the given SQI to determine the total penalty to be imposed. The number of full points is not rounded or truncated; therefore "partial" points are assessed penalties at the full point rate.**

- **If the benchmark is expressed as a percentage, the percentage point deviation is multiplied by 100 to determine the number of full points that performance fell below benchmark. This method is used for SQI Nos. 5, 6, 8, and 10.**
  - **Number Of Full Points = (Benchmark-Actual Performance)/Benchmark) * 100**
- **If the benchmark is not expressed as a percentage, the percentage point deviation is multiplied by 10 to determine the number of full points that performance fell below benchmark. This method is used for SQI Nos. 2, 3, 4, 7, 9, and 11.**
  - **Number Of Full Points = (Actual Performance-Benchmark)/Benchmark) * 10**

- **Note that Actual Performance is reported to an accuracy of the decimal place noted for the given benchmark and is subject to standard rounding rules (i.e., 5 and higher rounded up, 4 and lower rounded down).**
  - **See Appendix 2 (Service Quality Program Mechanics) to the Settlement Terms for Service Quality Index beginning at <u>Section B BENCHMARKS</u> on page 5.**
    - **As shown in this table, the benchmark for SQI No. 3, for example, is 136 minutes. Performance of 121.4 minutes would be reported as 121 minutes, performance of 127.5 would be reported as 128 minutes.**
    - **SQI No. 5, as a second example, has a benchmark of 75%. Performance of 68.4% would be reported as 68%. Performance of 63.5% would be reported as 64%.**

In addition to the following two examples, sample point and penalty calculations for each benchmark are included in Appendix 2 beginning at <u>Section E CALCULATIONS</u> on page 5.

<u>Example No 1 Percentage Based Benchmark:</u>
Using SQI No. 8 Field Service Operations Transactions Customer Satisfaction

- **SQI No. 8 Benchmark = 90%.**
- **Performance at 1.5-percentage point below benchmark = 90%-1.5% = 88.5%**
  - **For reporting and penalty calculation purposes 88.5% is rounded to 89%**
  - **Percentage Point Deviation = (90%-89%)/90% = 0.0111111**
  - **Number Of Full Points = 0.0111111 * 100 = 1.11111**
  - **Penalties per Point = $57,000**
  - **Total Penalties Imposed = 1.1111 * $57,000 = $63,333**
  - **Partial Points of 0.11111 result in $6,333 of Total Penalties Imposed.**

<u>Example No 2 Non-Percentage Based Benchmark:</u>
Using SQI No. 2 WUTC Complaint Ratio

- **SQI No. 2 Benchmark = 0.50.**
- **Performance at 1.5-percentage point below benchmark = 0.50+(0.50 * 1.5%) = 0.5075**
  - **For reporting and penalty calculation purposes 0.5075 is rounded to 0.51**
  - **Percentage Point Deviation = (0.51-0.50)/0.50 = 0.020000**
  - **Number Of Full Points = 0.020000 * 10 = 0.20000**

- **Penalties per Point = $225,000**
- **Total Penalties Imposed = 0.20000 * $225,000 = $45,000**
- **Partial Points of 0.20000 result in $45,000 of Total Penalties Imposed.**

E. Rate Design

1) Referring to Exhibit 575 that documents forward prices for electricity at "Mid-C," please provide the simple average of monthly prices for peak, off-peak, and flat products for: 1) the period of months during which winter seasonal rates are in effect under PSE's current tariffs, and 2) the period of months during which summer seasonal rates are in effect under PSE's current tariffs.

Response

The information requested is presented in the following table along with additional relevant price comparisons. Please note in the Simple Average calculation, those values would normally be weighted by hours in each period, however, the results without weighted averaging are very close to the simple averages that are presented below. Data in the Simple Average calculation did not include data for June of 2002, as this was a partial data month. Additionally, data from July of 2002 was excluded as it represents a high degree of run-off from the prior spring, thus without the Spring prices, including the July data would result in unintended bias.

Simple Average	**Mid-C Peak**	**Mid-C Off-Peak**	**Mid-C Flat**	**COB peak**	**COB off-peak**	**COB Flat**
April-September	32.99	24.26	29.15	35.83	25.71	31.49
October-March	36.38	28.69	32.99	39.23	29.98	35.27

The second table titled Comparison July-Septembe r 2003 with December, January, February of 2003 provides an illustration of a rational for eliminating the summer/winter price differential. Relying on the 2003 forward price information is a better look at normal expectations because the 2002 forward prices take into consideration more actual weather and run-off conditions than "normal" conditions which would typically be assumed in the forward markets out in 2003.

Comparison of July-Sept 2003 with December, January, February 2003

	Mid-C Peak	Mid-C Off-Peak	Mid-C Flat	COB peak	COB off-peak	COB Flat
July 03-Sept 03	38.57	28.24	34.01	41.69	29.08	36.28
Dec, Jan, Feb 03	36.44	28.01	32.75	39.39	28.85	34.87