

Agenda Date: September 24, 2015
Item Number: A4

Docket: UE-151747
Company: Puget Sound Energy

Staff: Tiffany Van Meter, Regulatory Analyst
Jason Ball, Regulatory Analyst
Roger Kouchi, Regulatory Analyst

Recommendation

Take no action, thereby allowing Puget Sound Energy's decrease to Schedule 194 in Docket UE-151747 to become effective October 1, 2015, by operation of law.

Background

On August 25, 2015, Puget Sound Energy (PSE or company) filed to revise its Schedule 194, "Residential and Farm Energy Exchange Benefit," more commonly referred to as the "Residential Exchange Program" (REP). This schedule passes the benefits of the federal power system to PSE's residential and small farm customers. The Bonneville Power Administration (BPA) provides these benefits in accordance with Section 5(c) of the Pacific Northwest Electric Power Planning and Conservation Act.¹ This act requires that residential exchange credit benefits be passed through directly to a utility's qualifying residential and small farm customers with none of the benefit going to the investor-owned utility. PSE's payment from the BPA will be based on actual energy sales to the company's qualifying customers.

Discussion

Today's tariff revision is the bi-annual filing made by PSE to adjust the REP benefits it receives from BPA annually. The utility's REP benefit amount is calculated by subtracting the utility Priority Firm Exchange rate (PFx) from its Average System Cost rate and multiplying it by the Average Exchange Load. The BPA reduced the PFX for PSE in its 16 rate case from \$68.7853 per MWh to \$61.1582 per MWh a difference of \$7.6271 per MWh. The resulting net benefit to PSE's customers is \$68.9 million for each fiscal year 2016 and 2017. This calculates to a credit for PSE qualifying customers of 0.6794 cents per kWh. The previous credit associated with the REP was 0.9279 cents per kWh, a difference of 0.2485 cents per kWh. The average bill increase for qualifying residential or small farm customers using 1,000 kWh per month will be \$2.46 or 2.4 percent.

Additionally, on May 31, 2015, an additional benefit dealing with the implementation of the 2012 REP Settlement Agreement expired. That benefit of 0.5891 cents per kWh was in addition to PSE's prior REP benefit. The recently expired benefit was the final result of legal action in 2008, when BPA suspended payments to the IOUs. The recently expired benefit reflected a true-up of the residential exchange credit due to IOU ratepayers for BPA fiscal year 2008. The loss of

¹ 16 U.S.C §839c(c).

this additional benefit in May may initiate questions of multiple bill increases on qualifying customer bills.

Customer Comments

On August 31, the company notified its customers by paid advertisements in daily newspapers in its service territory of the proposed increase to their bill due to a decrease in the BPA residential and farm energy exchange benefit credit. The company sent copies of this notice to community agencies and to the news editors of local newspapers, television and radio stations. The company also posted the notice on its website. The commission received four customer comments; all oppose the increase. Consumer Protection staff advised consumers that they may access relevant documents about this filing at www.utc.wa.gov and that they may contact Roger Kouchi for information at 1-888-333-9882.

General Comments

- Four customers were opposed to the increase because they were retired on a fixed income, the increase was too high, there are frequent increases, and the company should be more cost effective.

Staff Response:

Staff explained that state law requires rates to be fair and reasonable for customers, but high enough to allow the company a chance to recover reasonable operating expenses and earn a reasonable return on investment. Staff explained the reason for the BPA energy exchange credit and provided a summary of the history of the credit and the reason why the amount of the credit from BPA is decreasing.

Conclusion

Staff recommends the commission take no action, thereby allowing Puget Sound Energy's decrease in the direct pass-through of monetary benefits from the Bonneville Power Administration reflected in changes to Schedule 194 in Docket UE-151747 to become effective October 1, 2015, by operation of law.