BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,	
Complainant,	**Docket No. UE-060266**
v.	**Docket No. UG-060267**
PUGET SOUND ENERGY, INC.,	
Respondent.	

NINTH EXHIBIT (NONCONFIDENTIAL) TO THE
PREFILED REBUTTAL TESTIMONY OF
CALVIN E. SHIRLEY
ON BEHALF OF PUGET SOUND ENERGY, INC.

AUGUST 23, 2006

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION STAFF
RESPONSE TO DATA REQUEST

DATE PREPARED: August 9, 2006		WITNESS:	Joelle Steward
CASE NO.: UE-060266 & UG-060267		RESPONDER:	Joelle Steward
REQUESTER: Puget Sound Energy		TELEPHONE:	(360) 664-1308

PSE Data Request No. 127 to WUTC Staff:
(Ref. J. R. Steward Testimony, p. 24-25)

Referring to Ms. Steward's statement, "[t]he incentive or penalty in each range applies to the incremental savings or shortfall from the previous range",

a)   Please provide an example of the calculation of an incentive that illustrates how the incremental incentive mechanism works, illustrating each step in the calculation; and

b)   Please provide an example of the calculation on a penalty that illustrates how the incremental penalty mechanism works, illustrating each step in the calculation.

Response:

Exhibit No. ___ (JRS-7) contained an error for the calculation of the Shared Savings Incentive. Attached is a revised exhibit and workpaper spreadsheet. A revised copy of the exhibit will be filed.

a)   Based on the revised exhibit, the following describes the steps for calculating an incentive for achieving 21.05 aMW, or 184,354 MWh in 2007, which is 115% of baseline target.

Step 1) Calculate incentive amount for achieving the baseline target:
a) MWh incentive: 160,308 MWh x $10 MWh = $1,603,080
b) Shared Savings incentive: 160,308 MWh x $0.018 x 1000 x 5%= $144,277.
c) Total incentive for achieving baseline target = MWh incentive ($1,603,080) + Shared Savings Incentive ($144,277) = $1,747,357.

Step 2) Calculate incentive amount for exceeding incentive range of 100% - 110%:
a) Incremental savings in range above baseline target: 15,870 MWh = (18.3 aMW x 1.099 x 8760) – 160,308 MWh.
b) MWh incentive: 15,870 MWh x $20 MWh = $317,410.
c) Shared Savings incentive: 15,870 MWh x $0.018 x 1000 x 10% = $28,567.
d) Total incentive for exceeding range 100% to 110%: MWh incentive ($317,410)+ Shared Savings Incentive ($28,567) = $345,977.

Step 3) Calculate incentive for achieving savings in 110% to 120% range:

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a) Incremental savings in range above prior range: 8176 MWh = 184,354 MWh – (15,870 MWh + 160,308 MWh).
b) MWh incentive: 8176 MWh x $20 MWh = $163,514.
c) Shared Savings incentive: 8176 MWh x $0.018 x 1000 x 20% = $29,433.
d) Total incentive for in range: MWh incentive ($163,514)+ Shared Savings Incentive ($29,433) = $192,947.

Step 4) Calculate Total Incentive to PSE: Add totals from Steps 1 through 3.
$1,747,357 + $345,977 + $192,947 = $2,286,281.

b)   Based on the revised exhibit, the following describes the steps for calculating an incentive for achieving 13.73 aMW, or 120,231 MWh in 2007, which is 75% of baseline target.

Step 1) Calculate penalty amount for shortfall from baseline target in the 80% to 90% range:
a) Calculate MWh Shortfall in range : 160,308 MWh – 128,246 MWh = 32,062 MWh. (128,246 MWh is the 80% threshold for the range.)
b) Calculate penalty for shortfall in range: 32,062 MWh x $75/MWh = $2,404,620.

Step 2) Calculate penalty amount for shortfall incremental from prior range:
a) Calculate MWh shortfall in range: (Baseline – savings – shortfall from prior range): 160,308 MWh – 120,231 MWh – 32,062 MWh = 8015 MWh.
b) Calculate penalty for shortfall in range: 8015 MWh x $80/MWh = $641,232.

Step 3) Calculate Total Penalty to PSE: Add totals from Steps 1 and 2.
$2,404,620 + $641,232 = $3,045,852.

Puget Sound Energy General Rate Case

Commission Staff Proposed Electric Efficiency Incentive Mechanism

	A	B	C	D	E	F	G	H
Incentive Range	aMW Saved	MWH Saved	% of base target	$/MWH Incentive	Shared Savings Incentive	Per MWH Incentive	Shared Savings Incentive*	**Total Incentive**
		= A x 8760				= B x D	= B x 0.18 x E	= F + G
140.0 - <150.0%	26.54	232,447	145%	$ 20	100%	$ 3,045,852	$ 723,983	$ 3,769,835
130.0 - <140.0%	24.71	216,416	135%	$ 20	80%	$ 2,725,236	$ 463,707	$ 3,188,943
120.0 - <130.0%	22.88	200,385	125%	$ 20	40%	$ 2,404,620	$ 289,420	$ 2,694,040
110.0 - <120.0%	21.05	184,354	115%	$ 20	20%	$ 2,084,004	$ 202,277	$ 2,286,281
100.0 - <110.0%	19.22	168,323	105%	$ 20	10%	$ 1,763,388	$ 172,844	$ 1,936,232
100% **Baseline Target**	**18.3**	160,308	100%	$ 10	5%	$1,603,080	$144,277	$1,747,357

	A	B	C	D	E	F	G	H
Penalty Range	aMW Saved	MWH Saved	% of base target	$/MWH Penalty	aMW Shortfall	MWH Shortfall		**Total Penalty**
		= A x 8760			= base target - A	= E x 8760		= D x F
90.0 - <100.0% Deadband	17.39	152,293	95%	$ -	0.91	8,015		$ -
80.0 - <90.0%	15.56	136,262	85%	$ 75	2.75	24,046		$ 1,803,465
70.0 - <80.0%	13.73	120,231	75%	$ 80	4.58	40,077		$ 3,045,852
60.0 - <70.0%	11.90	104,200	65%	$ 85	6.41	56,108		$ 4,368,393
50.0 - <60.0%	10.07	88,169	55%	$ 90	8.24	72,139		$ 5,771,088
<50.0%	8.24	72,139	45%	$ 95	10.07	88,169		$ 7,253,937

Note: The calculations in Columns F and G are performed for the increment difference from the prior range.

*Shared Savings Calculation (From PSE Exhibit __(CES-5))		
Avoided Cost	$	0.059
TRC Conservation	$	0.041
Net Shared Incentive	$	0.018