

Agenda Date: April 24, 2014
Item Number: A4

Docket: UE-140330
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, on the condition that Puget Sound Energy make a compliance filing by April 29, 2014, with an effective date of May 1, 2014, that reflects any Commission action in Docket UE-131585 regarding the Electric Vehicle Charger Incentive that differs from the Company's filing in Docket UE-131585.

Background

On February 28, 2014, Puget Sound Energy (PSE or company) filed revisions to its Electricity Conservation Service Rider, Schedule 120. 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 2013 Annual Report of Energy Conservation Accomplishments³ (2013 Annual Report) and expected 2014 expenditures. The 2014 conservation budget and target were reviewed by the Conservation Resources Advisory Group (CRAG) and acknowledged by the commission at the December 18, 2013, open meeting.⁴

On April 17, 2014, PSE made a revised filing, which adjusted the total revenue requirement to reflect an updated budget for the Electric Vehicle Charger Incentive (EVCI) in Docket UE-131585, and removed \$160,700 associated with the conservation voltage reduction program.

Staff Review

The overall review of PSE's conservation program expenditures occurs not only through this filing, but through participation in CRAG meetings throughout the year. Commission staff (staff) attended multiple CRAG meetings in 2013 to discuss conservation achievement and expenditures. The review of the conservation program's expenditures included an assessment of

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, requiring submission of tariffs to recover electric conservation costs, and establishing 2014-2015 biennial conservation targets.

³ Docket UE-111881, 2013 Annual Report of Energy Conservation Accomplishments, February 13, 2014.

⁴ Docket UE-132043, Order 01.

the year-over-year variance in program achievement and Direct Benefit to Customers (DBtC) as well as an audit on operating expenses and incentive rebates for a select group of programs.

Review of variance. PSE spent approximately \$4.2 million more on its electric conservation programs in 2013 than originally budgeted and achieved approximately 108 percent of expected conservation savings, subject to evaluation and commission approval. PSE's 2013 Electric Portfolio had a Total Resource Cost (TRC) ratio of 1.74. Recent audits have examined the DBtC metric, which is the ratio of incentives paid to customers compared to the total expenditures of a program or portfolio and is a measure of programmatic efficiency.⁵

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

There has been decline in the DBtC for the Business program over the last three years. At the same time, the DBtC for the Residential program has seen continued improvement. The result of these two factors has kept the overall DBtC for the electric portfolio fairly steady. PSE explained that the decline in DBtC for the Business Electric is due to PSE's focus on low-cost direct install measures and operational efficiency improvements, which involve lower customer incentive payments but require the same level of expenditures to implement, track, verify and evaluate.

Incentive rebate audit. On April 11, 2014, staff performed an on-site financial audit of PSE's electric and gas conservation programs. The audit focused on operating expenses and incentive rebates for a select group of programs during specific months, confirming that expenditures were paid as stated. The priority of this audit was to ensure the integrity of the financial data presented by PSE, and to review the efficiency of program expenditures. All of the materials requested were available for review and organized for staff.

Overall, the information, documentation and internal controls in place for PSE's conservation programs were good. Staff reviewed 21 commercial and 11 residential rebate files. For each payment the total dollar amounts in the files matched documentation presented by PSE. Staff also reviewed non-rebate expenditures in every program. Staff has confidence that PSE's internal controls and review procedures are robust and working as intended.

Discussion

During calendar year 2013, PSE spent \$98,615,917 on electric energy efficiency programs, which was an increase of approximately five percent from projected 2013 expenditures.

⁵ The total portfolio includes all the non-program-specific administration, research, regional initiatives and other electric programs funded by Schedule 120 such as net metering, demand response, and renewable energy education.

The total revenue requirement in this filing is \$104,066,827,⁶ composed of:

- \$92,381,592 million projected 2014 program expenditures;
- \$1,383,600 for the Electric Vehicle Charger Incentive (EVCI) proposed in Docket UE-131585;
- a \$4,747,643 revenue-sensitive adjustment; and
- a \$5,553,992 true-up of 2013 revenues and expenditures.

This filing proposes to change the electric rider rates as shown in the following table, reflecting actual costs and collections over the past year, correcting the true-up of actual expenditures and revenues in previous years, and covering the increased amounts budgeted for energy efficiency in the upcoming year.

	Schedule	Current Rate per kWh	Proposed Rate per kWh
Residential Service	Schedule 7	\$0.004632	\$0.005297
Commercial Service ⁷	Schedules 24, 25, 26, 29	\$0.004151	\$0.004618
Primary Service ⁸	Schedules 31, 35, 43	\$0.003825	\$0.04211
Campus Service	Schedule 40	\$0.004004	\$0.004758
Large User Services ⁹	Schedules 46, 49	\$0.003708	\$0.003977
Outdoor Lighting ¹⁰	Schedules 50, 51, 52, 53, 54, 55, 57, 58	\$0.004097	\$0.004650
Transportation	Schedules 449, 459	\$0.000944	\$0.001082

The proposed rates reflect a 0.5 percent increase in annual revenue. The average bill for an electric residential customer using 1,000 kWh per month would increase by \$0.67.

Transportation Customers. The rates for collecting conservation funds from customers receiving transportation service under Schedules 449 and 459 are updated on a four-year cycle.¹¹ The funds are exclusively reserved for these customers, and are scalable depending on whether the overall conservation budget increases or decreases. The proposed increase in rates for transportation customers is directly proportional to the increase of the overall conservation budget between the 2012-13 biennium and the 2014-15 biennium.

Electric Vehicle Charger Incentive. The revenue requirement for this filing includes \$1,449,739 associated with the EVCI,¹² which was filed in Docket UE-131585 and pending a decision from the commission. The EVCI funds would only be recovered from residential customers, the only

⁶ Excluding conservation expenditures for large industrial customers receiving service under Schedules 449 and 459.

⁷ Commercial Service rate shown in table equals a weighted average of schedules.

⁸ Primary Service rate shown in table equals a weighted average of schedules.

⁹ Large User Services shown in table equals a weighted average of schedules.

¹⁰ Outdoor Lighting shown in table equals a weighted average of schedules.

¹¹ Docket UE-100177, Order 05, September 28, 2010, approving and adopting the Agreed Conditions For Approval Of Puget Sound Energy, Inc.'s 2010-2011 Biennial Electric Conservation Targets under RCW 19.285 and Agreed Modifications To Electric Settlement Terms For Conservation In Docket No. UE-011570, Section H.

¹² The total EVCI impact on this filing's revenue requirement is composed of \$1,383,600 of program expenditures and a \$66,139 revenue-sensitive adjustment.

class eligible for the incentive. The exact amount to be included in Schedule 120, if any, will depend on the outcome of the commission's decision on UE-131585 at the April 24, 2014, open meeting. PSE has agreed to make a compliance filing reflecting the amount of EVCI funding approved by the commission, if that amount differs from the company's April 17, 2014, filing.

Customer Comments

On April 1, 2014, the company notified its customers of the proposed rate increase via paid advertisements in daily newspapers distributed in its service territory. PSE also provided information to local newspapers, television and radio stations, and posted the notice on its website. The commission received customer comment in opposition to this filing. The customer was notified that documents in this case may be accessed at www.utc.wa.gov and questions may be directed to Roger Kouchi at 1-888-333-9882.

The customer expressed frustration with the frequent rate increases and stated that profit has become more important than people. Staff provided information on the ratemaking process and energy rates, and 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. Staff also provided information on conservation requirements of the EIA.

Conclusion

Take no action, allowing the tariff to go into effect by operation of law, on the condition that Puget Sound Energy make a compliance filing by April 29, 2014, with an effective date of May 1, 2014, that reflects any Commission action in Docket UE-131585 regarding the Electric Vehicle Charger Incentive that differs from the Company's filing in Docket UE-131585.