Agenda Date: March 25, 2010

Item Numbers: A1 and A2

**Dockets: UE-100382 and U-091954**

Company: Puget Sound Energy

Staff: Deborah Reynolds, Regulatory Analyst

 Michael Foisy, Regulatory Analyst

 David Nightingale, Senior Regulatory Engineer Specialist

 Roger Kouchi, Consumer Protection Staff

**Recommendation**

Enter an order allowing the proposed rates to become effective April 1, 2010, on less than statutory notice.

**Background**

On March 4, 2010, Puget Sound Energy (“PSE” or “the Company”) filed revisions to its Electricity Conservation Service Rider, Schedule 120. This mechanism was established as part of the settlement agreement approved by the commission in Dockets UE-011570 and UG-011571.[[1]](#footnote-1)

In addition, staff has been investigating the company’s program descriptions, budgets, cost-effectiveness, and evaluation in Docket U-091954 per commission directive from the

December 23, 2009, Open Meeting.

**Discussion**

**Conservation Service Rider**

During calendar year 2009, PSE spent $69,617,976 on electric energy efficiency programs. The 2010 projected expenditures for electric energy efficiency programs are $76,504,800. The projected expenditures were reviewed by PSE’s Conservation Resource Advisory Group (CRAG) in September 2009.

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

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Schedule** | **Current Rate** **per KWh** | **Proposed****Rate per KWh** |
| Residential Service | Schedule 7 | $0.002833 | $0.004617 |
| Commercial Service | Schedules 24,25,26,29 | $0.002411 | $0.003971 |
| Primary Service | Schedules 31, 35, 43 | $0.002026 | $0.003462 |
| Large User Services | Schedules 40, 46, 49, 448, 449, 458, 459 | $0.000725 | $0.001088 |
| Outdoor Lighting | Schedules 50, 52, 53, 54, 55, 57, 58 | $0.002101 | $0.003373 |

The filed rates include $76,087,800[[2]](#footnote-2) in projected energy efficiency program expenditures, $4,102,849 in conservation incentives, a revenue-sensitive adjustment of $3,848,387 and an increase for PSE’s previous net under-collection of $3,232,298. Staff believes the proposed rates are reasonable.

The proposed electric tariff rider reflects a 1.7 percent increase in the company’s base electric revenues, increasing the average bill for an electric residential customer using 1000 kWh per month by $1.78.

**Pilot Conservation Incentive Mechanism Summary**

This filing includes recovery of 75 percent of the incentive earned during 2009, the final year of the company’s pilot conservation incentive mechanism.[[3]](#footnote-3) The company chose not to renew the mechanism. The following tables summarize the company’s achievements and relevant metrics under the pilot conservation incentive mechanism.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2006** | **2007** | **2008** | **2009** |
| Program Targets | 19.2 aMW | 21.9 aMW | 24.8 aMW | 33.8 aMW |
| Incentive Targets | 16.5 a MW | 18.3 aMW | 24.7 aMW | 31.7 aMW |
| Actual Savings | 19.0 aMW | 25.4 aMW | 31.2 aMW | 34.9 aMW |

The amount of the company’s incentive was directly related tothe actual savings achieved, and the calculation of a shared savings incentive based on the company’s actual total resource cost and the avoided cost from the company’s most recent integrated resource plan.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2006** | **2007** | **2008** | **2009** |
| Avoided Cost | $59 / MWh | $59 / MWh | $108 / MWh | $108 / MWh |
| Total Resource Cost | $39 / MWh | $39 / MWh | $47 / MWh | $45 / MWh |
| Net Shared Savings Incentive | n/a | $20 / MWh | $61 / MWh | $63 / MWh |
| Incentive Earned |  | $3,452,657 | $4,339,150 | $4,385,101 |

**Staff Investigation in Docket U-091954**

Staff investigated several aspects of the company’s program descriptions, budgets, cost-effectiveness, and evaluation, particularly in relation to Northwest Energy Efficiency Alliance (NEEA) programs and Home Energy Reports.[[4]](#footnote-4) Staff is satisfied that the NEEA programs in which the company invested are cost-effective. In order to assure commission awareness of and provide opportunities for comment on NEEA program changes, staff will request that NEEA make an open meeting presentation to the commission prior to completion of its business plan, strategic plan, or budget.

Concerning Home Energy Reports, staff is satisfied that the company has justified this program for inclusion in its 2010 budget. The addition of entire communities to the program will, the company believes, allow the company to assess the effectiveness of multiple information streams, and how community attitudes affect conservation behavior. Staff intends to close its investigation.

**Customer Comments**

On March 8, 2010, the company notified its customers of the proposed rate increase by paid advertisement in newspapers in all geographical areas where the company provides service. In addition, the company provided a news release to newspapers, radio and television stations and community agencies within the company’s service area. The commission received 13 customer comments on this filing; all oppose the proposed increase. Please note that customers often address several issues of concern within one comment. Therefore, subtotals may not equal the total number of comments submitted.

Consumer Protection staff advised customers that they may access company documents about this rate case at [www.utc.wa.gov](http://www.utc.wa.gov), and that they may contact Roger Kouchi at 1-888-333-9882.

**General Comments**

* Twelve consumers are frustrated because PSE has been raising electric and gas rates several times a year for the past few years. Consumers believe agriculture will be hurt again. Three customers commented about high rates.

**Staff Response**

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.

* Four customers were concerned that the $28.6 million granted in the federal economic stimulus program for the expansion work on the Wild Horse Wind and Solar Facility in Kittitas County were not applied to reduce rates.

**Staff Response**

This issue is not part of this current filing. The appropriate time for comments of this nature is in the next general rate case.

**Conclusion**

Enter an order allowing the proposed rates to become effective April 1, 2010, on less than statutory notice.

1. Twelfth Supplemental Order, UE-011570 and UG-011571 (consolidated), Exhibit F to Settlement Attachment. See also Docket UG-950288 for details on deferral. [↑](#footnote-ref-1)
2. Total energy efficiency budget less Schedule 258 - Large Power User Self-directed Program. [↑](#footnote-ref-2)
3. Order 08, Dockets UE-060266 and UG-060267, ¶ 154. See also Staff Testimony of Joelle R. Steward, filed July 25, 2006, in the same dockets. [↑](#footnote-ref-3)
4. See Dockets UE-091859 and UG-091860. [↑](#footnote-ref-4)