

Agenda Date: October 27, 2016
Item Numbers: A5 and A6

Dockets: UG-160791 and UG-161089
Company Name: Puget Sound Energy

Staff: David Gomez; Assistant Power Supply Manager

Recommendation

Take no action thereby allowing the tariff revisions filed in Docket UG-161089 and UG-160791 to become effective by operation of law.

Background

UG-161089 - On September 23, 2016, Puget Sound Energy (PSE or company) filed Advice No. 2016-25 with the Utilities and Transportation Commission (commission) revising rates for two of its schedules in its natural gas tariff:

- Schedule No. 101- Purchased Gas Adjustment (PGA); and
- Schedule No. 106; Deferred Account Adjustment (Tracker).

Both the PGA and the Tracker pass through the utility's cost of natural gas to customers on an annual basis.

UG-160791 - On June 1, 2016, PSE filed Advice No. 2016-17 with the commission seeking a revision to rates under its natural gas tariff's Supplemental Schedule 149, Cost Recovery Mechanism for Pipeline Replacement (CRM). The purpose of this schedule is recovery of the depreciation expense and return on the company's investment associated with its Master Plan for replacing pipe that represents an elevated risk of failure.¹ On September 23, 2016, and October 17, 2016, PSE updated its filing to reflect actual costs through September 2016 along with a final update of its forecast for October 2016. PSE's subsequent filings updating the CRM is consistent with the commission's policy statement.²

Discussion

Table 1 below displays the estimated change in revenue for the rate period spanning November 1, 2016, through October 31, 2017 (rate period) which results from these two filings:

Docket	Description	Revenue Impact	Percent of Total Revenue
UG-161089	PGA – Schedule No. 101	(\$22,452,628)	(2.50%)
UG-161089	Tracker - Schedule No. 106	\$18,401,698	2.00%
UG-160791	CRM - Schedule No. 149	\$5,630,429	0.60%

Table 1

PGA and Tracker

As shown on the first two rows in Table 1 above, the net impact of the changes in UG-161089 to both the PGA and the Tracker results in a net decrease in revenues of \$4.1 million (-0.5 percent). The increase in revenue associated with the Tracker is the result of a smaller credit to customers of \$0.02/therm needed to correct prior period over-recovery of gas costs by PSE versus last

¹ In Docket PG-160294, Order 01, dated April 7, 2016, the commission approved PSE's Two-Year Plan for the years 2015 through 2017.

² UG-120715, Pipeline Replacement Policy Statement, ¶69.

year's credit of \$0.04/therm. The combined effect of the PGA and Tracker on PSE's rates (\$/therm) and annual revenues are as follows:

Schedule Classes	PGA Rate Delta	Tracker Rate Delta	Revenue Delta	Percent Change
<i>Residential</i>				
Schedule 23	\$ (0.02383)	\$ 0.01971	\$ (2,481,496)	(0.4%)
Schedule 16	(0.02379)	0.01971	(56)	(0.2%)
<i>Commercial</i>				
Schedule 31	(0.02456)	0.01910	(1,243,740)	(0.6%)
Schedule 41	(0.02193)	0.02082	(75,855)	(0.2%)
<i>Interruptible</i>				
Schedule 85	(0.02333)	0.01565	(137,287)	(1.6%)
Schedule 86	(0.02208)	0.01673	(49,191)	(0.8%)
Schedule 87	(0.01842)	0.01540	(63,305)	(0.7%)
Total			(\$4,050,930)	(0.4%)

Table 2

Residential Weighted Average Cost of Gas

PSE's residential weighted average cost of gas (WACOG) has decreased by 27 percent since 2014. Table 3 below provides a comparison of PSE's WACOG against the other regulated gas utilities serving Washington customers.

WACOG	Avista	PSE	NW Natural	Cascade
Commodity	0.23860	\$0.26528	\$0.28095	\$0.32009
Demand (firm)	0.12678	\$0.12505	\$0.11839	\$0.17560
Total	0.36538	\$0.39033	\$0.39934	\$0.49569

Table 3

As a result of both of these filings, an average residential customer using 68 therms would pay the following:

Typical Residential Monthly Bill at Current Rates	\$71.46
PGA and Tracker – UG-161089	(0.28)
CRM – UG-160791	0.42
Typical Residential Monthly Bill at New Rates	\$71.60

Customer Comments

PSE published a notice in area newspapers on September 30, 2016. PSE has also provided a copy of the notice to community agencies, posted the notice on the company's website and provided notice to news editors of area newspapers, television and radio stations. To date Staff has received two consumer comments regarding the proposed rate increase; both opposed to the proposed rate increase.

Conclusion

Staff has reviewed Puget Sound Energy's expected gas costs (Schedule No. 101) and deferral amortization rates (Schedule No. 106) proposed in the company's filing and find them to be reasonable as are the company's proposed rates for its CRM (Schedule No. 149). Staff recommends the commission take no action, thereby allowing the tariff revisions filed in Dockets UG-161089 and UG-160791 to become effective November 1, 2016, by operation of law.