

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

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

¹ Twelfth Supplemental Order, UE-011570 and UG-011571 (consolidated), Exhibit F to Settlement Attachment. See also Docket UG-950288 for details on deferral.

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 \$76,087,800² 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 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 to the 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

² Total energy efficiency budget less Schedule 258 - Large Power User Self-directed Program.

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.

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 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, 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.

⁴ See Dockets UE-091859 and UG-091860.

- 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.