

**Exh. WF-4
UE-240004/UG-240005/UE-230810
Witness: Wesley Franks**

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY,

Respondent.

**DOCKETS UE-240004,
UG-240005 and UE-230810
(Consolidated)**

EXHIBIT TO TESTIMONY OF

WESLEY FRANKS

**STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

PSE's Response to UTC Staff Data Request No. 151

August 6, 2024

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

**Dockets UE-240004 & UG-240005
Puget Sound Energy
2024 General Rate Case**

WUTC STAFF DATA REQUEST NO. 151:

REQUESTED BY: Wesley Franks

RE: Energy Demand Forecast

Witness Jacobs testifies that “PSE expects natural gas energy usage to decline at an average annual rate of 1.2 percent in the next five years (2024-2028).” Jacobs, Exh. JJJ-1Tr at 3:18-20. Additionally, Witness Jacobs testifies that “as gas customers may be replacing furnaces with electric heat pumps, such conversions would put downward pressure on gas use on a per customer basis. Conversely, there would be upward pressure on electric use per customer.” Jacobs, Exh. JJJ-1Tr at 5:5-7.

- a. What is the quantitative basis for PSE’s expectation that “natural gas energy usage to decline at an average annual rate of 1.2 percent in the next five years (2024-19 2028.”? Please provide the data relied upon for this conclusion.
- b. What is the basis for PSE’s conclusion that “as gas customers may be replacing furnaces with electric heat pumps, such conversions would put downward pressure on gas use on a per customer basis.”?
 1. Why does PSE believe such conversions would not, instead, put a downward pressure on customer counts? Please provide any supporting analysis, study, or other documentation.
 2. Please clarify what is specifically meant by “downward” and “upward” pressure.
- c. How are average residential gas bills expected to change as customer counts decline and CCA compliance costs increase?
- d. As gas customer counts decline, all other things being equal, will this result in a non-linearly increasing ratio of gas utility fixed costs to customers? What actions, if any, is PSE doing to constrain fixed costs and avoid stranded gas-side assets? How has PSE considered this type of risk in its planning and acquisitions?

Response:

Puget Sound Energy (“PSE”) objects to WUTC Staff Data Request No. 151 to the extent it requests information that is publicly available or obtainable from some other source that is more convenient, less burdensome, or less expensive. Notwithstanding these objections, and subject thereto, PSE responds as follows:

- a. The quantitative basis for the prediction of an average annual growth rate of -1.2 percent is shown in the table below. The Gas Demand forecast values are provided in the Third Exhibit to the Prefiled Direct Testimony of Joshua J. Jacobs, Exh-JJJ-4.

F23 Final Gas Demand Forecast		
	Total Delivered Demand Forecast after DSR (therms)	Growth Rate
2023	1,164,666,885	
2024	1,133,099,115	-2.7%
2025	1,115,787,798	-1.5%
2026	1,118,624,668	0.3%
2027	1,107,347,627	-1.0%
2028	1,098,804,095	-0.8%
Average annual growth rate:		-1.2%

- b. The bases for PSE's conclusions are set forth below:
1. Customers may have more than one appliance within their home or business that runs on natural gas. In this case, if just a gas furnace is replaced with a heat pump, the customer would remain a PSE natural gas customer, but their usage would be lower.
 2. "Downward" and "upward" are meant to indicate a decrease or increase, respectively, in use per customer values in the demand forecast.
- c. PSE has not performed a detailed analysis forecasting average residential gas bills in the context of declining customer counts and increased Climate Commitment Act ("CCA") compliance costs. However, all else being equal, average residential gas bills are expected to increase as CCA compliance costs rise.
- d. PSE has considered and taken steps to mitigate the risk of stranded gas assets. In Dockets UE-220066, UG-220067 and UG-210918 (consolidated), the Commission approved PSE's change to its gas line extension policy that will eliminate a margin allowance and increase the charge for new customers to connect to PSE's system, thereby reducing the amount of rate base associated with serving new customers. Additionally, please refer to the accelerated depreciation proposal in the Prefiled Direct Testimony of Ned W. Allis, Exh. NWA-1T and supporting exhibits. This proposal is PSE's first step in addressing

stranded assets and aims to reduce the financial burden on customers who remain on the gas system in the future. PSE is likely to propose additional initiatives in the future to help reduce stranded assets and alleviate the financial burden on customers who remain on the gas system. Although specific actions have not yet been determined, these proposals are expected to be addressed in future general rate cases.