

Agenda Date: March 26, 2009
Item Number: A1

Docket: UE-090314
Company: Puget Sound Energy

Staff: Deborah Reynolds, Regulatory Analyst
Mike Foisy, Regulatory Analyst

Recommendation

Take no action, thereby allowing the proposed rates to become effective April 1, 2009, by operation of law.

Background

On February 27, 2009, Puget Sound Energy (PSE or company) filed revisions to its Electricity Conservation Service Rider, Schedule 120, and its Electricity Conservation Incentive Mechanism, Schedule 121. The purpose of the Schedule 120 portion of the filing is to implement changes to rates under the conservation tariff rider.¹ The purpose of the Schedule 121 portion of the filing is to provide the annual update of the conservation Baseline Target, the Net Shared Incentive rate, and the Total Resource Cost estimate.² These updates result in increases to the values used for calculating incentives or penalties under the mechanism.

Discussion

Conservation Service Rider

During calendar year 2008, PSE spent \$53,172,241 on electric energy efficiency programs. The 2009 projected expenditures for electric energy efficiency programs are \$69,742,000. The projected expenditures were reviewed by PSE's Conservation Resource Advisory Group (CRAG) in December 2008. The company based this projection on the increase in its energy efficiency targets as agreed to with the CRAG in February 2009.

This filing revises the electric rider charges downward 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.

¹ Twelfth Supplemental Order, UE-011570 and UG-011571 (consolidated), Exhibit F to Settlement Attachment. See also UE-970686 for details of deferral.

² Order 08, UE-060266 and UG-060267 (consolidated), ¶ 154-158.

Service	Schedule	Current Rate per KWh	Proposed Rate per KWh
Residential Service	Schedule 7	\$0.003137	\$0.002833
Commercial Service	Schedules 24, 25, 26, 29	\$0.002664	\$0.002317
Primary Service	Schedules 31, 35, 43	\$0.002496	\$0.001978
Large User Services	Schedules 40, 46, 49, 448, 449, 458, 459	\$0.000877	\$0.000877
Outdoor Lighting	Schedules 50, 52, 53, 54, 55, 57, 58	\$0.002988	\$0.002101

The filed rates include \$65,842,000³ in projected energy efficiency program expenditures, \$3,970,543 in conservation incentives, a revenue-sensitive adjustment of \$2,406,554, and a reduction for PSE's previous net over-collection of \$17,213,959. A Service Quality Index penalty of \$430,745 reduces the amount necessary for recovery through the electric rider.

The proposed electric tariff rider reflects a 0.35 percent decrease in the company's base electric revenues, decreasing the average bill for an electric residential customer using 1000 kWh per month by \$0.30.

Conservation Incentive Mechanism

This filing also changes the Baseline Target for the company's energy efficiency programs from 24.7 average megawatts (aMW) to 31.7 aMW of electricity. The new target was developed with the CRAG in January 2009 based on program experience from the prior year and the conservation supply curve analysis from the company's most recent IRP.⁴ Staff was closely involved in these discussions and supports the new target.

	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	32.1 aMW ⁵

Schedule 121 includes the company's Total Resource Cost number. This number is based on the company's actual results and is used to calculate the shared savings portion of the conservation incentive. This value has increased from \$47 per MWh for the 2007 program year to \$63 per MWh in the 2008 program year. The other component of the calculation for the shared savings

³ Total energy efficiency budget less Schedule 258 - Large Power User Self-directed Program.

⁴ 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.

⁵ Budgeted.

portion of the conservation incentive is the Avoided Cost value which was increased in the previous filing from \$59 per MWh to \$108 per MWh.⁶

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

Conclusion

Take no action, thereby allowing the proposed rates to become effective April 1, 2009, by operation of law.

⁶ See Docket UE-080389.