

Agenda Date: October 19, 2018
Item Number: A4

Docket: UG-180794
Company: Puget Sound Energy

Staff: Elaine Jordan, Regulatory Analyst

Recommendation

Take no action, thereby allowing the Tariff Revisions filed by Puget Sound Energy in Docket UG-180794, to take effect November 1, 2018, by operation of law.

Background

On September 17, 2018, Puget Sound Energy (PSE or company) filed revisions with the Washington Utilities and Transportation Commission (commission) 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 the company's cost of natural gas to customers on an annual basis. The PGA establishes for the upcoming year a projection of the utility's gas costs. The difference between the projected cost from the previous PGA filing, and the actual cost incurred for the period, is deferred and ultimately amortized back to customers with interest as a refund for over-collection or a surcharge for under-collection. PSE filed its annual natural gas hedging plan in a separate docket, Docket UG-180795, to be reviewed at a future date.

Table 1 below displays the estimated change in revenue for the rate period spanning November 1, 2018, through October 31, 2019, which results from this docket.

TABLE 1 – Summary of Revenue Impacts

Docket	Description	Approximate Revenue Impact	Percent of Total Revenue
UG-180794	PGA – Schedule No. 101	\$(57,788,957)	(6.4)%
UG-180794	Tracker – Schedule No. 106	\$(40,597,642)	(4.5)%

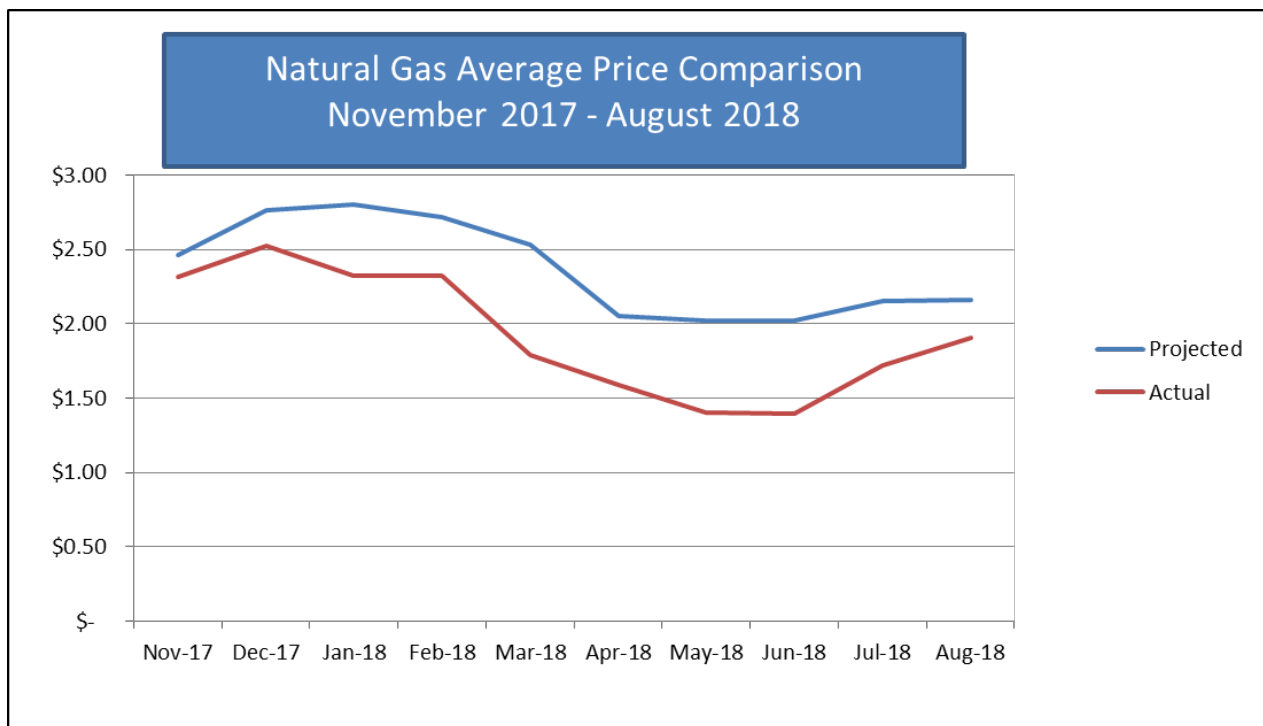
As a result of these tariff revisions, a residential customer with monthly average consumption of 64 therms will see a decrease of \$6.34, from \$65.18 to \$58.84.

PSE, a combined electric and gas utility, serves approximately 750,000 gas customers in King, Kittitas, Lewis, Pierce, Snohomish and Thurston counties. On September 27, 2018, PSE updated its filings to reflect actual costs through August 2018.

Deferred Gas Cost

Differences between gas prices from the previous year (November 2017 – October 2018) are deferred and returned to customers through the Schedule 106 Tracker. As shown in Table 1 above, the changes to the tracker result in a net decrease in revenues by \$40.6 million (4.5 percent). The forecasted gas prices that were used to establish the 2017 PGA rates were higher than actual costs throughout November 2017 – October 2018. Chart 1 below compares the average price of natural gas to the expected forecasted prices throughout this period. Gas prices were consistently lower throughout last year. Further, the low trading price at AECO allowed the company to engage in arbitrage with its existing pipeline capacity to increase savings for customers. The recovery period will start November 1, 2018, and end on October 31, 2019.

CHART 1 – Natural Gas Average Price Comparison for November 2017 – August 2018



Purchased Gas Adjustment

PSE has also presented revisions to its going forward gas cost rates, the Purchased Gas Adjustment Schedule 101. As shown in Table 1 above, the changes to the PGA result in an additional net decrease in revenues by \$57.8 million (6.4 percent). The decrease in revenue in the going forward PGA is chiefly the result of lower projected commodity prices for natural gas. Specifically, the average forward prices at the three natural gas trading hubs (AECO, Rockies, and Sumas) is lowest at AECO, where PSE procures a significant portion of gas. Further, the low prices are expected to remain relatively stable, further reducing the going forward costs.

Although the PGA rate will become effective November 1, 2018, the cost estimate is based on the period from November 1, 2017 to October 31, 2018. Any difference between projected cost and actual PGA revenue will be trued up in the next rate year.

Combined Effect of all Filings

The combined effects of all proposed tariff revisions for the October 19 open meeting are summarized below. As a result of these revisions, a residential customer with monthly average consumption of 64 therms will see a decrease of \$6.02, from \$65.18 to \$59.16.

	Avista	Cascade	PSE	NWN
Current Typical Residential Bill	\$51.21	\$51.69	\$65.18	\$52.73
Average Therms	65	54	64	57
Rate Adjustments:				
Cost Recovery Mechanism		\$0.46	\$0.32	
Decoupling Rate Adj.	\$(5.40)	\$(1.32)		
Energy Efficiency Rider		\$0.75		\$0.22
Low Income Adj.				\$0.01
Purchased Gas Adj.	\$0.03	\$(3.91)	\$(6.34)	\$(4.00)
Reorganization Benefits				\$(0.05)
Adj. for Tax Effects		\$(0.05)		
Sum of All Adjustments	\$(5.37)	\$(4.07)	\$(6.02)	\$(3.81)
% Change in Customer Bills	-10.5%	-7.9%	-9.2%	-7.2%

Conclusion

On October 2, 2018, PSE notified its customers of the proposed PGA rate adjustments, through published notice. No customer comments were received.

Recommendation

Staff recommends that the commission take no action, thereby allowing the tariff revisions filed in Docket UG-180794 to become effective November 1, 2018, by operation of law.