

Agenda Date: April 26, 2012  
Item Number: A2

**Docket:** UG-120291  
Company: Puget Sound Energy

Staff: Edward Keating, Regulatory Analyst  
Deborah Reynolds, A/D Energy Conservation and Planning

### **Recommendation**

Issue an order dismissing the complaint and order suspending the tariff revision and allow the tariff revision filed by PSE on March 1, 2012, to be made permanent.

### **Background**

On March 1, 2012, Puget Sound Energy (PSE or company) filed revisions to its Natural Gas Conservation Service Tracker, Supplemental Schedule 120. The purpose of the filing is to implement changes to rates under the conservation tracker mechanism. This mechanism was established as part of the settlement agreement approved by the commission in Dockets UE-011570 and UG-011571.<sup>1</sup>

Unlike the electric conservation filing which spans two months from the filing date to the effective date, the natural gas filing only allows for thirty days. In order to give staff more time to complete a review of this filing, Staff requested the commission suspend the proposed tariff revision. On March 29, 2012, the commission issued Order 01, suspending the tariff and allowing rates on a temporary basis, subject to revision.

### **Discussion**

In addition to the procedural distinction between the electric and natural gas filing, there are functional differences between the two programs. One of the most significant differences is that the rates for natural gas are based on actual expenditures during the previous year. Unlike the electric conservation program, the company earns a return on the total amount expended and any amount under or over collected is trued up the following year.

The main function of staff's review was ensuring the integrity of the financial data presented by PSE. Staff verified the true-up, interest amounts and requested rates needed to recover expenditures. In addition, on April 5, 2012, staff performed an on-site financial audit of PSE's electric and gas conservation programs. The audit focused on operating expenses and incentive rebates for a select group of programs and months and attempted to confirm that expenditures were paid as stated. All audited samples for the gas conservation programs matched financial data presented by PSE.

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

### Previous Year's Performance

During the calendar year 2011, PSE spent \$15.5 million on natural gas energy efficiency programs compared to a budgeted amount of \$19.3 million. Even with this 20 percent decrease (\$3.8 million) from the budget, PSE's efforts resulted in 5,186,721 therms saved versus PSE's 2011 target of 4,789,478 therms.

### Proposed Rates

The proposed rates generate approximately \$15.9 million for recovery of 2011 natural gas conservation program expenditures. The filed rates result in a decrease of approximately \$6.5 million or 28.6 percent in the natural gas conservation revenue requirement, decreasing the average bill for a natural gas residential customer using 68 therms per month by \$0.48 or 0.6 percent.

Included in the \$15.9 million proposed for recovery, are \$15,132,021 for energy efficiency program expenditures, \$1,049,921 for interest on deferred balances and a \$322,396 adjustment for PSE's previous over-collection.

This filing decreases the natural gas tracker charges to recover PSE's 2011 expenditures as shown in the following table.

	<b>Schedule</b>	<b>Current Rate per Therm</b>	<b>Proposed Rate per Therm</b>
Residential Service	Schedules 23, 53	\$0.02627	\$0.01927
Commercial Service	Schedules 31, 41	\$0.02627	\$0.01927
Interruptible Sales Service	Schedules 85, 86, 87	\$0.02444	\$0.01767
Gas Lighting Services	Schedule 16	\$0.50/mantle	\$0.40/mantle

### Conclusion

Staff has completed its review and recommends the commission issue an order dismissing the complaint and order suspending the tariff revision and allow the tariff revision filed by PSE on March 1, 2012, to be made permanent.