

Agenda Date: April 28, 2011  
Item Number: A3

**Docket:** UG-110401  
**Company:** Puget Sound Energy

**Staff:** Edward Keating, Regulatory Analyst  
Roger Kouchi, Consumer Protection Staff

### **Recommendation**

Issue an order dismissing the Complaint and Order Suspending Tariff Revisions dated March 24, 2011, and allow the proposed rates to become effective May 1, 2011.

### **Background**

On March 1, 2011, 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>

### **Discussion**

During the calendar year 2010, PSE spent \$19.6 million on natural gas energy efficiency programs compared to a budgeted amount of \$16.2 million. This \$3.5 million (21 percent) increase over budgeted amounts resulted in therm savings of 5,033,406 versus targeted therm savings of 4,264,500. The additional savings of 768,906 therms (18 percent over targeted amounts) is largely the result of an increase in spending on retrofit measures for residential single family and commercial/industrial customers. The other main area the company deviated from its budget was a decrease in actual spending on items that do not produce any calculable therm savings, such as residential and business information services, residential Home Energy Reports and other support activities. A spending decrease in these areas allowed more dollars to be spent on programs that directly contribute to therm savings. The 2011 budgeted expenditures for natural gas energy efficiency programs are \$19.3 million which is an increase of \$3.1 million (19 percent) over 2010 budgeted amounts. The 2010 and 2011 projected expenditures were reviewed by PSE's Conservation Resource Advisory Group (CRAG).<sup>2</sup> The company based this

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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.

<sup>2</sup> See UE-091859, UG-091860, UE-101942 and UG-101943.

projection on the increase in its energy efficiency targets from its 2009 Integrated Resource Plan (IRP).<sup>3</sup>

This filing increases the natural gas tracker charges to recover PSE's 2010 expenditures as shown in the following table.

	<b>Schedule</b>	<b>Current Rate<sup>4</sup> per Therm</b>	<b>Proposed<sup>5</sup> Rate per Therm</b>
Residential Service	Schedules 23, 53	\$0.02097	\$0.02627
Commercial Service	Schedules 31, 41	\$0.02097	\$0.02627
Interruptible Sales Service	Schedules 85, 86, 87	\$0.01975	\$0.02444
Gas Lighting Services	Schedules 16	\$0.40/mantle	\$0.50/mantle

The filed rates include \$19,611,541 in energy efficiency program expenditures, \$1,106,524 in interest on deferred balances,<sup>4</sup> a revenue-sensitive adjustment of \$1,029,090 and an adjustment for PSE's previous under-collection of \$1,991,146. The proposed natural gas tariff tracker reflects a 0.5 percent increase in the company's natural gas revenues, increasing the average bill for a natural gas residential customer using 68 therms per month by \$0.36 or 0.4 percent.

### **Customer Comments**

On or before March 1, 2011, the company notified its customers of the proposed rate increase by published notice in area newspapers, paid advertisements to community agencies and organizations in the area and provided information to the news editors of local newspapers, television and radio stations with information regarding the filing. The company also posted the notice on its website. The Commission received three customer comments on this filing; all three opposed the 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.

### **General Comments**

- Two customers stated that multiple rate increases each year pose a hardship.

### **Staff Response**

Customers were advised that state law requires rates charged to customers are fair, just, and reasonable and must also be sufficient to allow the company the opportunity to recover reasonable operating expenses and earn a reasonable return on investment.

<sup>3</sup> PSE's Integrated Resource Plan established the basis for the avoided costs used to evaluate the effectiveness of the energy efficiency programs. See UE-080949 and UG-080948.

<sup>4</sup> Docket UG-950288 allows the company to apply its authorized rate of return to its conservation deferred balance.

- Two customers disagreed with the inclusion of a gas conservation program charge.

**Staff Response**

Customers were advised of the need for cost-effective conservation programs to save natural gas to offset the increasing demand for energy.

**Conclusion**

Issue an order dismissing the Complaint and Order Suspending Tariff Revisions dated March 24, 2011, and allow the proposed rates to become effective May 1, 2011.