BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Petition of

PUGET SOUND ENERGY, INC. and NW ENERGY COALITION

For an Order Authorizing PSE To Implement Electric and Natural Gas Decoupling Mechanisms and To Record Accounting Entries Associated With the Mechanisms NO. _____

PETITION FOR DECOUPLING MECHANISM

I. INTRODUCTION

1. In accordance with WAC 480-07-370(1)(b), Puget Sound Energy, Inc. ("PSE") and the NW Energy Coalition (the "Coalition"), collectively referred to as the "Joint Parties," petition the Washington Utilities and Transportation Commission ("Commission" or "WUTC") for an order authorizing PSE to implement an electric and natural gas decoupling mechanism, and to begin recording accounting entries associated with the mechanism, effective November 1, 2012. This petition is supported by the prefiled testimony and exhibits of Messrs. Tom DeBoer, Jon Piliaris, and Ralph Cavanagh.

2. PSE is engaged in the business of providing electric and natural gas service within the State of Washington as a public service company and is subject to the regulatory

PETITION FOR DECOUPLING MECHANISM - 1

authority of the Commission as to its retail rates, service, facilities and practices. Its full

name and mailing address are:

Puget Sound Energy, Inc.
Attn: Tom DeBoer
Director of State and Federal Regulatory Affairs
P.O. Box 97034
Bellevue, WA 98009-9734

PSE's representatives for purposes of this proceeding are:

Sheree Strom Carson Donna L. Barnett Perkins Coie LLP 10885 N.E. Fourth Street, Suite 700 Bellevue, WA 98004-5579 Phone: 425-635-1400 Fax: 425-635-2400 scarson@perkinscoie.com dbarnett@perkinscoie.com

3. The NW Energy Coalition is a non-profit organization under section 501(c)(3)

of the Internal Revenue Code. The Coalition's primary purpose is to promote development of renewable energy and energy efficiency, consumer protection, low-income energy assistance, and fish and wildlife restoration on the Columbia and Snake rivers. Its full name and address are:

> NW Energy Coalition Attn: Nancy Hirsh, Policy Director 811 1st Ave., Suite 305 Seattle, WA 98104

PETITION FOR DECOUPLING MECHANISM - 2 PERKINS COIE LLP The PSE Building 10885 N.E. Fourth Street, Suite 700 Bellevue, WA 98004-5579 Phone: 425.635.1400 Fax: 425.635.2400

NW Energy Coalition's representatives for purposes of this proceeding are:

Todd True Amanda Goodin Earthjustice 705 Second Ave., Suite 203 Seattle, WA 98104 Phone: 206-343-7340 <u>ttrue@earthjustice.org</u> agoodin@earthjustice.org

4. The following rules or statutes may be brought into issue by this Petition: RCW 80.01.040, RCW 80.28.260, RCW 19.285 and WAC 480-07-370.

II. THE NEED FOR A DECOUPLING MECHANISM

A. The Purpose of the Proposed Decoupling Mechanism

5. The electric and natural gas decoupling mechanisms requested in this proceeding are intended to weaken the link between revenues collected and the amount of energy PSE sells. As the Commission has recognized, "[u]nder traditional ratemaking structures, utilities recover a large portion of their fixed costs through charges based on the volume of energy that consumers use. Consequently, a reduction in energy consumption may lower the probability that the utility can fully recover its fixed costs."¹ This is the predicament PSE faces. As demonstrated in PSE's 2011 general rate case, a significant portion of PSE's delivery costs are recovered in volumetric rates.² When PSE successfully

PETITION FOR DECOUPLING MECHANISM - 3

¹ In re Petition of Avista Corp. for an Order Authorizing Implementation of a Natural Gas Decoupling Mechanism and to Record Accounting Entries Associated With the Mechanism, Docket UG-060518, Order 04 (Feb. 1, 2007), ¶9.

² WUTC v. Puget Sound Energy, Inc. Dockets UE-111048 and UG-111049, Order 08 (May 7, 2012) ¶449 (hereafter "PSE GRC Final Order").

implements its energy conservation programs, customers use less energy, revenues from volumetric sales decrease and PSE is unable to recover its delivery costs that would have been recovered in its volumetric rates absent conservation.

6. The Coalition is an advocate for energy efficiency as the first resource of choice to meet customer energy needs for both electric and gas service. In proceedings across the Northwest, the Coalition has proposed decoupling as a tool to help remove the disincentive the utility may face to aggressively promote and implement conservation.

7. PSE has had electric and natural gas conservation programs in place for many years. PSE has worked closely with its Conservation Resource Advisory Group ("CRAG") and stakeholders on conservation policies and programs. Funding for PSE's energy efficiency programs is provided through a tariff rider approved by the Commission. Although PSE has been a leader in conservation in the Pacific Northwest and nationally, the decoupling mechanism proposed in this petition will require PSE to stretch even farther beyond its Commission-approved target—to accelerate conservation savings.

8. The decoupling mechanism requested in this petition is intended to make PSE indifferent to the effects of conservation on its revenue, thus removing all disincentives for PSE to aggressively promote conservation programs. As discussed in more detail below and in supporting testimony filed herewith, the proposed decoupling mechanism are consistent with state policy, as set forth in the Commission's Report and Policy Statement on

PETITION FOR DECOUPLING MECHANISM - 4

PERKINS COIE LLP The PSE Building 10885 N.E. Fourth Street, Suite 700 Bellevue, WA 98004-5579 Phone: 425.635.1400 Fax: 425.635.2400

Regulatory Mechanism, Including Decoupling, To Encourage Utilities To Meet or Exceed Their Conservation Targets. ("Decoupling Policy Statement") and Washington law.³

B. The Commission's Extensive Review of Decoupling

9. The Washington Commission has thoroughly analyzed, considered, implemented and experimented with decoupling for more than two decades. In 1991, the Commission approved a decoupling program for Puget Sound Power & Light Co.⁴ Since 2005, the Commission has engaged in several proceedings in which it analyzed decoupling. In 2005, the Commission conducted a rulemaking to consider decoupling mechanisms.⁵ In 2006, the Commission considered natural gas decoupling mechanisms proposed in PSE's general rate case and in an accounting petition filed by Avista. The Commission declined to implement PSE's natural gas decoupling mechanism, determining that PSE did not need any further incentive to undertake conservation.⁶ In contrast, the Commission approved Avista's decoupling mechanism.⁷ In 2007, the Commission authorized a three-year pilot decoupling mechanism for Cascade Natural Gas Corporation.⁸

PETITION FOR DECOUPLING MECHANISM - 5

³ See In re WUTC Investigation into Energy Conservation Incentives, Docket U-100522, Report and Policy Statement on Regulatory Mechanisms, including Decoupling, To Encourage Utilities To Meet or Exceed Their Conservation Targets (Nov. 4, 2010), ¶1; RCW 80.28.260.

⁴ Docket UE-901183, Third Supplemental Order (April 10, 1991).

⁵ Rulemaking to Review Natural Gas Decoupling, Docket UG-050369 (March 14, 2005).

⁶ WUTC v. Puget Sound Energy, Inc., Dockets UE-060266 and UG-060267, Order 08 (January 5, 2007), ¶¶65-66.

⁷ In re Petition of Avista Corp. for an Order Authorizing Implementation of a Natural Gas Decoupling Mechanism and to Record Accounting Entries Associated With the Mechanism, Docket UG-060518, Order 04 (February 1, 2007).

⁸ WUTC v. Cascade Natural Gas Corp., Docket UG-060256, Order 05 (January 12, 2007).

10. Beginning in April 2010, the Commission undertook an inquiry as to whether it should adopt new or modified regulations, or otherwise adopt policies to address declines in revenues due to utility-sponsored conservation or other causes of conservation. The Commission undertook this inquiry in response to a legislative proposal for utility recovery of lost margin related to conservation efforts.⁹ As part of this inquiry, the Commission considered the statutory framework, including RCW 19.285, which requires electric utilities to pursue all available conservation that is cost-effective, reliable, and feasible, and RCW 80.28.260 which authorizes the Commission to encourage investment in energy conservation by electric and natural gas utilities "and to help ensure that utilities are protected financially from reductions in short-term earnings that are a direct result of utility programs to increase the efficiency of energy use."¹⁰ The Commission filed a Preproposal Statement of Inquiry (CR-101) soliciting comments and a "Statement of Issues" from all interested parties. The Commission received extensive and detailed comments, sponsored two work sessions, solicited and received further comments, and ultimately issued its Decoupling Policy Statement.¹¹

PETITION FOR DECOUPLING MECHANISM - 6

⁹ See In re WUTC Investigation into Energy Conservation Incentives, Docket U-100522, Report and Policy Statement on Regulatory Mechanisms, including Decoupling, To Encourage Utilities To Meet or Exceed Their Conservation Targets (Nov. 4, 2010), ¶7.

¹⁰ *Id.* ¶6.

¹¹ See In re WUTC Investigation into Energy Conservation Incentives, Docket U-100522, Report and Policy Statement on Regulatory Mechanisms, including Decoupling, To Encourage Utilities To Meet or Exceed Their Conservation Targets (Nov. 4, 2010).

11. Most recently, the Commission reviewed a proposal for full electricity decoupling, proposed by the NW Energy Coalition, in PSE's 2011 general rate case. In that case the Commission issued Bench Request No. 3 which broadly required Commission Staff to "examine full decoupling as an option for PSE," and invited other parties to respond also. In response to Bench Request No. 3, Commission Staff filed a 21 page response with multiple appendices, in addition to filing testimony in response to the Coalition's decoupling proposal and PSE's proposed alternative to address the negative financial effects that conservation has on its ability to recover certain of its fixed costs -- the Conservation Savings Adjustment ("CSA") proposal. Several other parties to the case presented testimony in response to the decoupling and CSA proposals.¹²

12. PSE opposed the Coalition's decoupling proposal because the proposal did not adequately address the financial consequences of PSE's energy efficiency programs— specifically PSE's inability to recover its fixed costs through volumetric rates due to conservation.¹³

13. In its final order in that case, the Commission determined that the Coalition's proposal largely followed, and was consistent with the purpose of, the Commission's

¹³ PSE GRC Final Order, ¶¶453-54.

PETITION FOR DECOUPLING MECHANISM - 7 PERKINS COIE LLP The PSE Building 10885 N.E. Fourth Street, Suite 700 Bellevue, WA 98004-5579 Phone: 425.635.1400 Fax: 425.635.2400

¹² See generally, WUTC v. Puget Sound Energy, Inc. Docket Nos. UE-111048 and UG-111049 (consolidated).

Decoupling Policy Statement.¹⁴ However, the Commission declined to require PSE to implement full decoupling in the face of PSE's opposition.¹⁵

C. The Commission Can Approve These Decoupling Mechanisms Outside of a Rate Case

14. Although the Commission did not implement the Coalition's decoupling proposal, in the final order the Commission stated that it remained open to proposals for a full decoupling mechanism, even to one that may vary somewhat from the Commission's Decoupling Policy Statement.¹⁶ In response to this invitation, PSE and the Coalition worked together to craft the decoupling mechanism in this petition, which is consistent with the Coalition's proposal in PSE's 2011 general rate case and the Commission's Decoupling Policy Statement, and which also addresses, in part, PSE's concerns regarding the deleterious effects of conservation has on PSE's ability to recover its delivery costs.

15. The Commission completed a review of PSE's 2011 general rate case only a few months ago, and as a part of that case, the Coalition presented a decoupling mechanism that is very similar to the decoupling proposal presented in this petition. Moreover, in that case the Commission not only thoroughly analyzed the Coalition's decoupling proposal, it also sought, received, and considered input from Commission Staff and other parties about decoupling in general. In sum, the Commission has recently completed a full analysis of decoupling in general and for PSE specifically, including a decoupling proposal that included

¹⁴ PSE GRC Final Order ¶¶453,455.
¹⁵ PSE GRC Final Order, ¶453.
¹⁶ PSE GRC Final Order, n. 617.

PETITION FOR DECOUPLING MECHANISM - 8 PERKINS COIE LLP The PSE Building 10885 N.E. Fourth Street, Suite 700 Bellevue, WA 98004-5579 Phone: 425.635.1400 Fax: 425.635.2400

most of the elements of the decoupling proposal that PSE and the Coalition are presenting in this case. In this context, it is appropriate for the Commission to consider and approve the joint proposal for decoupling presented by the Coalition and PSE.

16. Approval of the Joint Parties' proposal is consistent with the Commission's approval of Avista's decoupling mechanism outside of a general rate case. In that case the Commission noted the importance of the information accompanying a general rate case to allow the Commission to make a fully informed decision about decoupling, but approved Avista's decoupling mechanism outside of a general rate case stating: "Although this petition is not part of a general rate case, the fact that Avista had such a case before us within the past 13 months is sufficient in this context to guide our decision."¹⁷

III. THE DECOUPLING MECHANISM JOINTLY PROPOSED BY PSE AND THE COALITION

17. The natural gas and electric revenue decoupling mechanism proposed in this petition are similar in nature to the decoupling mechanisms proposed by the Coalition in PSE's recently-concluded general rate case, Docket Nos. UE-111048 and UG-111049, and Avista's 2011 general rate case filed in Docket Nos. UE-110876 and UG-110877¹⁸ with two exceptions. The current proposal includes a "K-Factor" adjustment to Allowed Delivery Revenue Per Customer and it is applied to more customer classes, both of which are

PETITION FOR DECOUPLING MECHANISM - 9

¹⁷ In re Petition of Avista Corp. for an Order Authorizing Implementation of a Natural Gas Decoupling Mechanism and to Record Accounting Entries Associated With the Mechanism, Docket UG-060518, Order 04 (February 1, 2007), ¶30.

¹⁸ This proposal has since been consolidated with Avista's current general rate case filing in Dockets. UE-120436 and UG-120437.

discussed, along with other specific features of the decoupling mechanism, in more detail below.

A. General Description of Mechanism

18. This petition proposes to create a deferred accounting mechanism where the Company will defer the difference between its Allowed Delivery Revenue and the Actual Delivery Revenue it receives through regulated tariff rates to cover delivery costs. A true-up of the resulting accumulated deferred balance will occur annually through a surcharge or credited to customers' bills, by way of a tariff schedule tracker and subject to certain limitations discussed below.

B. Process for Mechanism

19. No later than April 1 of each year, PSE will make a filing to set: (a) the Monthly Allowed Delivery Revenue Per Customer used to calculate the decoupling deferrals; and (b) the tariff tracker intended to clear the deferred balances accumulated through the end of the prior calendar year.¹⁹ The proposed Monthly Allowed Delivery Revenue Per Customer and tariff tracker would be filed with effective dates of May 1 of each year.

C. Customer Groups included in Mechanism

20. There will be two groups of electric rate schedules in the current tariff book subject to the decoupling proposal. The first group will be comprised solely of residential customers (Schedule 7 and 7A). The second group will be comprised of customers served

PETITION FOR DECOUPLING MECHANISM - 10

¹⁹ Proposed tariff rider rates would not be part of the initial filing, since there would be no deferred balances to clear.

under Schedules 24, 25, 26, 29, 31, 35, 40, 43, 46 and 49, as well as the related schedules where customers are eligible to participate in the Bonneville Power Administration's Residential Exchange Program. Lighting, served on Schedules 51 through 59, and Retail Wheeling customers are excluded from this proposal.

21. There will also be two groups of natural gas rate schedules (Residential and Non-Residential) in the current tariff book subject to the decoupling proposal. The first group will be comprised solely of residential customers (Schedules 23 and 53). The second group will be comprised of customers served under Schedules 31, 41, 85, 86 and 87. Transportation, rental, special contract and all other rate schedule customers are excluded from this proposal.

D. Included Costs

22. The decoupling mechanism will be based on the Company's costs, from the period most recently used to set tariff rates that are unrelated to its Power Cost Adjustment ("PCA") and Purchased Gas Adjustment ("PGA") mechanisms.²⁰

E. Calculation of Allowed Delivery Revenue

23. For each electric rate group, Test Year Allowed Delivery Revenue is calculated by subtracting the sum of (a) allocated PCA-related costs²¹ and (b) pro forma basic

PETITION FOR DECOUPLING MECHANISM - 11

²⁰ In response to direction offered in the Final Order in its last GRC, the Company contemplates filing to recover property tax through a separate tracker in the near future. If/when that tracker is approved and implemented, these costs would also be excluded from the decoupling mechanism calculations. *See* PSE GRC Final Order

²¹ PCA-related costs will be allocated to the rate groups in a manner consistent with the methodology used to set current rates.

charge revenue from total pro forma test year revenue used to set current base rates. This amount will then be divided by the number of customers during the test year to derive the Test Year Delivery Revenue Per Customer which is then multiplied by a K-Factor to derive the prospective Annual Allowed Delivery Revenue Per Customer.

24. For each gas rate group, Test Year Allowed Delivery Revenue is calculated by subtracting basic charge and minimum charge revenue from pro forma test year margin revenue used to set current rates. This amount will then be divided by the number of customers during the test year to derive the Test Year Delivery Revenue Per Customer which is then multiplied by a K-Factor to derive the prospective Annual Allowed Delivery Revenue Per Customer.

25. Each rate group's Annual Allowed Delivery Revenue Per Customer will then be allocated to each month based on the relative monthly energy sales during the prior calendar year to derive the Monthly Allowed Delivery Revenue Per Customer.

26. The Allowed Delivery Revenue is calculated by multiplying each rate group's Monthly Allowed Delivery Revenue Per Customer by the number of customers in that group in the current month.

F. Calculation of Actual Delivery Revenue

27. The Actual Delivery Revenue for each gas and electric rate group in each month will be calculated by multiplying each rate group's Delivery Cost Energy Rate by the actual sales for that group in the current month. The actual sales will not be weather normalized as part of this calculation.

PETITION FOR DECOUPLING MECHANISM - 12

PERKINS COIE LLP The PSE Building 10885 N.E. Fourth Street, Suite 700 Bellevue, WA 98004-5579 Phone: 425.635.1400 Fax: 425.635.2400

28. The Delivery Cost Energy Rate for each gas and electric rate group is calculated by dividing the Test Period Allowed Delivery Revenue by pro forma weather-normalized sales used to derive current rates in the test period.

G. Definition of Customer

29. For purposes of this proposal, customers will be defined consistently with the manner in which they are reported in the Company's financial reports (e.g., its Federal Energy Regulatory Commission and/or SEC filings).

H. Determination of the K-Factor

30. The K-Factor will be calculated for each rate group for each rate year (beginning May 1) by dividing (a) the weather-normalized delivery revenue that would have been collected through base rates in the prior calendar year in the absence of Company-sponsored conservation by (b) the revenue that would have been recovered in the prior calendar year through full decoupling (i.e., without a K-Factor). Specifically, this full decoupling revenue would be calculated by multiplying the Test Year Delivery Revenue Per Customer by the average number of customers in the year.

31. To calculate the weather-normalized delivery revenue that would have been collected in the absence of Company-sponsored conservation, the conservation savings reported by the Company in its annual filings with the Commission (but not already reflected in the test year used to derive current base rates) will be added to the weather normalized sales of the calendar year prior to the effective date of the decoupling tariff tracker. As part of this calculation, it will be assumed that 50 percent of the conservation savings reported during the rate case test year are already reflected in test year energy sales. The other 50 percent, which is assumed not to be reflected in test year energy sales, will be included as

PETITION FOR DECOUPLING MECHANISM - 13

PERKINS COIE LLP The PSE Building 10885 N.E. Fourth Street, Suite 700 Bellevue, WA 98004-5579 Phone: 425.635.1400 Fax: 425.635.2400

part of the K-Factor calculation. It is important to note that utilization of the K-Factor in no way allows the Company to recover more costs than already approved by the Commission in PSE's last general rate case. The Joint Parties' proposal simply seeks to reframe how costs, already approved by the Commission, are recovered so that the Company is no longer penalized financially for its acquisition of conservation resources.

I. Calculation of the Decoupling Deferral

32. For each gas and electric rate group, the Decoupling Deferral in each month will be determined by subtracting the Allowed Delivery Revenue for each group from the Actual Delivery Revenue recovered from the same group in the same month. Any difference, either positive or negative, would be recorded in a deferral account. The cumulative balance at any quarter end would be reflected in either Account 182.3 – Other Regulatory Assets or Account 254 – Other Regulatory Liabilities, as appropriate.

33. The parties propose that the cumulative deferred balances, either positive or negative, will accrue interest at the Company's authorized after-tax rate of return grossed up for income taxes.

J. Clearing Accumulated Deferrals

34. The deferred balances accrued by each rate group through the end of each calendar year will be amortized through decoupling tariff tracker effective May 1 in the following year. The tariff tracker adjustment (up or down) will be calculated separately for each rate group to clear that group's deferred balances over a 12 month period. Subject to the limit on rate increases outlined in this proposal, the tariff tracker adjustment for each electric and gas group will be calculated as a simple cents per kilowatt-hour or cents per therm charge, respectively.

PETITION FOR DECOUPLING MECHANISM - 14

35. Any difference between the amount projected to be cleared and the amount actually cleared through the application of the tariff tracker will be added to the amount to be cleared in the subsequent rate period.

K. Limits on Rate Increases

36. The tariff tracker adjustment calculated to clear each group's deferred balances will be limited so as not to exceed three percent of the average base rates for that group at the time the decoupling tariff tracker goes into effect. If the calculated rate adjustments will result in a credit on customers' bills, there will be no limit on such changes to rates. To the extent that deferred balances are not cleared as a result of the limits placed on increases to the decoupling tariff tracker, the remaining balances will be included in the deferred balances and will be recoverable in the subsequent rate period, not to exceed three percent in any rate period.

L. Earnings Test

37. The Joint Parties do not recommend an earnings test as part of the operation of the decoupling mechanism. If the Commission nevertheless believes one should be applied, PSE and the Coalition propose that the Company be allowed to earn up to 25 basis points above its authorized rate of return on rate base before limiting recovery of the deferral to 50 percent of the amount in excess of the earnings threshold.

M. Changes to Return on Equity

38. No immediate change to the Company's allowed return on equity is proposed as part of its decoupling proposal. To ensure a timely examination of the potential effect of the proposed decoupling mechanism on the Company's cost of capital, PSE will file at least one general rate case, or make some other filing in which its cost of capital can be fully

PETITION FOR DECOUPLING MECHANISM - 15

examined by the Commission, between three and five years of the date that decouplingrelated deferrals commence as part of this proposal.

N. Conservation Achievement

39. The Company and the Coalition recognize that the Commission expects utilities with revenue decoupling mechanisms to meet or exceed their conservation targets. To that end, as an integrated part of the proposal, PSE proposes to achieve electric conservation in excess of the biennial conservation target set by the Commission. Specifically, while the electric decoupling mechanism is in place, PSE will agree to achieve electric conservation five percent above the pro rata share of its ten-year conservation potential (*i.e.*, 21 percent of the ten-year potential rather than 20 percent), which is equivalent to setting a pace for achieving its ten-year conservation potential over a period of roughly 9.5 years. Given the heightened volatility in the cost-effectiveness of natural gas conservation programs in recent years, the Joint Parties believe it would not be practical to make firm commitments to increase natural gas conservation achievement as part of this proposal.

O. Potential Impact on Wholesale Sales

40. Potential impacts of the Company's conservation program on its wholesale sales, if any, will be addressed through the application of its PCA and PGA mechanisms, not its decoupling mechanism.

P. Duration of Mechanism

41. The decoupling mechanism will remain in effect for no less than five years after its initial effective date, subject to approval by the Commission, upon a filing by the Company, for its continuation.

PETITION FOR DECOUPLING MECHANISM - 16

PERKINS COIE LLP The PSE Building 10885 N.E. Fourth Street, Suite 700 Bellevue, WA 98004-5579 Phone: 425.635.1400 Fax: 425.635.2400

Q. Bill Presentation

42. The rate adjustments resulting from this decoupling proposal will be portrayed on customers' bills in a manner consistent with the Company's low-income rider (i.e., as a component of base rates on the bill).

R. Evaluation of Mechanism

43. No later than four years after the date decoupling deferrals begin, the Company will file with the Commission studies evaluating the effectiveness of the mechanism, along with a proposal to continue, modify or discontinue either or both of the mechanisms following the fifth year of their operation. This filing could be as part of a general rate case or a stand-alone filing. The filings could be electric-only, natural gas-only or both at the same time.

44. The evaluation studies will be conducted by a third party, mutually agreeable to PSE and Commission Staff, in consultation with PSE's Conservation Resources Advisory Group. PSE and Commission Staff will jointly manage the evaluation process. This study will be funded through the Company's Schedule 120 electric and gas tariff schedules. The cost of this study will be allocated between these two schedules on the basis of relative past expenditures within the electric and gas conservation programs over the period being analyzed.

45. To the extent that data is available, the content of the study will include the following:

- An audit of whether the K-Factor, deferrals and rates were calculated in accordance with the Commission order approving the decoupling mechanism;
- 2. An evaluation of the impacts of the decoupling tariff tracker adjustments, calculated in relation to energy sales (kWh or therms), as a percent of monthly

PETITION FOR DECOUPLING MECHANISM - 17

bills, and in total dollars for each rate category customarily used for purposes of PSE's cost of service analyses;

- 3. An evaluation of the impact of the decoupling mechanism specifically on PSE's low-income customers (where low-income is defined as a customer receiving bill assistance through the HELP or LIHEAP program within the same calendar year of the evaluation time period) including:
 - A summary of the annual deferrals and rate impacts of the decoupling tariff tracker adjustments (cents per kWh, cents per therm, total dollars and percent of monthly bills) on the group of customers receiving bill assistance through PSE's low-income programs;
 - A summary of annual low-income conservation program savings, expenditures and customers served compared with the rest of the residential class, where low income conservation programs are defined as programs currently being run under electric Schedule 201 and gas Schedule 203;
 - A description of any modifications to conservation programs targeted at low-income customers since the inception of the decoupling mechanism; modifications include changes to funding levels as well as changes to specific measures or programs;
 - A comparison of the effect of the decoupling tariff tracker adjustment on the average customer receiving bill assistance through PSE's lowincome programs relative to the impact on PSE's average residential customer;
- 4. Identification of conclusive trends in the performance of the Company's electric and gas conservation programs since the inception of the decoupling mechanism based on information already available as part of the Company's

PETITION FOR DECOUPLING MECHANISM - 18

PERKINS COIE LLP The PSE Building 10885 N.E. Fourth Street, Suite 700 Bellevue, WA 98004-5579 Phone: 425.635.1400 Fax: 425.635.2400

biennial conservation achievement evaluations filed with the Commission in the second quarter of every "even" calendar year;

- a. Trends could include: changes in senior management roles as they relate to energy efficiency, numbers of presentations to the Board, significant changes to program delivery strategies as reported in annual evaluations, significant changes in program budgets or savings levels as reported.
- 5. Identification of any conclusive evidence to suggest that the decoupling mechanism adversely impacted customer service, distorted price signals for customers resulting in lower participation in conservation programs, or eroded the utility's incentive to control costs and improve operational efficiency.

IV. RELIEF REQUESTED

46. PSE and the Coalition respectfully requests that the Commission enter an order authorizing PSE to implement electric and natural gas decoupling mechanism as set forth in this petition, and begin recording accounting entries associated with the mechanism, effective November 1, 2012, as explained in this petition.

PETITION FOR DECOUPLING MECHANISM - 19

PERKINS COIE LLP The PSE Building 10885 N.E. Fourth Street, Suite 700 Bellevue, WA 98004-5579 Phone: 425.635.1400 Fax: 425.635.2400

Respectfully submitted this 25 day of October, 2012.

PERKINS COIE LLP

By

Sheree Strom Carson, WSBA #25349 Donna L. Barnett, WSBA # 36794 Attorneys for Puget Sound Energy, Inc.

EARTHAUSTICE BY Toda Frue, WSBA #12864 Amanda Goodin, WSBA #41312

Amanda Goodin, WSBA #4131. Attorneys for NW Energy Coalition

PETITION FOR DECOUPLING MECHANISM - 20 PERKINS COLF ILP The PSE Building 10885 N.E. Fourth Street, Suite 700 Bellevue, WA 98004-5579 Phone: 425.635.1400 Fax: 425.635.2400