



March 27, 2001

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Petition

Ms. Carole J. Washburn, Executive Secretary  
Washington Utilities and Transportation Commission  
P.O. Box 47250  
Olympia, Washington 98504-7250

Re: Advice No. 2001-10  
Electric Tariff Filing

Dear Ms. Washburn:

Pursuant to RCW 80.28.060 and WAC 480-80-040 and WAC 480-80-050, enclosed are an original and three copies of the following proposed tariff sheets:

WN U-60, Tariff G - (Electric Tariff):

Original Sheet No. 105	- Time of Day Pricing Adjustment
Original Sheet No. 105-a	- Time of Day Pricing Adjustment (Continued)
Original Sheet No. 125	- Electricity Conservation Incentive Credit
Original Sheet Nos. 125-a - c	- Electricity Conservation Incentive Credit (Continued)
Eleventh Revised Sheet No. 2	- Index to Rate Schedules
Original Sheet No. 307	- Time of Day Rate Adjustment - Residential Service
Original Sheet Nos. 307-a - c	- Time of Day Rate Adjustment - Residential Service (Continued)
Original Sheet No. 324	- Time of Day Rate Adjustment - General Service
Original Sheet Nos. 324-a & b	- Time of Day Rate Adjustment - General Service (Continued)
Original Sheet No. 325	- Time of Day Rate Adjustment - Small Demand General Service
Original Sheet Nos. 325-a & b	- Time of Day Rate Adjustment - Small Demand General Service (Continued)
Original Sheet No. 326	- Time of Day Rate Adjustment - Large Demand General Service
Original Sheet Nos. 326-a & b	- Time of Day Rate Adjustment - Large Demand General Service (Continued)
Original Sheet No. 331	- Time of Day Rate Adjustment - Primary General Service
Original Sheet Nos. 331-a & b	- Time of Day Rate Adjustment - Primary General Service (Continued)

\* The purpose of this filing is to implement Personal Energy Management (PEM) pricing for Customers currently being billed on Schedule Nos. 7, 24, 25, 26, and 31 where there is metering equipment installed that is adequate to implement and bill the Time of Day Rate Adjustment rates. Also included in this filing is Schedule No. 125 which is an Electricity Conservation Incentive Credit that provides an incentive credit of \$0.05 per kWh during a billing period for savings beyond a 10% threshold. In addition to the Time of Day rates and the Incentive Credit this filing is accompanied by a petition for an accounting order that will allow, among other things, a true up between the rates charged under the Time of Day rates and the amount that would have been billed under currently existing rate schedules. The collection or refund of this difference, under the proposed accounting order, is implemented in Schedule No. 105, which is also included in this filing.

The tariff sheets described herein reflect issue dates of March 27, 2001, and effective dates of April 26, 2001. Notice of proposed tariff changes, as required by law and the Commission's rules and regulations, is being given to the public immediately prior to or coincident with the date of this transmittal letter. We are enclosing a copy of the Notice to the Public which is being posted in locations where customers pay their bills.

The proposed Time of Day Rate Adjustment Schedules and the Electricity Conservation Incentive Credit (Schedule No. 125) are an integrated demand management program. This program will be implemented on a complete billing cycle basis and will not affect any customers' bills until the end of the first complete billing cycle following the effective date. The Time of Day Adjustment Schedules will apply to all billing cycles through the cycle with an ending date of April 16, 2002. The Electricity Conservation Incentive Credit (Schedule No. 125) will apply to all usage through December 31, 2001. The first billing under these Time of Day Rate Adjustments and the Electricity Conservation Incentive Credit will be approximately 30 days following the effective date of the respective schedules, therefore, the Company respectfully requests that the Commission allow a waiver of the 30 day statutory notice period and issue an order making the effective date of the Time of Day Rate Adjustments and the Electricity Conservation Incentive Credit included in this filing, April 16, 2001. The Company also requests that any potential impacts of implementing this program on service quality indices be disregarded by the Commission.

## **BACKGROUND**

### **West Coast Power Market in Crisis**

The West Coast's electricity market is in crisis. A growing population, expanding economy, and rapidly rising use of Internet-based technology have combined to dramatically drive up demand for electrical power. At the same time, the West Coast's supply of electricity has not grown in tandem. Tightened power supplies have put the region at greater risk of power shortages. Additionally, we are now in the midst of what may become one of the worst winter droughts in Northwest history. This has worsened the power-supply problem by severely limiting the region's hydropower capacity. The most recent forecast by the Pacific Northwest Utilities Conference Committee shows a 4000 MW deficit when the region experiences critical hydropower conditions.

The razor-thin gap between West Coast power supplies and consumer demand for electricity also has fueled an unprecedented increase in power costs. The region's average wholesale price of electricity has risen more than tenfold over the past year. In Washington State, many utilities forced to buy electricity on the volatile wholesale market have had to enact double-digit rate increases to cover their huge power bills. Such increases will likely continue in the region. The Bonneville Power Administration estimates it will have to raise its wholesale rates by as much as 270 percent this fall, though the agency said a worst-case scenario could require a near six-fold hike in the price BPA charges its utility customers.

### **Demand-Side Management: A Key to the Solution**

Solving the West Coast's power crisis is focused primarily on two objectives: increasing regional power supply, and promoting greater conservation of electricity by households and businesses. Even with expedited siting and permitting, the construction of major power plants takes a minimum of two to three years. For this reason, among others, policymakers are emphasizing energy conservation as the best near-term strategy for averting disruptive power shortages until new generation can be brought on-line.

The primary goal of conservation is to extend the ability of existing resources to meet the public's growing demand for electricity. This goal can be accomplished in two ways. One is to reduce the amount of energy currently being consumed by customers. The other is to lower the peak demand for power. Together, these two strategies can provide powerful benefits.

Puget Sound Energy has developed a comprehensive demand-side program comprised of two inseparable components. The program is designed to both reduce overall power consumption and shift customer usage away from high-cost, high-demand times of day. A major advantage of this program is that it can be implemented and begin producing results immediately. Based on customer reaction to PSE's 4-month-old Personal Energy Management pilot program, PSE believes tens of thousands of households and businesses will respond to price signals and, with financial incentives, heighten their energy-conservation habits – not months or years in the future, but today.

### **Conservation Incentive Credit**

The proposed Conservation Incentive Credit (CIC) component of PSE's integrated demand-side program offers the utility's electricity customers a direct, easy-to-calculate credit for conserving energy. PSE would compare each customer's monthly power consumption with that same billing month a year earlier. The goal is to reduce electricity use more than 10 percent. For every kilowatt hour of electricity a customer saved above and beyond 10 percent, the customer would receive a 5 cent credit against that month's bill. All residential customers (Schedule Nos. 7 & 307) and all core commercial and core industrial customers (Schedules Nos. 8, 10, 11, 12, 24, 25, 26, 29, 31, 35, 43, 46, 49, 324, 325, 326 and 331) are eligible for this program. PSE proposes to begin the demand-side program on April 16, with the CIC to run thorough December 31, 2001.

### **Personal Energy Management Pricing**

The Personal Energy Management (PEM) component of PSE's integrated demand-side program is designed to empower customers with the information and tools to better manage their energy usage and costs. PEM's primary goal is to help customers lower their power consumption during the peak-demand times of day. With the Time of Day Rate Adjustment customers will be provided a financial incentive to shift usage to off-peak periods. Under PEM pricing, the energy component in existing rates is reshaped over four time blocks each day according to the actual shape of the Company's energy procurement costs. This shaping is done separately for summer and winter periods. The program ensures revenue-neutrality for today's customer classes.

PSE is proposing a 12-month trial for PEM pricing – commencing April 16, 2001. Initially, PEM pricing will apply to the 420,000 residential, commercial, and light-industrial customers who already are receiving PEM information in their monthly bills or through PSE's Web site. As more customers

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are added to the trial by PSE, their first two months of program participation would entail PEM pricing information only. After two months, PEM pricing would apply to these customers.

**A Strategy for Immediate Results**

PSE's integrated strategy for reducing overall power usage and lowering peak-demand consumption can produce immediate and positive results. Testing this strategy, PSE believes, should not be delayed. Extremely high wholesale prices and a potentially crippling power shortage threatens the region. Public awareness of the crisis is high. A ground-breaking technology is now available that empowers customers with the knowledge and tools for a new generation of energy conservation. Timing is critical. The opportunity to put this strategy to the test should not be missed.

Please contact me at (425) 456-2797 for additional information about this filing

Sincerely,



Karl R. Karzmar  
Manager, Revenue Requirements

Enclosures

cc: Simon J. ffitich  
Mark Quehrn

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BEFORE THE  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Petition of  
  
PUGET SOUND ENERGY, INC.  
  
for an Accounting Order Regarding the  
Implementation of Time of Day Adjustment of  
Existing Rates and an Electricity Conservation  
Incentive Credit and Accounting Treatment  
Consistent Therewith.

NO. \_\_\_\_\_  
  
PETITION FOR  
FOR ACCOUNTING ORDER

**I. INTRODUCTION**

1. Puget Sound Energy, Inc. ("PSE"), P.O. Box 97034, Bellevue, Washington 98009-9734, hereby petitions the Washington Utilities and Transportation Commission ("Commission") for an accounting order authorizing PSE to modify its accounts in conformity with the time of day adjustment of existing rates set forth in PSE's proposed Schedules Nos. 307, 324, 325, 326 and 331 (each a "Time of Day Schedule," and collectively "Time of Day Schedules") (attached as Exhibits A, B, C, D and E), the true-up mechanism for such time of day adjustment of existing rates set forth in the rate adjustment in PSE's proposed Schedule No. 105 ("Time of Day Rate Adjustment Schedule") (attached as Exhibit F) and the electricity conservation incentive credit set forth in PSE's proposed Schedule No. 125 ("Conservation Incentive Credit Schedule") (attached as Exhibit G).

1           2.       The following statutes may be brought into issue by this Petition: RCW  
2 80.01.040(3) (concerning the Commission's jurisdiction to regulate electric companies); and  
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4 RCW 80.04.090 (authorizing the Commission to prescribe the form of accounts).  
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## 8   **II.     FACTS**

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10           3.       PSE is in the business of furnishing electric and gas service in the state of  
11 Washington and is subject to the Commission's regulatory authority over retail rates, services  
12 and practices.  
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15           4.       Washington is currently facing a severe energy shortage. As a result of  
16 California's energy crisis and abnormally low rainfall in this region, Governor Locke has  
17 declared that Washington is in an energy supply alert. He has urged action to respond to the  
18 regional energy shortage, stating "We must take all steps necessary to avoid a crisis of the  
19 proportions experienced by California , a crisis that directly threatens the very foundations of  
20 the California economy, vital public services, and the health and safety of the public."  
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23           5.       PSE has made a considerable effort to respond to the regional energy shortage  
24 and to reduce the likelihood of a crisis of the magnitude that California is currently facing.  
25 One aspect of this effort is an integrated demand-side initiative which combines: (1) the Time  
26 of Day Schedules with the Time of Day Rate Adjustment Schedule, which would encourage  
27 customers to reduce their on-peak electricity use by providing them price signals while, at the  
28 same time, each class' aggregate revenues would remain neutral to PSE; and (2) the  
29 Conservation Incentive Credit Schedule, which would encourage customers to reduce their  
30 monthly electricity use by rewarding them with financial credits for doing so.  
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33           6.       PSE has been developing its time of day program for some time, as it  
34 encourages efficient energy use, even in times when energy is not in short supply, by  
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1 providing cost and usage information to customers. Implementing the Time of Day  
2 Schedules for a one year pilot program in response to the current energy shortage will  
3 provide valuable information and experience in developing and evaluating a time of day  
4 program.  
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### 8 III. DISCUSSION 9

10 7. Time of Day Schedules. Time of Day Schedules encourage customers to use  
11 energy more efficiently. Time of day incentives have numerous potential benefits. Such  
12 incentives (1) complement PSE's other efforts to respond to the current energy supply  
13 shortage; (2) are cutting-edge methods of reducing peak demand through load shifting, which  
14 would be particularly beneficial in the current energy supply shortage; (3) prevent the need  
15 for certain customers, who tend to use energy off-peak, to subsidize other customers, who  
16 tend to use energy on-peak; (4) send price signals to customers, thereby allowing each  
17 customer to make an informed decision as to his/her energy use/conservation; (5) will likely  
18 improve PSE's load factor; and (6) will likely reduce customer demand charges in the future.  
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28 8. Time of Day Rate Adjustment Schedule—The Time of Day Rate Adjustment  
29 Schedule is designed to ensure that the Time of Day Schedules remain revenue neutral to  
30 PSE. Such rider provides that if the cumulative revenues collected from PSE customers  
31 pursuant to any Time of Day Schedule are more than five percent (5%) different than the  
32 revenues that would have been collected from such customers pursuant to the rate schedule  
33 that such customers would have taken service under in the absence of time of day rates, an  
34 amount equal to such difference will be refunded or charged back to PSE customers to  
35 achieve revenue neutrality. In any event, upon the expiration of the Time of Day Schedules,  
36 PSE will credit or charge equally to the customers served under each of the Time of Day  
37 Schedules an amount equal to the difference between the charges actually collected by PSE  
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1 for such customers' energy usage under the Time of Day Schedules and the charges for such  
2 customers' energy usage that would have been collected by PSE from such customers  
3 pursuant to the rate schedule that such customers would have taken service under in the  
4 absence of the time of day rates.  
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9 9. Conservation Incentive Credit Schedule—The Conservation Incentive Credit  
10 Schedule is available to certain PSE customers. Such rider provides that each customer that  
11 reduces his/her total use in a particular month by greater than ten percent (10%) compared to  
12 the same month in the previous year will receive a \$.05 credit for each kilowatthour reduced  
13 in such month that is in addition to the ten percent (10%) reduction.  
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#### 20 **IV. ACCOUNTING TREATMENT**

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22 10. PSE respectfully requests that the Commission issue an accounting order  
23 authorizing the Company to modify its accounts in conformity with the Time of Day  
24 Schedules, the Time of Day Rate Adjustment Schedule and the Conservation Incentive Credit  
25 Schedule. Specifically, PSE requests that the Commission issue an accounting order  
26 authorizing PSE to (1) implement time of day pricing pursuant to and in conformity with the  
27 Time of Day Schedules; (2) defer each True-Up Difference until such time as an amount  
28 equal to such difference is refunded or charged to the applicable customer accounts pursuant  
29 to and in conformity with the Time of Day Rate Adjustment Schedule; and (3) account for  
30 certain credits to PSE customers that reduce their energy consumption by greater than ten  
31 percent (10%) in a given month compared to the same month in the prior year pursuant to  
32 and in conformity with the Conservation Incentive Credit Schedule.  
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**V. PRAYER FOR RELIEF**

11. PSE respectfully requests that the Commission enter an accounting order authorizing PSE to modify its accounts consistent with the Time of Day Schedules, the Time of Day Rate Adjustment Schedule and the Conservation Incentive Credit Schedule.

DATED: March \_\_\_, 2001.

By   
Karl R. Karzmar  
Manager of Revenue Requirements