



Puget Sound Energy
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PSE.com

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STATE OF WASH
UTIL. AND TRANSP
COMMISSION

June 1, 2012

Mr. David Danner, Executive Director and Secretary
Washington Utilities and Transportation Commission
P.O. Box 47250
Olympia, Washington 98504-7250

Re: Petition for Accounting Order Authorizing Accounting Treatment of the Company’s Gas Conservation Programs

Dear Mr. Danner:

Enclosed please find the original and twelve (12) copies of Puget Sound Energy, Inc’s Petition for an Accounting Order Authorizing Deferral Accounting Treatment of the Company’s Gas Conservation Programs.

The purpose of this request of Puget Sound Energy, Inc. (“PSE” or the “Company”) is to change the existing natural gas conservation cost recovery mechanism (the “Conservation Tracker”) into a rider mechanism to be consistent with the mechanism under which the Company currently recovers electric conservation costs (“Conservation Rider”).

In Docket No. UG-950288 the Washington Utilities and Transportation Commission (the “UTC”) approved the existing natural gas Conservation Tracker. In that mechanism costs were deferred on an annual basis and set for recovery in the following year over a 12-month period including Allowance for Funds used to Conserve Energy (“AFUCE”).

The Conservation Tracker differs from the Company’s current method of recovery for electric conservation costs in the Conservation Rider. In addition to timing of filings and effective dates, the electric Conservation Rider is a future-looking recovery mechanism which does not include any cost of AFUCE. This proposal will change the Gas Conservation Tracker to recover future natural gas conservation costs in the same manner as the electric Conservation Rider costs and be otherwise consistent with the electric Conservation Rider cost recovery. This proposal addresses concerns raised by both Commission Staff and Public Counsel relating to the administrative inefficiencies associated with two separate cost recovery mechanisms.

Mr. David Danner

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In order to achieve this transition of the Conservation Tracker into a rider mechanism, the Company proposes that the recovery of the 2012 conservation expenditures be achieved through an offset from amounts owed to customers for commodity costs in its current PGA.

Please contact Kathie Barnard at (425) 462-3716 or at kathie.barnard@pse.com for additional information about this filing. If you have any other questions please contact me at (425) 462-3495.

Very truly yours,

A handwritten signature in black ink that reads "Tom DeBoer". The signature is written in a cursive, slightly slanted style.

Tom DeBoer
Director, Federal & State Regulatory Affairs

Enclosure

cc: Sheree Carson, Perkins Coie
Simon ffitch, Public Counsel

**BEFORE THE
WASHINGTON UTILITIES & TRANSPORTATION COMMISSION**

In the Matter of the Petition of
PUGET SOUND ENERGY, INC.
For an Accounting Order Authorizing
Accounting Treatment of the Company's Gas
Conservation Programs

Docket No. UG-12-____
PETITION FOR AN
ACCOUNTING ORDER

STATE OF WASH.
UTIL. AND TRANSP.
COMMISSION

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I. INTRODUCTION

1. In accordance with WAC 480-07-370(1)(b), Puget Sound Energy, Inc. ("PSE") (the "Petitioner") respectfully petitions the Commission for an order authorizing the accounting treatment detailed in this Petition related to the tracking and recovery of costs associated with the Company's gas conservation programs. The purpose of this Petition is to align the Gas Conservation recovery mechanism consistent with the approach approved for electric conservation programs while minimizing the impact to gas customer's during the transition from a tracker mechanism to a rider mechanism. In this Petition, the Petitioner requests that the costs associated with the Company's current 2012 gas conservation programs be recovered by allocating an equivalent amount from the Company's Purchased Gas Adjustment ("PGA") deferral account that is tracking the current over recovery of commodity costs.

2. PSE is engaged in the business of providing electric and gas service within the State of Washington as a public service company, and is subject to the regulatory 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: Katherine Barnard
Director State Regulatory Affairs
P.O. Box 97034
Bellevue, Washington 98009-9734

3. Rules and statutes that may be at issue in this Petition include RCW 80.01.040, RCW 80.28.020, and WAC 480-07-370(1)(b).

II. BACKGROUND

Gas Conservation Program

4. In Docket UG-950288 the current Gas conservation tracker was approved by the Commission at an open meeting. The authorization is set forth in a letter from Steve McLellan, Executive Secretary, to Ron Amen, Director, Rates and Special Studies at WNG, advising that the Commission authorized the accounting treatment for gas conservation investment and describing the Tracker Recovery. Gas Conservation costs were allowed to be deferred on an annual basis and set for recovery in the following year over a 12 month period, April through March, with an accrual for Allowance for Funds used to Conserve Energy ("AFUCE"). The AFUCE rate allowed on the deferred costs was the Company's current net of tax rate of return. There was no Commission Order approving the tracker mechanism.

5. In Docket UG-970735 the accounting treatment for additional gas conservation investments was authorized by the Commission in an open meeting, as documented in a 5/28/07 letter from Steve McLellan to Karl Karzmar. This Docket authorized the same accounting treatment as in Docket UG-950288 except for the Efficient Gas Water Heater Rebate program which was to be consistent with Docket UG-930287.

6. In Docket UG-990248 the Commission allowed a gas conservation tariff. In this filing PSE made a three-year commitment re conservation programs. There was no change in the tracker methodology from UG-950288.

7. Dockets UE-020263 and UG-020264 extended the gas conservation programs through December 31, 2002 as a bridge to continue the Company's conservation program activity beyond the termination date, while settlement discussions proceeded in the 2001 General Rate Case (GRC). The filing added new programs, while other programs expired. The filing adjusted tracker rates, including rates for firm and interruptible sale schedules. There was no change in the tracker methodology from UG-950288.

8. Dockets UE-011570 and UG-011571 Twelfth Supplemental Order approved the Conservation Settlement (Exhibit F to the settlement stipulation) but did not expressly address the gas conservation tracker. Section L of the Conservation Settlement addressed cost recovery and allocation and Paragraph 35 states:

~~"The Company shall retain existing tracker and rider mechanisms going forward, subject to the Commission's Order in Docket No. UE-970686." (Docket UE-970686 is an annual report on electric conservation expenditures.). Paragraph 38 of the 2002 Conservation Settlement addresses gas conservation and states: "Gas conservation program costs will be allocated in a manner consistent with the program in effect in May 2002. No gas conservation program costs shall be allocated for recovery from natural gas transportation customers. Natural gas program costs recovery allocations made to natural gas sales customers shall be made according to the peak credit (i.e., bridge) methodology that underlies Puget's recovery for surcharges for its conservation programs as approved in March 2002 in Docket No. UG-020264."~~

9. In UG-120291, PSE filed its annual tracker for recovery of the 2011 Gas Conservation Costs, which the Commission approved at its April 26, 2012 open meeting. During that proceeding, both Staff and Public Counsel expressed concerns regarding the administrative in-efficiencies associated the existing gas conservation tracker mechanism due to its inconsistency with the Electric Conservation recovery mechanism.

III. OFFSET OF 2012 CONSERVATION COSTS WITH A PORTION OF THE CURRENT PGA COMMODITY DEFERRAL AND ACCOUNTING TREATMENT

A. PGA Deferrals

10. Under the Company's Purchased Gas Adjustment a commodity rate is set for recovery of natural gas costs on a forward looking basis each November. The rate charged each customer is an equal amount per therm to recover this cost.

11. As actual natural gas costs are incurred the Company defers the cost difference between what is currently being recovered in rates for commodity costs and the actual commodity cost. In the current PGA this difference is approximately a \$32.4 million over recovery of natural gas cost as of April 30, 2012. This over recovery of PGA commodity costs, plus any changes in this balance through October 2012, would normally be credited back to customers in the Company's next PGA cycle on an equal cost per therm basis.

B. Accounting Treatment

12. The Petitioner requests that the Commission allow a portion of the current PGA commodity deferral recorded by PSE from November 2011 through April 2012 to be used to offset the 2012 natural gas conservation expenditures that will have been deferred through June 2012 plus the remaining 2012 natural gas conservation expenditures that will be allocated based on expected load to the months July 2012 through April 2013.

13. The Petitioner proposes to leave the rates under UG-120291, which are effective from April 1, 2012 through March 31, 2013 and are collecting PSE's 2011 gas conservation program expenditures, interest and true-ups unchanged.

14. The Petitioner proposes to transition PSE's 2012 gas conservation expenditures from the deferral to a future looking recovery mechanism as of June 30th, 2012 to concurrent recovery over the 10 month period, July 2012 through April 2013 to be consistent with the methodology in place for electric conservation expenditures. The recovery of the 2012 gas conservation expenditures incurred after June 30, 2012 during the 10-month transition period

would be achieved through an offset from amounts owed to PSE customers for commodity costs in its current PGA being collected under Schedule 101.

15. Beginning in July 2012, the Company will cease recognition and recovery of AFUCE on conservation expenditures. The remaining 2012 natural gas conservation expenditures, the difference between the approved 2012 budget of \$13.45 million and the amount deferred through June 30, 2012, will be allocated based on expected loads to the months July 2012 through April 2013.

16. In July 2012 the Company will file a schedule with the Commission that shows the actual amount deferred through June 30, 2012 and the amounts to be recovered on an estimated per therm basis July 2012 through April 2013.

17. Each month for July 2012 through April 2013 the Company will transfer the allocated natural gas conservation expenditures from the PGA commodity deferral account to revenues to recover the remaining conservation costs.

18. Since the deferred PGA commodity costs used to offset budgeted 2012 gas conservation expenditures would be credited back to all customers through Schedule 106 on an equal cost per therm basis and 2012 gas conservation expenditures would otherwise be recovered from all sales customers on a nearly-equal cost per therm basis¹, this accounting treatment should introduce minimal cost shifting between customers.

19. Starting in 2013 for the 2013 program year expenditures, it is proposed to move the annual rate change date for gas conservation from April 1st to May 1st with a March 1st filing date of each year to allow for a 60 day review period which is consistent with the electric conservation program filing.

20. By May 1, 2013, the Company will have fully transitioned recovery of its gas conservation program expenditures to a recovery mechanism that is the same as the electric

¹ There is a 0.16 cent per therm difference between the gas conservation rates of customers receiving firm vs. interruptible service.

conservation program recovery mechanism. By granting the Company to transition the conservation program cost recovery through the use of balances owed to customers under Schedule 101 PGA, multiple offsetting conservation and PGA rate increases/decreases can be mitigated.

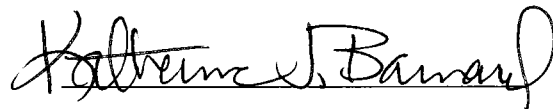
21. Attached is Appendix A that provides T-Accounts and journal entries depicting the proposed accounting treatment being requested.

22. The Company has reviewed the proposed accounting treatment with Commission Staff who have expressed support for this transition.

IV. PRAYER FOR RELIEF

23. Based on the foregoing, PSE respectfully request that the Commission issue an Accounting Order authorizing the accounting treatment depicted in Appendix A.

Dated this ___ day of June, 2012



Katherine Barnard

Director State Regulatory Affairs

AMOUNTS SHOWN BELOW ARE ESTIMATES AND ARE FOR ILLUSTRATIVE PURPOSES ONLY (amounts shown in thousands)

SAP Account		Spending amounts shown below would be grossed up for revenue sensitive items for use in the actual journal entries			
		In July 2012 for Jan-Jun 2012	(42% Based on Load) From Jul - Dec 2012 for Jul - Dec 2012	(58% Based on Load) From Jan - Apr 2013 for Jul - Dec 2012	Full 10 Month Recovery Period
Dr. 19100022	Current PGA Commodity Payable	\$ 6,600	\$ 2,880	\$ 3,970	\$ 13,450
Cr. 19100XX2	PGA Commodity to Offset Gas Conserv <i>Transfer PGA commodity payable to offset gas conservation receivable</i>	\$ 6,600	\$ 2,880	\$ 3,970	\$ 13,450
Dr. 182300X2	Gas Conserv Recvbl from PGA Commodity Payable	\$ 6,600	\$ 2,880	\$ 3,970	\$ 13,450
Cr. 18230032	Gas Conservation Expenditures <i>Transfer receivable for Gas Conservation expenditures made to be offset by PGA commodity payable</i>	\$ 6,600	\$ 2,880	\$ 3,970	\$ 13,450
Dr. 19100XX2	PGA Commodity to Offset Gas Conserv	\$ 6,600	\$ 2,880	\$ 3,970	\$ 13,450
Cr. 480.0/480.1	Gas Conservation Revenues <i>Relieve PGA Commodity liability paid back to customers through use as an offset to Gas Conservation expenditures</i>	\$ 6,600	\$ 2,880	\$ 3,970	\$ 13,450
Dr. 90800407	Gas Conservation Amortization Expense	\$ 6,600	\$ 2,880	\$ 3,970	\$ 13,450
Cr. 182300X2	Gas Conserv Recvbl from PGA Commodity Payable <i>Relieve Gas Conserv Recvbl paid back by offset from PGA commodity payable</i>	\$ 6,600	\$ 2,880	\$ 3,970	\$ 13,450

Amounts will be allocated to each month based on Forecasted therms

Total Forecasted Therms	Month	% of Period
30,477,016	Jul-12	4%
25,740,079	Aug-12	3%
28,643,303	Sep-12	4%
43,328,955	Oct-12	6%
81,018,728	Nov-12	10%
121,152,759	Dec-12	15%
135,983,459	Jan-13	17%
124,890,910	Feb-13	16%
107,336,409	Mar-13	14%
84,621,544	Apr-13	11%
783,193,162		100%
		58%

WASHINGTON UTILITIES & TRANSPORTATION COMMISSION

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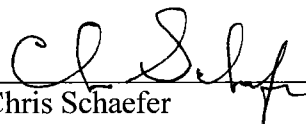
Docket No. UG-12-_____

PETITION FOR AN
ACCOUNTING ORDER

I hereby certify that I have this day caused the foregoing to be served, in accordance with WAC 480-07-150(6), to the following persons via overnight mail:

<p><u>Commission Staff:</u> Robert D. Cedarbaum, Senior Counsel 1400 S. Evergreen Park Dr. S.W. P.O. Box 40128 Olympia, WA 98504-0128 Phone: (360) 664-1188 Fax: (360) 586-5522 Email: bcedarba@utc.wa.gov</p>	<p><u>Public Counsel:</u> Simon J. ffitc Public Counsel Section Office of Attorney General 800 Fifth Avenue, Suite 2000 Seattle, WA 98104-3188 Phone: (206) 389-2055 Fax: (206) 464-6451 Email: simonf@atg.wa.gov</p>
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Dated at Bellevue, Washington, this 1st day of June, 2012.


Chris Schaefer
Manager, Regulatory Planning &
Compliance