



May 9, 1997

Ms. Deborah Stephens  
Washington Utilities and Transportation Commission  
P.O. Box 47250  
Olympia, Washington 98504-7250

RE: Docket No. UE-970686

RECEIVED  
MAY 12 1997  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Dear Ms. Stephens:

Enclosed are an original and nineteen copies of the substitution of the Company's Petition for Order Authorizing Deferral of Electricity Conservation Expenditures and Recovery Through a Tariff Rider submitted on April 23, 1997 in Docket No. UE-970686. Also enclosed are complete substitute pages for Attachments 1, 2, 3 and 4 to the petition. We have included all pages of the Attachments to allow for easier substitution even though not all pages reflect change.

Thank you for your assistance in this matter. If any further information is required, please contact me at (425)462-3451 or contact Lynn Logen at (425)462-3872.

Very truly yours,

James A. Heidell  
Director, Federal & State Regulation

JAH/LFL  
Encl.  
cc: R. Manifold  
J. Van Nostrand

**BEFORE THE  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

Petition of

PUGET SOUND ENERGY

For an Order (1) Authorizing Deferral of  
Electricity Conservation Expenditures and  
(2) Approving a Tariff Rider for Concurrent  
Recovery in Electric Rates of Such Deferred  
Electricity Conservation Expenditures

Docket No. \_\_\_\_\_

PETITION

In accordance with WAC 480-09-420(7), Puget Sound Energy ("PSE" or "the Company") respectfully petitions the Washington Utilities and Transportation Commission for an order which:

- (1) authorizes the deferral of expenditures incurred after December 31, 1996 in accordance with PSE's Schedule 83, Electricity Conservation Service, and
- (2) approves an electric tariff rider for concurrent recovery in electric rates of such deferred electricity conservation expenditures.

PSE requests that the mechanism proposed herein be approved as an interim measure. A number of significant issues must be resolved through the collaborative process, including cost allocation issues, the determination of avoided costs, the scope of the Company's role in meeting the goals of the Regional Comprehensive Review, and the design of a long-term recovery mechanism. Adoption of the recovery mechanism

proposed in this filing will not have precedential effect on the discussion and resolution of these issues in the collaborative process. It is the Company's intent to submit a filing which addresses these issues no later than August 1998.

### **BACKGROUND**

This petition concerns the deferral and recovery of expenditures incurred by the Company after December 31, 1996 under its electricity conservation programs. Since 1978, Puget Sound Power & Light Company has been authorized to defer expenses associated with its electricity conservation programs.<sup>1</sup> The relief requested by the Company would continue this authorization for electricity conservation programs of PSE. With respect to the rate recovery of the expenses so deferred, however, the Company proposes a different method. Rather than amortizing these electric conservation costs in rates over a ten-year period--which the Second Supplemental Order in Cause No. U-78-45 permitted the Company to do--the Company proposes to recover them in rates through an alternative recovery mechanism.

The Stipulation approved by the Commission in the merger proceeding (Docket No. UE-960195) provides that electric conservation expenditures after December 31, 1996 will be subject to recovery through an alternative recovery mechanism to be proposed in a separate filing. This Petition is the separate filing for deferral and recovery of electric conservation expenditures since December 31, 1996.

It should be noted that this petition relates to the recovery of costs incurred in connection only with the electricity conservation programs offered by the Company. Costs incurred with PSE's gas conservation programs are subject to the tracker

---

<sup>1</sup> Second Supplemental Order in Cause No. U-78-45.

currently in place pursuant to the order issued in Docket No. UG-950288, where Washington Natural Gas Company ("WNG")<sup>2</sup> received approval to defer its conservation expenditures and recover them under a tracker mechanism.

The essential elements which PSE proposes for rate recovery of costs incurred in connection with electricity conservation services are as follows:

- **Scope of Expenditures Defined by Tariff.** The expenditures authorized for deferral would be those incurred since December 31, 1996 in accordance with PSE's Schedule 83, the Electricity Conservation Service tariff. Contemporaneously with this filing, PSE is submitting a revised Schedule 83 which, along with the accompanying program Schedules 200-203, 205-206, and 250-254, sets forth the conservation programs which PSE proposes to include within its electricity conservation service. A copy of the proposed Schedule 83, bearing a proposed effective date of May 24, 1997, is included herewith as Attachment 1.
- **Recovery Through a Tariff Rider.** Electric conservation expenditures would be recovered through an electric tariff rider, Schedule 120. This tariff schedule would impose a surcharge applied to each kWh of electricity sales under each of PSE's electricity sales tariffs.<sup>3</sup> A copy of the proposed electric tariff rider is included herewith as Attachment 2. As discussed below, the electric tariff rider is subject to revision annually based on estimated program expenditures for the current calendar year.

---

<sup>2</sup> Effective February 10, 1997, WNG was merged with Puget Sound Power & Light Company to form PSE.

<sup>3</sup> Excluding wholesale sales.

- **Concurrent Recovery in Rates.** The rates set forth in such rider would be calculated to recover the conservation expenditures which are projected to be incurred for each program year, subject to true-up during a subsequent twelve-month period based on actual conservation expenditures during the program years and the actual recoveries during the relevant recovery period. The initial program year is calendar year 1997. The projected expenditures for electricity conservation service in accordance with Schedule 83 for calendar year 1997 is \$4.49 million.<sup>4</sup> The proposed rate set forth in the electric tariff rider, Schedule 120, is designed to recover this amount in rates during the period beginning with the effective date of the tariff rider through March 31, 1998.
- **Subsequent True-Up to Actuals.** PSE will submit a filing on or before March 1, 1998 stating the actual amounts spent during calendar year 1997. The variance between actual expenditures during the program year (calendar year 1997) and expected revenue collections during the recovery period (May 1997 through March 1998),<sup>5</sup> would be reflected in an adjustment to the tariff rider, Schedule 120, to be effective during the twelve month period commencing April 1, 1998.
- **No Allowance for Funds Used to Conserve Energy.** Because the rider would provide for concurrent recovery of conservation expenditures in rates, no allowance for funds used to conserve energy, or AFUCE, would be necessary.

---

<sup>4</sup> This amount includes expenditures made since December 31, 1996 and projected expenditures through December 31, 1997.

<sup>5</sup> At the time of the March 1 filing, actual revenue collections through January would be known. Revenue collections for the remaining two months of the recovery period--February and March--would be estimated, and subject to true-up at the time of the subsequent adjustment to the tariff rider.

- **Recovery on a Peak Credit Basis for Each Rate Class.** The rate set forth in the tariff rider, Schedule 120, is designed to recover the authorized electric conservation expenditures on a peak credit basis for each rate class over the recovery period. The portion allocable to the ARCO special contract load--for which recovery is not provided--shall be calculated based on an equal percentage methodology. The calculation of the conservation recovery amount is shown in Attachment 3.

### **REQUESTED AUTHORIZATIONS**

PSE requests that the Commission issue an order in the form attached as Attachment 4 which contains the following authorizations:

1. Expenditures incurred after December 31, 1996 by Puget Power or PSE pursuant to Schedule 83--Electricity Conservation Service--and accompanying program schedules (Schedules 200-203, 205-206, and 250-254) shall be deferred for recovery in rates through an electric tariff rider, Schedule 120.
2. Effective May 24, 1997, PSE shall implement an electric tariff rider, Schedule 120, for recovery of electricity conservation expenditures. The rate set forth in such Schedule 120 shall be designed to recover \$4.693 million,<sup>6</sup> on a peak credit basis for each rate class, during the period May 24, 1997 through March 31, 1998.
3. The rate set forth in Schedule 120 shall be subject to revision effective April 1, 1998 to reflect (a) PSE's projected expenditures under its Schedule 83, Electricity Conservation Service, for calendar year 1998, and (b) the variance between actual expenditures during calendar year 1997 and expected revenue collections for the recovery period ending as of March 31, 1998. For purposes of this filing such

---


<sup>6</sup> The revenue requirement associated with \$4.49 million in expenditures.

revenue collections shall be the actual revenue collections through January 1998. Revenue collections for the remaining two months of the recovery period--February and March 1998--would be estimated, and subject to true-up at the time of the subsequent adjustment to the tariff rider.

4. The rate set forth Schedule 120 shall be subject to revision effective April 1 of each year to reflect (a) PSE's projected expenditures under its Schedule 83, Electricity Conservation Service, for the then-current calendar year, and (b) the variance between actual electricity conservation expenditures for the previous calendar year and expected revenue collections under Schedule 120 during the 12-month recovery period ending March 31 of the then current year.<sup>7</sup> Such filing shall be submitted not less than thirty (30) days prior to the April 1 proposed effective date.

DATED this 23rd day of April, 1997.

PUGET SOUND ENERGY

  
\_\_\_\_\_  
By: Karl R. Karzmar  
Manager Revenue Requirements

---

<sup>7</sup> Revenue collections for the last two months of the recovery period--February and March--would be estimated, and subject to true-up at the time of the subsequent adjustment to the tariff rider.

## List of Attachments

Attachment 1	Proposed Tariff Revisions to Schedule 83
Attachment 2	Proposed Tariff Rider, Schedule 120
Attachment 3	Calculation of Rate in Schedule 120
Attachment 4	Proposed Order

[07771-0100/BA970830.030]



Attachment 1

**PUGET SOUND ENERGY  
Electric Tariff G**

**SCHEDULE 83  
ELECTRICITY CONSERVATION SERVICE**

**1. PURPOSE:**

To promote the efficient use of energy by providing customers with access to information, products and financing which will assist them in making energy efficiency decisions and investments. Energy conservation activities will be consistent with cost-effectiveness as defined by a Total Resource Cost Test. Company funding for services will be limited to cost-effectiveness defined by a Utility Cost Test using the Company's Conservation Avoided Costs. Individual programs are described under Schedules numbered 200 and above.

**2. AVAILABILITY:**

The programs described in Schedules numbered 200 and above are available to customers receiving their electrical service under Electric Tariff G from the Company, in facilities permanently located or under construction for permanent location in the Company's distribution service territory. The services are available to owners of these facilities and also may be provided to tenants who have obtained appropriate owner consent.

Availability of all services is subject to the funding available through Schedule 120.

Service provided under this schedule is limited to end-uses where electricity is the energy source and to measures which increase efficiency in the use of electricity.

**3. DEFINITIONS:**

The following terms when used in this schedule shall have the meanings given below:

- a. **Avoided Cost** for conservation measures is the cost the Company would otherwise incur to provide power if acquired from another source, plus credits for externalities and line losses.
- b. **Building Commissioning** is the process of verifying and documenting that the performance of building systems meets the design intent and the owner's operational requirements.
- c. **Conservation Avoided Cost** for conservation activities is the cost the Company would otherwise incur to provide energy from a generation source either directly or by contract plus credits for environmental externalities, and line losses.

(K) Transferred to Sheet No. 83-b

(N) Transferred from Sheet No. 83-a

ISSUED: April 23, 1997

EFFECTIVE: May 24, 1997

**ISSUED BY PUGET SOUND ENERGY**

By: Ronald E. Davis Vice President, Regulation and Utility Planning

**PUGET SOUND ENERGY**  
**Electric Tariff G**

**SCHEDULE 83**  
**ELECTRICITY CONSERVATION SERVICE**  
(Continued)

- d. **Incremental Measure Cost** is the incremental cost of an electricity efficient Measure in excess of the cost of a Measure required to satisfy existing codes or conform with existing construction practices. (K) (T) (K)
- e. **Low Income** means those residential households in which the combined annual income of the occupants is not greater than 125 percent of the federally-established poverty level. Low-income also means multi-family structures where at least 50 percent of the households meet this low-income guideline. (D) (D)
- f. **Market Transformation** means effecting permanent changes in the markets for targeted, cost-effective, energy efficiency products and services that will result in sustainable market penetration, without the need for long-term utility incentives. Market Transformation is a temporary market intervention with a clear expectation that involvement will end. (N)
- g. **Measure** is a product, device, piece of equipment, system or building design or operational practice used to achieve greater energy efficiency. (N)
- h. **Measure Cost** is the known and measurable costs to all parties of purchasing and installing an energy-efficiency Measure at a customer's facility, not to include the Company's administrative costs. (T)
- i. **Measure Life** is the expected life (in years) of the savings of a conservation measure. (D)
- j. **Net Conservation Avoided Cost** is the Conservation Avoided Cost reduced by the Utility Cost associated with the installation of the Measure or group of Measures. (T) (C) (C)
- k. **Non-quantifiable Benefits (or Costs):** Benefits (or costs) of undertaking energy efficiency improvements, as determined by the customers' perspective. The Company may use these non-quantifiable benefits (or costs) to demonstrate cost-effectiveness based on the Total Resource Cost Test. (N) (D) (K)
- l. **Northwest Energy Efficiency Alliance (NEEA)** A nonprofit corporation funded by Puget Sound Energy plus five other Investor Owned Utilities (IOU's) in the Northwest Region and BPA. NEEA is governed by an 18 member Board, on which Puget Sound Energy has the right to appoint one member. (K) (N)

(K) Transferred to Sheet No. 83  
(K) Transferred to Sheet No. 83-b  
(K) Transferred to Sheet No. 83-b

(K)  
|  
(K)

ISSUED: April 23, 1997

EFFECTIVE: May 24, 1997

ISSUED BY PUGET SOUND ENERGY

By:

  
Ronald E. Davis

Vice President, Regulation and Utility Planning

**PUGET SOUND ENERGY**  
**Electric Tariff G**

**SCHEDULE 83**  
**ELECTRICITY CONSERVATION SERVICE**  
(Continued)

- m. **Prescriptive Basis** refers to the Company using a standard energy savings amount for a Measure rather than individually calculating energy savings for each specific installation. (M) (T)
- n. **Simple Payback** is the estimated installed cost of the energy efficiency measure divided by the estimated annual dollar savings to the customer from the measure. (N) (D)
- o. **Site-Specific Basis** refers to the Company calculating energy savings using the engineering savings determined for each site. (M) (T)
- p. **Total Resource Cost Test** is a cost-effectiveness calculation which demonstrates that the total benefits, including electricity, natural gas, and other savings benefits, exceed total costs including those incurred by the utility, the customer, and any other contributing party. The benefits and costs not directly associated with electrical energy efficiency in this calculation may be difficult to quantify or may differ based on one's perspective or economic assumptions. (M) (C) (D)
- q. **Utility Cost** is the Company's costs of administering programs including, but not limited to, costs associated with audits, analysis, technical review, and funding specific to the measure or program and evaluation. (N) (K)
- r. **Utility Cost Test** is a cost-effectiveness calculation which demonstrates that the utility energy savings benefits, assessed using the Conservation Avoided Cost, exceed the Utility Cost, where both are defined as the utility's levelized cost/kwh over the life of the energy savings. (N) (K)

**4. DESCRIPTION OF SERVICES:**

The Company will provide energy efficiency services in conjunction with individual programs described in Schedules numbered 200 and above. These services include the following: (M) (D)

- a. Information, education and training about energy efficiency technologies or practices to encourage customers to undertake cost-effective energy efficiency activities and investments. (T)
- b. Analyses to identify energy efficiency Measures and opportunities on a Prescriptive Basis or Site-Specific Basis. (T)

(M) Transferred from Sheet No. 83-a, 83-a, 83 & 83-a respectively  
(K) Transferred to Sheet No. 83-c

ISSUED: April 23, 1997

EFFECTIVE: May 24, 1997

**ISSUED BY PUGET SOUND ENERGY**

By: \_\_\_\_\_

*Ronald E. Davis*  
Ronald E. Davis

Vice President, Regulation and Utility Planning

---

**PUGET SOUND ENERGY**  
**Electric Tariff G**

---

**SCHEDULE 83**  
**ELECTRICITY CONSERVATION SERVICE**  
(Continued)

- c. Services to facilitate the customer's procurement of energy efficiency Measures, and the adoption of energy-efficient practices, including facilitation of customer access to financing for purchase of Measures. Referrals to private sector designers, contractors, and installers will also be provided where appropriate. (N) (D)
- d. Market transformation activities intended to effect permanent changes in markets for targeted, cost-effective energy efficient products or services that will result in cost effective and durable market penetration in the Company's distribution service territory, as well as in the Northwest.
- e. Efficiency services for special classes of customers, including low income, customers and school-age students.
- f. Pilot projects to test new products, technologies, program delivery methods or customer acceptance.
- g. Reporting and evaluation of the effectiveness of services provided, including participation in the development of regional evaluation protocols. (N)

**5. MEASURES:**

Measures recommended will meet or exceed current code requirements, efficiency standards or common construction practices, and meet industry standards for quality and energy efficiency. A Measure must reasonably be expected to satisfy the Total Resource Cost Test. (M) (C)

(M) Transferred from Sheet No. 83-b

(D)

---

ISSUED: April 23, 1997

EFFECTIVE: May 24, 1997

**ISSUED BY PUGET SOUND ENERGY**

By: \_\_\_\_\_

  
Ronald E. Davis

Vice President, Regulation and Utility Planning

---

**PUGET SOUND ENERGY  
Electric Tariff G**

---

**SCHEDULE 83  
ELECTRICITY CONSERVATION SERVICE  
(Continued)**

**6. SPECIAL CONDITIONS:**

- a. Low Income: Low Income customers are qualified by government agencies, using federal low income guidelines. Low Income customers will receive Measure funding equal to the lesser of 100 percent of the Measure Cost or Net Conservation Avoided Cost. Funding is in accordance with funding described in Schedule 201. (N) (D)
- b. Regional Market Transformation: Northwest regional programs include projects aimed at advancing new promising technologies or changes to standards, codes and practices, which are anticipated to be cost-effective from a Total Resource Cost Test perspective over time. The NEEA Board recognizes, and acknowledges risks associated with determining cost-effectiveness in undertaking these long-range, market transformation activities.
- c. Pilot Programs/Demonstrations Projects:  
Pilot programs and demonstration projects may be undertaken to determine whether certain strategies and Measures are cost-effective in the long run. Pilots are employed to test cost-effective ways to demonstrate market opportunities for energy efficiency. Pilots may include tests of Measure Cost and performance, customer acceptance, delivery methods. Pilots are not subject to achieving energy savings sufficient to demonstrate cost-effectiveness in the short run.

**7. TERMINATION:**

Services under this tariff will terminate

- a. When a service is no longer cost effective; or
- b. July 1, 1998;

Whichever occurs first. However, commitments entered into prior to termination will be honored. (N)

**8. GENERAL RULES AND PROVISIONS:**


Service under this schedule is subject to the General Rules and Provisions contained in this tariff. (M)  
(M)

(M) Transferred from Sheet No. 83-hh (D)

---

ISSUED: April 23, 1997

EFFECTIVE: May 24, 1997

By:  Vice President, Regulation and Utility Planning  
Ronald E. Davis

**ISSUED BY PUGET SOUND ENERGY**

Attachment 2

**PUGET SOUND ENERGY  
Electric Tariff G**

**SCHEDULE 120  
ELECTRICITY CONSERVATION SERVICE RIDER**

**APPLICABILITY:**

To all bills for electric service calculated under all schedules contained in this tariff and all retail contracts for electrical service except where explicitly exempted.

**PURPOSE:**


This schedule implements surcharges to collect the costs incurred in providing services and programs under Schedules 83, and schedules numbered between 200 and 299.

**MONTHLY RATE:**

<u>SCHEDULE 7</u> Energy Charge:	0.0279 cents per kWh
<u>SCHEDULE 24</u> Energy Charge:	0.0257 cents per kWh
<u>SCHEDULE 25</u> Energy Charge:	0.0251 cents per kWh
<u>SCHEDULE 26</u> Energy Charge:	0.0245 cents per kWh
<u>SCHEDULE 29</u> Energy Charge:	0.0218 cents per kWh
<u>SCHEDULE 31</u> Energy Charge:	0.0238 cents per kWh
<u>SCHEDULE 35</u> Energy Charge:	0.0183 cents per kWh
<u>SCHEDULE 43</u> Energy Charge:	0.0228 cents per kWh

(N)  
\_\_\_\_\_  
(N)

Issued: April 23, 1997 Effective: May 24, 1997

By  Issued by Puget Sound Energy  
Vice President, Regulation & Utility Planning  
Ronald E. Davis



**PUGET SOUND ENERGY  
Electric Tariff G**

**SCHEDULE 120  
ELECTRICITY CONSERVATION SERVICE RIDER  
(Continued)**

**MONTHLY RATE:**

SCHEDULE 46  
Energy Charge: 0.0221 cents per kWh

SCHEDULE 48  
Energy Charge:  
- Primary Voltage 0.0238 cents per kWh  
- High Voltage 0.0221 cents per kWh

SCHEDULE 49  
Energy Charge: 0.0221 cents per kWh


SPECIAL CONTRACTS  
Energy Charge:  
- Primary Voltage 0.0238 cents per kWh  
- High Voltage 0.0221 cents per kWh

SCHEDULE 50  
Lamp Wattage  
103 Watts \$0.01  
202 Watts \$0.02  
327 Watts \$0.03  
448 Watts \$0.04  
690 Watts \$0.06

SCHEDULE 51  
Lamp Wattage  
100 Watts \$0.01  
175 Watts \$0.02  
400 Watts \$0.04  
1000 Watts \$0.09

Issued: April 23, 1997

Effective: May 24, 1997

By  Issued by Puget Sound Energy  
Vice President, Regulation & Utility Planning  
Ronald E. Davis

(N)

(N)

**PUGET SOUND ENERGY  
Electric Tariff G**

**SCHEDULE 120  
ELECTRICITY CONSERVATION SERVICE RIDER  
(Continued)**

## MONTHLY RATE:

SCHEDULE 52Lamp WattageDusk to Dawn

100 Watt	\$0.01
175 Watt	\$0.02
400 Watt	\$0.04
1000 Watt	\$0.09

Dusk to 1:00 a.m.

100 Watt	\$0.01
175 Watt	\$0.01
400 Watt	\$0.03
1000 Watt	\$0.07

Dusk to 2:30 a.m.


100 Watt	\$0.01
175 Watt	\$0.01
400 Watt	\$0.03
1000 Watt	\$0.08

SCHEDULE 53Lamp Wattage

50 Watt	\$0.01
70 Watt	\$0.01
100 Watt	\$0.01
150 Watt	\$0.02
200 Watt	\$0.02
250 Watt	\$0.02
400 Watt	\$0.04
1000 Watt	\$0.10

Issued: April 23, 1997

Effective: May 24, 1997

By  Issued by Puget Sound Energy  
Vice President, Regulation & Utility Planning  
Ronald E. Davis

(N)

(N)

**PUGET SOUND ENERGY  
Electric Tariff G**

**SCHEDULE 120  
ELECTRICITY CONSERVATION SERVICE RIDER  
(Continued)**

## MONTHLY RATE:

SCHEDULE 54Lamp WattageDusk to Dawn

50 Watt	\$0.01
70 Watt	\$0.01
100 Watt	\$0.01
150 Watt	\$0.02
200 Watt	\$0.02
250 Watt	\$0.02
400 Watt	\$0.04

Dusk to 1:00 a.m.

50 Watt	\$0.00
70 Watt	\$0.01
100 Watt	\$0.01
150 Watt	\$0.01
200 Watt	\$0.01
250 Watt	\$0.02
400 Watt	\$0.03

Dusk to 2:30 a.m.

50 Watt	\$0.00
70 Watt	\$0.01
100 Watt	\$0.01
150 Watt	\$0.01
200 Watt	\$0.02
250 Watt	\$0.02
400 Watt	\$0.03

(N)

(N)

Issued: April 23, 1997

Effective: May 24, 1997

By



Ronald E. Davis

Issued by Puget Sound Energy

Vice President, Regulation &amp; Utility Planning

**PUGET SOUND ENERGY  
Electric Tariff G**

**SCHEDULE 120  
ELECTRICITY CONSERVATION SERVICE RIDER  
(Continued)**

## MONTHLY RATE:

SCHEDULE 55Lamp Wattage

100 Watt	\$0.01
200 Watt	\$0.02

SCHEDULE 57

Monthly Rate per Watt of Connected Load:	0.006¢
---	--------


SCHEDULE 58Lamp Wattage

70 Watt	\$0.01
150 Watt	\$0.02
200 Watt	\$0.02
400 Watt	\$0.04

**GENERAL RULES AND PROVISIONS:**

Service under this schedule is subject to the General Rules and Provisions contained in this tariff.

Issued: April 23, 1997 Effective: May 24, 1997

By  Issued by Puget Sound Energy  
Vice President, Regulation & Utility Planning  
Ronald E. Davis

(N)

(N)

## Attachment 3

**Conservation Customer Charge  
Conservation Revenue Requirement**

Annual Conservation Costs	\$ 7,350,000
Prorate Annual Costs (7 months)	\$ 4,287,500
Additional Costs Jan 1 to May 15, 1997 (Excluded from Annual Costs)	\$ 203,000
Conservation Costs Recoverable in Tariffs	\$ 4,490,500
FIT Rate	35%
Conservation Costs Net of FIT	2,918,825
Conversion Factor	0.6219291
Total Cost Converted to Revenue Requirement	\$ 4,693,180

## Attachment 4

**BEFORE THE  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

Petition of

PUGET SOUND ENERGY

For an Order (1) Authorizing Deferral of  
Electricity Conservation Expenditures and  
(2) Approving a Tariff Rider for Concurrent  
Recovery in Electric Rates of Such Deferred  
Electricity Conservation Expenditures

Docket No. \_\_\_\_\_

ORDER (PROPOSED)

On April 23, 1997, Puget Sound Energy ("the Company") submitted a petition requesting an accounting order which:

- (1) authorizes the deferral of expenditures incurred after December 31, 1996 in accordance with the Company's Schedule 83, Electricity Conservation Service, and
- (2) approves an electric tariff rider for concurrent recovery in rates of such deferred electricity conservation expenditures.

The Petition indicated that the mechanism proposed therein would be an interim measure. According to the Petition, a number of significant issues must be resolved through the collaborative process, including cost allocation issues, the determination of avoided costs, the scope of the Company's role in meeting the goals of the Regional Comprehensive Review, and the design of a long-term recovery mechanism. The Company intends that adoption of the recovery mechanism proposed in its filing



would not have precedential effect on the discussion and resolution of these issues in the collaborative process. The Company intends to submit a filing which addresses these issues no later than August 1998.

This petition concerns the deferral and recovery of expenditures incurred by the Company after December 31, 1996 under its electricity conservation programs. Puget has been authorized to defer expenses associated with its energy conservation programs since 1978, when the Commission issued its Second Supplemental Order in Cause No. U-78-45. The relief requested by the Company would extend this authorization. With respect to the rate recovery of the expenses so deferred, however, the Company proposes a different method. Rather than amortizing these electric conservation costs in rates over a ten-year period--which Cause No. U-78-45 permitted the Company to do--the Company proposes to recover them in rates through an alternative recovery mechanism.

The Stipulation we approved in the merger proceeding (Docket No. UE-960195) stated the following with respect to electric conservation expenditures after December 31, 1996:

Electric conservation expenditures after December 31, 1996 (including those expenditures resulting from PSE's commitment to conservation or public purposes funding under the Comprehensive Regional Review) will be subject to recovery through an alternative recovery mechanism to be proposed by PSE in a separate filing subsequent to merger approval.

(Stipulation, Section III.A.4.a, page 8) According to the Company, its April 23 Petition is the separate filing contemplated by the Stipulation.

It should be noted that the Company's petition relates to the recovery of costs incurred in connection only with the electricity conservation programs which PSE

offers. Costs incurred with PSE's gas conservation programs are subject to the tracker currently in place pursuant to our order issued in Docket No. UG-950288, where we granted Washington Natural Gas Company ("WNG")<sup>1</sup> approval to defer its conservation expenditures and recover them under a tracker mechanism.

The essential elements which PSE proposes for rate recovery of costs incurred in connection with electricity conservation services are as follows:

Scope of Expenditures Defined by Tariff. The expenditures authorized for deferral would be those incurred in accordance with PSE's Schedule 83, the Electricity Conservation Service tariff. Contemporaneously with this filing, PSE submitted a revised Schedule 83 which, along with the accompanying program Schedules 200-203, 205-206 and 250-254, sets forth the conservation programs which PSE proposes to include within its electricity conservation service. A copy of the proposed Schedule 83, bearing a proposed effective date of May 24, 1997, was included as Attachment 1 with the Petition.

Recovery Through an Electric Tariff Rider. Electric conservation expenditures would be recovered through an electric tariff rider, Schedule 120. This tariff schedule would impose a surcharge applied to each kWh of electricity sales under each of PSE's electricity sales tariffs.<sup>2</sup> A copy of the proposed electric tariff rider was included with the Petition as Attachment 2.

Concurrent Recovery in Rates. The rates set forth in such rider would be calculated to recover the conservation expenditures which are projected to be incurred for each program year, subject to true-up during a subsequent twelve-month period based on actual conservation expenditures during the program years and the actual recoveries during the relevant recovery period. The initial program year is calendar year 1997. According to the Petition, the projected expenditures for electricity conservation service in accordance with Schedule 83 for calendar year 1997 is \$4.49 million. The proposed rates set

---

<sup>1</sup> Effective February 10, 1997, WNG was merged with Puget Sound Power & Light Company to form PSE.

<sup>2</sup> Excluding wholesale sales.

forth in the electric tariff rider, Schedule 120, were designed to recover this amount in rates during the period following the effective date of the tariff through March 31, 1998.

Subsequent True-Up to Actuals. PSE will submit a filing on or before March 1, 1998 stating the actual amounts spent during calendar year 1997. The variance between actual expenditures during the program year (calendar year 1997) and expected revenue collections during the recovery period (May 1997 through March 1998),<sup>3</sup> would be reflected in an adjustment to the tariff rider, Schedule 120, to be effective during the twelve month period commencing April 1, 1998.

No Allowance for Funds Used to Conserve Energy. Because the rider would provide for concurrent recovery of conservation expenditures in rates, no allowance for funds used to conserve energy, or AFUCE, would be necessary.

Recovery on a Peak Credit Basis for Each Customer Class. The rate set forth in the tariff rider, Schedule 120, is designed to recover the authorized electric conservation expenditures on a peak credit basis for each rate class over the recovery period. The portion allocable to the ARCO special contract load--for which recovery is not provided--is calculated based on an equal percentage methodology. The Company included Attachment 3 to the Petition to show how the conservation recovery amount was calculated.

The Company's proposed treatment for deferral and recovery of expenditures incurred for electricity conservation programs through an electric tariff rider is a reasonable interim measure. As the Company notes in its Petition, a number of significant issues must be resolved through before a more permanent electric conservation program and cost recovery mechanism can be put in place. The Company has committed to making a filing which addresses these issues no later than

---

<sup>3</sup> At the time of the March 1 filing, actual revenue collections through January would be known. Revenue collections for the remaining two months of the recovery period--February and March--would be estimated, and subject to true-up at the time of the subsequent adjustment to the tariff rider.

August 1998. We look forward to reviewing that filing. In the interim, the request for deferral and recovery of electricity conservation costs proposed in the Company's petition is approved.

## **FINDINGS**

### **THE COMMISSION FINDS:**

1. Puget Sound Energy is engaged in the business of furnishing electric and gas service within the state of Washington as a public service company, and is subject to the jurisdiction of this Commission.

2. On April 23, 1997, the Company filed a Petition seeking an order authorizing the deferral of expenditures incurred after December 31, 1996 in accordance with the Company's Schedule 83, Electricity Conservation Service, and approving an electric tariff rider for recovery in rates of such deferred electricity conservation expenditures.

3. The proposed treatment for deferral and recovery of expenditures incurred for electricity conservation programs through an electric tariff rider is a reasonable interim measure and should be approved.

## **ORDER**

### **WHEREFORE, THE COMMISSION HEREBY ORDERS:**

1. Petitioner Puget Sound Energy is authorized to defer expenditures it incurred after December 31, 1996 pursuant to Schedule 83--Electricity Conservation Service.

2. Effective May 24, 1997, PSE shall implement an electric tariff rider, Schedule 120, for recovery of electricity conservation expenditures. The rate set forth

in such Schedule 120 shall be designed to recover \$4.693 million,<sup>4</sup> on a peak credit basis for each class, during the period May 24, 1997 through March 31, 1998.

3. The rate set forth Schedule 120 shall be subject to revision effective April 1, 1998 to reflect (a) PSE's projected expenditures under its Schedule 83, Electricity Conservation Service, for calendar year 1998, and (b) the variance between actual expenditures during calendar year 1997 and expected revenue collections for the recovery period ending as of March 31, 1998. For purposes of this filing such revenue collections shall be the actual revenue collections through January 1998. Revenue collections for the remaining two months of the recovery period--February and March 1998--would be estimated, and subject to true-up at the time of the subsequent adjustment to the tariff rider.

4. The rate set forth Schedule 120 shall be subject to revision effective April 1 of each year to reflect (a) PSE's projected expenditures under its Schedule 83, Electricity Conservation Service, for the then-current calendar year, and (b) the variance between actual electricity conservation expenditures for the previous calendar year and expected revenue collections under Schedule 120 during the 12-month recovery period ending March 31 of the then current year.<sup>5</sup> Such filing shall be submitted not less than thirty (30) days prior to the April 1 proposed effective date.

5. The Commission retains jurisdiction to effectuate the provisions of this Order.

---

<sup>4</sup> The revenue requirement associated with \$4.49 million in expenditures.

<sup>5</sup> Revenue collections for the last two months of the recovery period--February and March--would be estimated, and subject to true-up at the time of the subsequent adjustment to the tariff rider.

DATED at Olympia, Washington, and effective this \_\_ day of April, 1997.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

SHARON L. NELSON, Chairman

RICHARD HEMSTAD, Commissioner

WILLIAM R. GILLIS, Commissioner

[07771-0200/BA970870.026]