**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**Docket Nos. UE-151871 UG-151872**

**Puget Sound Energy’s**

**Electric and Natural Gas Equipment Lease Service**

**PUBLIC COUNSEL DATA REQUEST NO. 021**

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With respect to the highly confidential pricing model of the Puget Sound Energy leasing program provided to Staff and Public Counsel on February 19, 2016, please provide an explanation for the source and basis for the failure rates assumed in the model for each type of equipment. If a specific study, analysis, or source was relied upon, please provide a copy of and/or link to the source, study, or analysis.

**Response:**

Attached as Attachment A to Puget Sound Energy’s (“PSE”) Response to Public Counsel Data Request No. 021 is an Excel spreadsheet that contains 2015 data extracted from PSE’s Customer Information Systems on February 11, 2016, summarizing the count of both residential and commercial water heat equipment units replaced in 2015 due to failure and the associated equipment vintage period of the failed equipment. The three vintage periods used in this analysis are summarized below:

* **Under Warranty:** period during which the equipment is typically covered under the manufacturer’s equipment warranty.
* **Post warranty – Pre term date:** period during which the equipment failed following the expiration of the typical manufacturer’s equipment warranty through the end of lease term year for equipment proposed in Schedules 75.
* **End of Proposed Lease Term:** period after the end of lease term year for equipment proposed in Schedules 75.

Based on these findings, PSE used the measured failure rate of 4%, which resulted from the count of existing equipment units that failed in 2015, which were classified in the “Post warranty – Pre term date” vintage period, divided by the total count of active residential or commercial water heat equipment units in PSE’s existing rental service as of February 3, 2016; see cells E6 and E9. This assumed failure rate of 4% was then conservatively applied to all types of equipment proposed in Schedules 75 as it represents the most current data available to PSE.

Please see PSE’s Response to WUTC Staff DR No. 053, which details the manner in which this failure rate is then used in the calculations that result in the monthly lease rate for each type of equipment proposed in Schedules 75.

Due to the large size, Attachment A to PSE’s Response to Public Counsel Data Request No. 021 is provided in electronic format only.

**ATTACHMENT A to PSE’s Response to PUBLIC COUNSEL Data Request No. 021 is provided in electronic format only**