expense-per-customer must be maintained to support this ratemaking theory?

A. Yes. For total revenues (i.e., customers multiplied by revenue-per-customer) to "match" total expenses (i.e., customers multiplied by cost-per-customer) in the test year and rate year, any increase in expense-per-customer between these two points in time must be accompanied by a similar increase in revenue-per-customer.

Q. Does expense-per-customer change between the test year and rate year?

A. Yes. Table 1 below illustrates how PSE’s expense-per-customer has changed

over time. Expense-per-customer that is unrelated to energy supply has increased between the test year in PSE’s 2004 general rate case and its most recently

concluded electric and gas rate cases.[[1]](#footnote-1) As shown below, over this period, PSE’s electric expense-per-customer unrelated to power supply has grown at an average annual rate of approximately 2.8 percent, while its gas expense-per-customer unrelated to gas supply has grown at an average annual rate of approximately ~~5.0~~ 3.2 percent.

A. No. As shown in Table 2, PSE’s electric use-per-customer has been essentially
flat since PSE's 2004 general rate case, while gas use-per-customer has declined at an annual average rate of approximately 1.5 percent. This compares with the average annual expense-per-customer growth rates of 2.8 percent and ~~5.0~~ 3.2 percent

for PSE’s electric and gas systems, respectively, as shown in Table 1. PSE’s growth in use-per-customer is seriously lagging its growth in expense-per-
customer.

Table 2 - PSE's Use Per Customer Growth Since the 2004 GRC Test Year

Q. Has PSE’s energy efficiency program affected its use per customer?

A. Yes, PSE’s energy efficiency program has reduced the Company’s use-per customer. One way to reflect this impact is to add the Company’s verified conservation savings to its energy sales over time. Table 3 shows that if PSE's verified conservation savings since the test year in its 2004 general rate case are added to its actual weather-normalized energy sales over time, the Company's electric use-per-customer would have grown at an annual average rate of 0.9 percent, versus the absence of weather-normalized growth it actually experienced. For PSE’s gas system, absent Company-sponsored energy efficiency that occurred

1. As will be discussed later in this testimony, the Company is primarily concerned with the recovery of costs unrelated to energy supply, since: (a) forward-looking supply costs are used to derive PSE’s retail rates; and (b) the effects of energy efficiency on its ability to recover supply-related costs is largely addressed through its energy supply-related cost tracking mechanisms. As such, unless otherwise noted, the discussion of expense-per-customer in this testimony is focused on expenses unrelated to energy supply. [↑](#footnote-ref-1)