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] 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.

[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.

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

	2004 GRC Docket Nos. UE-040640 & UG-040641	2009 GRC Docket No. UE-090704	2010 GTIF Docket No. UG-101644
Electric			
Test Year Retail kWh Sales	21,483,173,826	23,742,572,967	
Test Year Customers	963,672	1,063,953	
Use per Customer	22,293	22,315	
Approx. Annual Average Growth Rate Since 2004 GRC		0.0%	
Gas			
Test Year Retail Therm Sales	1,019,920,884		1,090,182,856
Test Year Customers	628,680		748,628
Use per Customer	1,622		1,456
Approx. Annual Average Growth Rate Since 2004 GRC			-1.5%

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