

Agenda Date: September 26, 2001
Item Numbers: 2C and 2D

Dockets: UE-011211 and UE-011212

Subject: Puget Sound Energy's extension and expansion of its Time-of-Use pricing pilot.

Staff: James M. Russell, Regulatory Consultant
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Recommendation:

Allow the filing in Docket UE-011211 to become effective October 1, 2001, and enter an Order in Docket UE-011212 approving the proposed accounting treatment of revenue over-collections under the Time-of-Use rate schedules and requiring monthly reports.

Background:

On August 31, 2001, Puget Sound Energy (PSE or Company) filed tariffs in Docket UE-011211 to extend its Time-of-Use pilot program through May 31, 2002. PSE also proposes to expand the Personal Energy Management, Time-of-Use, pilot program to approximately 20,000 non-residential customers on Schedule Nos. 24, 25, 26, and 31 who have the necessary metering equipment installed to implement and bill the Time-of-Use rates.

On April 25, 2001, the Commission approved PSE's Time-of-Use pilot program for an initial period beginning May 1, 2001, through September 30, 2001, for approximately 300,000 residential customers. The pilot included a voluntary opt-out provision for all participating customers. 2,180 (0.7%) customers have opted out of the program. The same Time-of-Use rate differentials and opt-out provisions will apply in the new non-residential schedules as applied in the residential pilot already approved.

PSE states that it is requesting continuation of the pilot program because of the need for continued load management through this winter and in order to collect usage data for a full twelve-month period. Included with PSE's filing to extend the Time-of-Use pilot program are a customer participation survey, a presentation on the Time-of-Use rates and Personal Energy Management program, and a preliminary assessment by the Brattle Group of the load shifting impacts resulting from the program.

In summary, PSE's customer survey results indicate that customers generally have positive opinions about the pilot program. As a result of the Time-of-Use pricing, preliminary results indicate that customers have shifted approximately 2.2% of their usage from peak to off-peak periods.

Docket UE-011212 is a request for an accounting Order to extend the accounting treatment of revenue over-collections from Schedule 307 customers through May 31, 2002, and to defer any revenue over-collections resulting from the implementation of new Schedules 324, 325, 326, and 331. This accounting procedure protects ratepayers from any over-collection of revenues resulting from the implementation of Time-of-Use rates versus the revenues that would have been collected under the existing flat rates. Any cumulative over-collections would then be refunded to the Time-of-Use customers at the end of the pilot through a per KWh refund increment. No revenue over-collections have been booked to date under the residential pilot.

Staff's preliminary analysis and concerns:

Staff has concerns about the cost effectiveness of PSE's Personal Energy Management (PEM) and Time-of-Use (TOU) programs. The Brattle Group's assessment of the Time-of-Use pilot includes results from June and July 2001. The analysis shows that customers on Time-of-Use rates versus those customers receiving Time-of-Use information but being billed flat rates shifted on average approximately 16 kilowatt-hours (2.2%) of their monthly usage from peak to off-peak periods. The average Mid-Columbia peak versus off-peak price differential during June and July 2001 was \$21.59 and \$21.07 per MWh, respectively. The estimated incremental cost per customer per month to implement TOU pricing is approximately \$1.50 per customer per month. Given these figures, the peak versus off-peak price differential would have to have been approximately \$94 per MWh ($\$1.50/[16 \text{ KWh}/1,000 \text{ KWh/MWh}]$) for the residential program to breakeven.

It is recognized that, in the example above, the appropriate way to calculate the amount of kilowatt-hours shifted would be to compare a flat rate customer who did not receive any information to one who was billed Time-of-Use rates and received PEM and TOU information. However, a control group of customers who received no information, and for which PSE has TOU data, was not established.

In order to monitor the results of the program through the proposed termination date, Staff recommends that the Commission require PSE to provide continuing reports of the costs and benefits of the program on a monthly basis calculated in a similar fashion as in the example above.

Conclusion:

Staff is concerned about the need to maintain regional demand-side management efforts through this winter and recommends the Commission allow PSE's requested extension and expansion without any predetermination regarding the ratemaking treatment of the costs of the program. Therefore, Staff recommends that the Commission allow the filing in Docket UE-011211 to become effective October 1, 2001, and enter an Order in Docket UE-011212 approving the proposed accounting treatment of revenue over-collections under the Time-of-Use rate schedules and requiring monthly reports.