

Agenda Date: October 8, 2008

Item Number: A5

Docket: UE-081795

Company Name: Puget Sound Energy

Staff: Thomas Schooley, Regulatory Analyst

Recommendation

Take no action allowing Puget Sound Energy's Schedule 194 tariff revision to go into effect on November 1, 2008, by operation of law.

Background

On October 1, 2008, Puget Sound Energy ("PSE" or "the company") filed a revision to Schedule 194 of its tariff, which is titled the "Residential and Farm Energy Exchange Benefit," but more commonly known as the "BPA residential exchange credit." This schedule passes through to PSE's residential and small farm customers benefits of the federal power system that are supplied by the Bonneville Power Administration ("BPA") through a contract in accordance with Section 5(c) of the Pacific Northwest Electric Power Planning and Conservation Act.¹ This law requires that residential exchange credit benefits be passed through directly to a utility's qualifying residential and small farm customers. PSE's payment from the BPA will be based on actual energy usage by the utility's eligible customers.

In accordance with federal law, the BPA's payments to PSE are based on the difference between PSE's average system cost and the preference exchange rate determined by BPA in the Administrator's Final Record of Decision issued September 22, 2008, in BPA's WP-07 Supplemental Wholesale Power Rate Case.² Under this decision, the net BPA contract payment to PSE will be \$114.2 million per year based on an average system cost of \$62.39 per megawatt-hour.³

The proposed revision to PSE's Schedule 194 reflects the residential exchange credit at a level of 1.0551 cents per kilowatt-hour (kWh). This credit of 1.0551 cents per kWh will reduce an average customer's monthly electric bill by \$10.56, or approximately 11.4 percent. The proposed residential exchange credit is slightly more than the credit available prior to June 2007 when the program ceased. See table below.

¹ 16 U.S.C. § 839c(c)

² 2007 Supplemental Wholesale Power Rate Case Administrator's Final Record of Decision (*DOE/BP #3929*).

³ A more thorough discussion of the recent history of the BPA residential exchange will occur at the October 8 open meeting.

	Rate (cents/kwh)	Impact per month
Average Customer Use		1,000 kilowatt-hours
As proposed	1.0551	\$10.55
Prior to June 2007	1.028	\$10.28

PSE proposes to maintain a balancing account to track the timing differences between when the credit appears on customers' bills and when the company receives payment from the BPA. Interest on the balance will be calculated monthly using the average interest rate for the month of the daily London Interbank Offered Rate (LIBOR) applied to the average daily balance in the balancing account. Interest will accrue to the customer's benefit on positive balances, but no interest will accrue to PSE if the balance is negative. The balancing account currently contains an overpayment to customers of \$330,650.

Based on the payment PSE will receive from the BPA, Staff considers PSE's proposed revision to its Schedule 194 tariff to be properly calculated.

Conclusion

Staff recommends that the commission take no action, thereby allowing PSE's Schedule 194 tariff revision to go into effect November 1, 2008, by operation of law.