

Agenda Date: September 24, 2009
Item Number: A1

Docket: UE-091377
Company Name: Puget Sound Energy

Staff: Thomas Schooley, Regulatory Analyst

Recommendation

Take no action thereby allowing Puget Sound Energy's Schedule 194 tariff revision to go into effect on October 1, 2009, by operation of law.

Background

On August 31, 2009, Puget Sound Energy ("PSE", or "the Company") filed a revision to Schedule 194 of its tariff, which is titled 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 Residential Purchase and Sale Agreement between PSE and the BPA.¹

PSE expects to receive \$73,730,000 in federal power benefits from the BPA over the twelve months beginning October 1, 2009, and pass through \$81,746,491 to PSE's residential and small farm customers. The difference between these two numbers is due to a carryover from the prior year that is discussed later and application of a conversion factor for revenue related expense. PSE proposes to pass this benefit to eligible customers through a billing credit of 0.7269 cents per kilowatt-hour (kWh). However, this credit is less than the rate currently in place. Therefore, a typical customer using 1,000 kWh per month will see an increase of \$1.86, or 2.1 percent.

PSE's monthly payments from the BPA will be based on three main factors. Those three factors are:

- a. The actual sales to qualifying customers over a twelve month period.
- b. The timing of the Company's new resource additions. Under the new 2008 Average System Cost ("ASC") Methodology, the Company's ASC increases the month after a group of its new resources are placed in service. As a result of the Company's increased ASC, BPA's utility specific Priority Firm Power Exchange rate for all participating northwest utilities increases. This would result in a net increase in benefits for PSE customers.²

¹ The latest agreement is Contract 08PB-11974. The Residential Exchange filings of 2008 were enacted based on one set of power cost assumptions. The filings of 2009 are based on (i) BPA's recently concluded 2010 Wholesale Power Rate Proceeding ("WP-10") which covers the rate period for fiscal years 2010 and 2011, and (ii) PSE's Final Average System Cost as determined by BPA's Administrator which covers the same rate period.

² This circumstance, in part, is found in PacifiCorp's filing, Docket UE-091396, which is on the no action agenda of the September 24, 2009, open meeting.

- c. The timing of new resources placed in service by other Northwest investor-owned utilities. If this happens, the BPA's priority Firm Power Exchange rate increases in the next month resulting in a net decrease in benefits to PSE customers.³

One reason for the interactive effect of each utility's action is that the total benefit available to all participating utilities is a set amount which is determined in BPA's Wholesale Power Rate Proceedings. If one utility gets greater benefits, all others get less.

PSE proposes to maintain a balancing account to track the timing differences inherent in the calculation of the benefit to be received from the BPA plus the timing difference between when the credit appears on customers' bills and when the payment is received 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 contains a projected underpayment to customers of \$4,411,732 as of September 30. The proposed tariff rate includes this \$4.4 million owed to eligible customers.

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

Conclusion

Staff recommends that the commission take no action thereby allowing PSE's Schedule 194 tariff revision to go into effect October 1, 2009, by operation of law.

³ This circumstance is one element of PSE's present filing.