

**BEFORE THE  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,**

**Complainant,**

v.

**PUGET SOUND ENERGY, INC.,**

**Respondent.**

**Docket No. UG-040640**

**Docket No. UE-040641**

**(consolidated)**

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**In the Matter of the Petition of**

**PUGET SOUND ENERGY, INC.**

**For an Order Regarding the Accounting  
Treatment for Certain Costs of the Company's  
Power Cost Only Rate Filing.**

**Docket No. UE-031471 (consolidated)**

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**In the Matter of the Petition of**

**PUGET SOUND ENERGY, INC.**

**For an Accounting Order Authorizing  
Deferral and Recovery of the Investment  
and Costs Related to the White River  
Hydroelectric Project.**

**Docket No. UE-032043 (consolidated)**

**PUGET SOUND ENERGY, INC.'S  
SUPPLEMENTAL ARGUMENT ON TRANSMISSION COSTS  
PURSUANT TO BENCH REQUEST 10**

**FEBRUARY 8, 2005**

1. Recent developments regarding the 2006-2007 BPA transmission rate case should alleviate the concerns Staff expressed in its Initial and Reply Briefs regarding the tentative nature of the settlement that BPA's Transmission Business Line offered to BPA's transmission customers on December 6, 2004.<sup>1</sup> These developments confirm that the Company's proposed adjustment related to BPA transmission rates should be approved.
2. As described in the Company's response to Bench Request No. 10, over 120 of BPA's customers signed the settlement agreement found at Exhibit 107, as did the Transmission Business Line (TBL) function of BPA. BPA has issued its Federal Register Notice commencing its 2006-2007 transmission rate case, in which its proposed rates are the same as those set forth in the settlement.<sup>2</sup> The procedural schedule for the 2006-2007 transmission rate case is set to conclude with a final BPA Record of Decision (ROD) by June 2005, leaving time for FERC final approval prior to expiration of the current transmission rates on September 30, 2005.<sup>3</sup>
3. There is no reasonable basis to conclude that the Company's BPA transmission rates will be anything but what the Company has requested in this case commencing October 1, 2005. All parties to the settlement are prohibited from contesting any aspect of BPA's Initial Proposal in the case.<sup>4</sup> As described in BPA's Federal Register notice, the inquiry conducted by BPA and FERC will be whether the proposed rates are sufficient to recover the costs BPA incurs for providing the transmission services.<sup>5</sup> In the unlikely event that final rates were to be different from the rates set forth in the settlement agreement, the Company's transmission rate costs would be higher than the

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<sup>1</sup> Staff Br. ¶¶31-32; Staff Reply Br. ¶¶ 116-117.

<sup>2</sup> Federal Register, Vol. 70, No. 21, 5423-5428 (Feb. 2, 2005); PSE's Response to Bench Request No. 10.

<sup>3</sup> *Id.* at 5423-24.

<sup>4</sup> Exh. No. 107 5-6:¶¶ 14, 17 (Ryan).

<sup>5</sup> Fed. Reg. at 5423.

Company has requested in this case.<sup>6</sup>

4. The Company submits that, given the above, a BPA transmission rate increase of 17.7% for the Company as of October 1, 2005 is "known and measurable." Even if this cost item were found to fall short of the "known and measurable" standard, the Company's proposed adjustment with respect to this power cost item should be approved. As set forth in the Company's Reply Brief at ¶¶ 54-56, the standard with respect to power costs is what the Company's rate year costs are expected to be. It is appropriate to project or estimate such costs based on evidence that is "sufficient for the agency to make a 'fair guess' as to future conditions."<sup>7</sup> The evidence before the Commission is more than sufficient to demonstrate that the Company is likely to incur the level of BPA transmission rate costs it has requested in this case.

DATED this 7<sup>th</sup> day of February, 2005.

**Respectfully submitted**

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<sup>6</sup> TR. 963:16 – 964:10 (Schoenbeck).

<sup>7</sup> Goodman, Leonard Saul, *The Process of Ratemaking* 284-285 (1998).