

February 18, 2005

VIA Electronic Mail & Fax

Carole Washburn
Executive Secretary
Washington Utilities & Transportation Commission
1300 S. Evergreen Pk. Dr. S.W.
PO Box 47250
Olympia, WA 98504-7250

Re: PSE PCA Report, Docket No. UE-041570
Open Meeting, February 23, 2005 – Item A.1

Dear Ms. Washburn:

It is Public Counsel's understanding from contacts with Staff that Staff's recommendation on this item was not adopted at the February 9, 2005, Open Meeting. We further understand, although no Open Meeting memorandum has yet been posted, that Staff has changed its position and agreed with the Company to propose a compromise on the issue at the February 23 Open Meeting. The compromise apparently would partially approve Puget Sound Energy's request to reinstate \$10.9 million to the PCA 2 imbalance for sharing.

Public Counsel opposes this result. As a party to the settlement that created the PCA, and as a party to the PCORC docket, Public Counsel supports the Staff's original recommendation of February 9 that the PSE request be denied, for the reasons set forth in the Staff memorandum. While we agree that the Commission left open the question of what to do about the "gap" in the PCA 2 period, we do not believe that the Commission could have intended to create an illogical hiatus during which the Tenaska benchmark methodology would *not* be applied. As Staff pointed out, the benchmark mechanism "is of a continuing nature and applies as long as the original Tenaska contract lasts, or until the benchmark is eliminated." February 9 Staff Memorandum, p. 5. PSE's argument here seeks to take advantage of what amounts to a technicality at a significant cost to ratepayers.

Public Counsel agrees with Staff that the PCA benchmark was adopted "to restore equity for ratepayers for the imprudence in gas purchases found in the PCORC docket." *Id.* It is unfair to ratepayers, as well as illogical and costly, to allow PSE's request to avoid the benchmark for this period. We do not believe this was the Commission's intent.

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Public Counsel recommends that the Commission either deny the petition of PSE, or set this matter for further proceedings. We note that only the company to date has offered detailed briefing on the issue. Given the nature of the issue, an abbreviated procedure or adjudication on a paper record could be appropriate.

Thank you for your consideration of this issue.

Sincerely,

Simon J. ffitch
Assistant Attorney General
(206) 389-2055

cc: Kristin Dodge (email)
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