

BEFORE THE

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of)
) DOCKET NO. UE-070533
PUGET SOUND ENERGY, INC.)
) RESPONSE OF THE INDUSTRIAL
For an Accounting Order Authorizing) CUSTOMERS OF NORTHWEST
Deferred Accounting Treatment of the fixed) UTILITIES
cost component of the Company's newly)
acquired Goldendale Generating Station)
pending approval of the Company's 2007)
Power Cost Only Rate Case.)
_____)

1 Pursuant to WAC § 480-07-370, the Industrial Customers of Northwest Utilities (“ICNU”) submits this Answer to Puget Sound Energy, Inc.’s (“PSE” or the “Company”) Petition for an accounting order dated March 14, 2007. PSE requests that the Commission authorize the Company to defer the fixed costs of the Goldendale Generating Station as of the date of the Petition, pending the outcome of the Company’s 2007 Power Cost Only Rate Case (“PCORC”) in Docket No. UE-070565. For the reasons described herein, ICNU respectfully requests that the Commission deny PSE’s Petition or impose conditions to ensure that customers receive the dispatch benefit for the same time period that they are required to bear the fixed costs.

2 PSE proposes to defer, beginning March 14, 2007, the capital costs of the Goldendale Plant for later inclusion in rate base. PSE has filed a PCORC in Docket No. UE-070565, requesting that the Commission approve the Goldendale costs for recovery in rates. A PCORC is a special purpose rate case designed to permit inclusion of new resources in rates outside of a general rate case. Absent the PCORC mechanism, PSE

typically would be unable to recover the fixed costs of Goldendale until after the Commission approves those costs in a general rate case. PSE's petition attempts to circumvent both the PCORC and general rate case processes, by allowing the Commission to grant recovery effective March 14, 2007. ICNU questions whether it is appropriate to set a precedent allowing recovery of the capital costs of new resources in this manner, particularly when the PCORC itself is an exception to ratemaking principles and policies discouraging the addition of new resources to rates outside of a general rate case. See Re PSE, WUTC Docket Nos. UE-011570 and UG-011571, Twelfth Supp. Order at ¶ 27 (June 20, 2002).

3 If the Commission is inclined to consider PSE's petition, then it should require the Company to track both the costs and benefits of the Goldendale plant. PSE requests a deferred account for only the "fixed cost component" of Goldendale and not the dispatch benefit of the plant. The amount of the dispatch benefit can be determined by replacing market purchases in the Aurora model with the cost of running the Goldendale plant. This will show the dispatch benefit of including the Goldendale plant in PSE's resource stack.

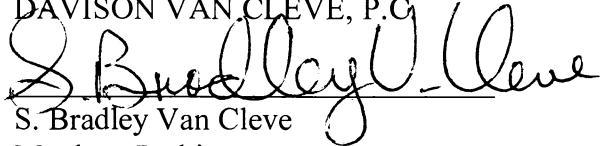
4 Arguably, the Commission could simply allow the net benefits of the Goldendale plant to flow through PSE's power cost adjustment ("PCA") mechanism; however, this would distort the operation of the \$20 million PCA deadband that the Commission recently reaffirmed in Docket No. UE-060266. For example, assuming that the PCA operates under normalized conditions, if the Goldendale dispatch benefit was \$20 million, then all of this dispatch benefit would fall within the deadband and none of

the benefit would be passed on to customers. It is reasonable to assume that actual costs will be similar to normalized costs, because the power cost baseline was reset in PSE's recent rate case. It is inappropriate to force customers to pay for the capital cost of Goldendale, unless they also receive the benefit. Therefore, if the Commission approves PSE's Petition, it should require PSE to defer an amount equal to the dispatch benefit of the plant.

Dated this 3rd day of April, 2007.

Respectfully Submitted,

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