

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY, INC.,

Respondent.

Docket No. UE-07 _____

PUGET SOUND ENERGY, INC.'S
MOTION FOR EXPEDITED
PROCEDURAL SCHEDULE

1. Puget Sound Energy, Inc. ("PSE" or "the Company") files this Motion for Expedited Procedural Schedule in conjunction with its Power Cost Only Rate Case ("PCORC") Filing dated March 20, 2007. PSE's representatives for purposes of this proceeding are:

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I. RELIEF REQUESTED

2. PSE hereby respectfully requests that the Commission quickly set a prehearing conference in this matter and establish a procedural schedule for adjudication of the Company's PCORC Filing that will permit the proposed changes to its Power Cost Rate to become effective on September 1, 2007.

II. STATEMENT OF FACTS

3. On March 20, 2007, the Company filed proposed revisions to its Power Cost Rate, Schedule 95, to reflect increases in the Company's overall normalized power supply costs. The PCORC Filing proposes a rate year of September 1, 2007, through August 31, 2008.
4. PSE is proposing a rate year beginning September 1, 2007, because the Company completed its acquisition of a 277 MW natural-gas fired plant in Goldendale, Washington, that uses combined-cycle technology to generate electricity using both a natural-gas cycle and a steam cycle (the "Goldendale Generating Station") on February 21, 2007, and the facility has been in PSE's power portfolio since that date. PSE is seeking in this PCORC Filing to obtain approval and recovery in rates of the Goldendale Generating Station acquisition.
5. The structure of PSE's Power Cost Adjustment ("PCA") Mechanism makes it important to re-set the Company's power cost baseline rate to reflect this new resource as of the time it goes into service in PSE's electric portfolio. Specifically, the PCA Mechanism allows for recovery of new resources at the lower of their actual variable cost or the

current Power Cost Rate.¹ The Company is not permitted to recover additional *fixed* costs through the annual PCA compliance filing accounting without prior Commission approval.

6. Generation from the Goldendale Generating Station will replace wholesale market purchases of power that are *variable* costs under the PCA Mechanism. Because the Goldendale Generating Station is not currently approved for recovery in rates, the Company's annual PCA true-up filing will incorrectly suggest that the Company has experienced significant power cost savings related to purchases of power in wholesale markets after the Company's acquisition of the Goldendale Generating Station, without recognizing the offsetting additional fixed costs the Company is incurring.
7. Because the Company needs to true up its Power Cost Rate to include the Goldendale Generating Station, its filing also includes projected increases to its normalized power costs during the proposed rate year. Cost recovery for the Goldendale Generating Station and increases in gas prices along with changes in other Company resources in its energy portfolio are responsible for much of the upward pressure on PSE's power costs.
8. In order to assist the other parties in reviewing the Company's PCORC Filing on an expedited basis, the Company submitted with its PCORC Filing on March 20, 2007, all documents that are required to be filed with a PCORC proceeding.² In addition, the Company delivered copies of the filing to counsel for Commission Staff, Public Counsel

¹ See Settlement Terms for the Power Cost and Adjustment Mechanism ("PCA Settlement"), Exhibit A to the Settlement Stipulation for Electric and Common Issues ("Settlement Stipulation") approved as modified by the Commission on June 20, 2002 in its Twelfth Supplemental Order in Docket Nos. UE-011570 *et al.* ("Twelfth Supp. Order"), at § C.7.

² See PCA Settlement at § C.8.

and the Industrial Customers of Northwest Utilities, the parties to PSE's 2005 PCORC proceeding in Docket No. 050870.

III. STATEMENT OF ISSUES

9. This Motion for Expedited Procedural Schedule presents the following issue: Should a procedural schedule be set for a power cost only rate case under PSE's PCA Mechanism that permits the proposed rates to go into effect on or very shortly after the date PSE places a new generating plant into service in its electric portfolio?

IV. EVIDENCE AND AUTHORITY RELIED UPON

10. In support of the timing described above related to PSE's projected power costs for the proposed rate year for this case as well as the timing of the acquisition of the Goldendale Generating Station, the Company relies upon the prefiled direct testimonies of Mr. Eric M. Markell, Mr. Roger Garratt, Mr. Don Gaines, and Mr. David E. Mills. The Company relies upon the prefiled direct testimony of Mr. John H. Story for accounting details associated with the PCA Mechanism.
11. The Company's request for an expedited procedural schedule is consistent with the PCA Mechanism. The parties to the PCA Settlement agreed to the following provision:

One objective of a new resource proceeding is to have the new Power Cost Rate in effect by the time the new resource would go into service. Upon receipt of such filing, hearings would be scheduled to review the appropriateness of adjusting the Power Cost Rate and/or adding new resource costs to the Power Cost Rate. These hearings would consider only power supply costs included within the Power Cost Rate. It is contemplated that this review would be completed within four months. Within 30 days following the four month review, the Commission would issue an order determining the appropriateness of all power costs to be

included in the Power Cost Rate and the prudence of any new resource (with a term greater than two years) acquisition.³

12. The Commission's Twelfth Supplemental Order approving the PCA Settlement acknowledged the parties' commitment to conduct and conclude PCORC proceedings within four months, although the Commission clarified that the PCA Settlement did not "bind the Commission to a particular process or schedule."⁴
13. Although the Commission is not required to issue an order in PCORC proceedings within five months of filing, the Commission granted PSE's request for an expedited procedural schedule in PSE's first and second PCORC filings under the PCA Mechanism, in Docket No. UE-031725 and Docket No. UE-050870, respectively.
14. PSE's request in this case to establish a procedural schedule such that an order can be issued in time to place a new Power Cost Rate into effect on September 1, 2007, provides the Commission and other parties approximately five and one-half months to conduct and complete the proceedings, which is well within the time period contemplated in the PCA Settlement.

V. CONCLUSION

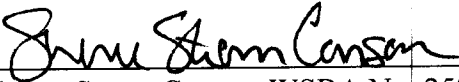
15. For the reasons set forth above, PSE respectfully requests that the Commission quickly set a prehearing conference in this matter and establish a procedural schedule for adjudication of the Company's PCORC Filing that will permit the proposed changes to its Power Cost Rate to become effective on September 1, 2007.

³ See PCA Settlement at § C.11.

⁴ Twelfth Supp. Order at ¶ 28.

Respectfully submitted this 20 day of March, 2007.

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