

Agenda Date: April 10, 2008
Item Number: A2

Docket: UE-080576
Company Name: Puget Sound Energy, Inc.

Staff: Thomas Schooley, Regulatory Analyst

Recommendation

Grant Puget Sound Energy's request to revise Schedule 194 and allow the tariff reduction to take effect on April 11, 2008, on less than statutory notice.

Background

On April 1, 2008, Puget Sound Energy, Inc. (PSE, Puget, or Company) filed a revision to Schedule 194 of its tariff, which is titled Residential and Farm Energy Exchange Benefit, but is more commonly known as the "BPA residential exchange". This schedule passes through to customers the benefits of the federal power system to Puget's residential and small farm customers.

The proposed revision establishes a one-month credit for the BPA residential exchange at a level of 2.2444 cents per kilowatt-hour (kWh). The credit will be applied to residential customer consumption from April 11 through May 11, 2008, only and to qualifying farm loads from July 1, to July 31, 2008, only. This benefit is based on an interim offer by the Bonneville Power Administration (BPA) prior to the decision in a BPA rate case which is not expected until October 2008.

The BPA interim benefit is a lump-sum payment to PSE of approximately \$53,700,000 prior to a determination of the full amount in a BPA rate case. PSE proposes that the interim benefit payment be partially offset by the over-refunded balance that exists due to timing differences between the pass-through of Schedule 194 credits and cessation of payments from the BPA in May 2007. This balance represents the benefit received by customers, but not paid to PSE by the BPA. As of March 31, 2008, the balance is \$33,662,767, not including accumulated interest. The commission in its Order 01 in Docket UE-071091 approved PSE's deferred accounting treatment of the over-refunds. The recovery of the accumulated interest is an adjustment proposed in PSE's pending general rate case, Docket UE-072300.

Prior to May 2007, PSE received from the BPA approximately \$114.0 million annually to distribute to its qualifying customers in Washington. At that time PSE's Schedule 194 credit to customer bills was 1.028 cents per kWh, or \$10.28 monthly for a customer consuming 1,000 kWh per month.

PSE's proposed 2.2444 cents per kWh is based on the balance available to be passed through to customers of \$20,037,233, excluding interest, spread across the forecasted kWh sales to qualifying customers from April 11, 2008 through May 11, 2008. For a customer using 1,000

kilowatt-hours per month this results in a reduction of \$22.44, approximately 24.2% in that month.

The amount of residential exchange monies that PSE may receive in the future is unknown. This uncertainty in the residential exchange program will require periodic adjustments to keep the receipts and disbursements in balance.¹

Staff finds the resurrection of the Residential Exchange credit on customer bills a welcome development in the regional sharing of the benefits of the federal power system. Staff considers PSE's proposed revision to its Schedule 194 tariff to be fair and reasonable.

Conclusion

Staff recommends that the commission grant PSE's request for less than statutory notice, thereby allowing PSE's Schedule 194 tariff revision to take effect April 11, 2008.

¹ Please refer to the Staff memorandum in Docket UE-061412 dated October 25, 2006, for detailed information on the contracts between the investor-owned utilities and the BPA.