BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Docket Nos. UE-011570 and UG-011571
Puget Sound Energy, Inc.'s General Rate Case
To Recover Increased Electric and Gas Costs
Supplemental Bench Request
Exhibit 577

A. Time-of-Use (supplemental question)

4) What is the rationale for collecting the $0.16/month cost through an energy charge rather than a flat customer charge?

Response

First, the collaborative agreed that a $1.00 charge for participation would be low enough to retain participants and easy to explain. As Mr. Lazar testified, the $.10 for conservation was the result of multiplying the highest estimated conservation savings per customer from the evaluation work done to date (1.6 kWh/month) by an average avoided cost of $.06/kWh, for a total of $.10; this left $.16/kWh, and the parties agreed to the recovery of this through the energy rates. This is principally a matter of convenience, given the constraints above.

Some parties were concerned that raising the customer charge increment by more than $1.00 would reduce participation to the point that the integrity of the pilot as a research program might be compromised.

F. Line Extension

1) Why does the proposed margin allowance for line extensions to serve new residential customers decrease over time (i.e., $1,478 beginning 12/31/02, falling to $1,297 on 12/31/03, and $1,117 on 12/31/04)?

Response

All of the line extension margin allowances are phased in by keeping the existing allowance from the effective date through 12/31/02 and moving one-half way effective 1/1/2003, and the rest of the way effective 1/1/2004. The reason for the phase-in is to permit customers with projects "in the pipeline" to complete them at costs not significantly different than those anticipated when the projects were

initiated, but moving to a full cost-based margin allowance on 1/1/2004 so that in the long-run customers pay cost-based charges.

2) Assuming this settlement is accepted by the Commission, what line extension allowance will be in effect from the time of that acceptance until 12/31/02?

Response

The current allowances contained in the tariffs will continue through 12/31/02, and the first step of the reduction will take place on 1/1/03.

G. Power Cost Adjustment

1) With respect to the Total Revenue Requirement Table on page 4 of the PCA Settlement, would the formation of RTO West, as proposed, affect the allocation of transmission-related revenues to the base power costs? Is it possible that we could find transmission costs to bring power into PSE's system included in power costs, but wheeling revenues associated with third-party or PSE merchant use of these transmission lines excluded from power costs?

Response

Generally, the implications of the proposed RTO West have not been addressed in the PCA mechanism. The Parties contemplate that, upon the creation and implementation of RTO West, the Company may be required to file a Resource Rate proceeding or other proceeding to adjust the mechanism. That being said, there would be two potential categories of issues with the creation of RTO West.

The PCA incorporates the costs of certain Company transmission facilities (Colstrip lines, Southern Intertie and Northern Intertie). Those transmission costs are a "fixed cost" within the PCA. Currently, the Company receives revenue under the OATT for third party use of those facilities – and such revenues are passed through the PCA. Most likely, that would continue despite implementation of RTO West.

Wheeling charges are a "variable cost" within the PCA. Today, these costs would include payments to the Bonneville Power Administration for transmission service (the IR Contract). Under the current RTO West proposal, the Company could opt to maintain such contract in its current form. There may be some credits to the company for congestion relief. These costs, and offsets to these costs, are trued-up on an actual basis and adjusted each year as stated in the PCA. Most likely, that would continue despite implementation of RTO West.

Until the RTO West proposal is finalized and implemented, the Parties are unable to anticipate the impact and implications on the transmission costs and revenues

addressed in the PCA. Finally, based on the current information regarding the costs associated by the creation and implementation of RTO West, the Company believes that it is likely that it will need to file a General Rate Case and seek to recover these costs. At such time, the FERC accounts impacted by RTO West will be identified and the PCA mechanism could be refined to adapt to the RTO West pricing and congestion management mechanisms.