

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY, INC.,

Respondent.

Docket No. _____

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 June 7, 2005. 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

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PCORC Filing that will permit the proposed changes to its Power Cost Rate to become effective on December 1, 2005.

II. STATEMENT OF FACTS

3. On June 7, 2005, 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 December 1, 2005 through November 30, 2006.
4. PSE is proposing a rate year beginning December 1, 2005 because the Company anticipates that it will place into service shortly before that date its new wind powered electric generation facility that is being constructed in Columbia County, Washington (the "Hopkins Ridge Project"). PSE is seeking in this PCORC Filing to obtain approval and recovery in rates of the Hopkins Ridge Project 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.

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.

6. PSE anticipates that generation from the Hopkins Ridge Project will replace wholesale market purchases of power that are *variable* costs under the PCA Mechanism. If the Hopkins Ridge Project is not approved for recovery in rates as of the time it goes into service, the Company's annual PCA true-up filing in August 2006 will incorrectly suggest that the Company has experienced significant power cost savings related to purchases of power in wholesale markets after the Hopkins Ridge Project goes into service, 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 Hopkins Ridge Project, its filing also includes projected increases to its normalized power costs during the proposed rate year for reasons other than the Hopkins Ridge Project. Increases in the projected price of natural gas during the rate year are responsible for much of the upward pressure on PSE's power costs. Other factors driving power costs higher include annual cost increases in PSE's existing long-term power purchase agreements, increased costs related to Mid-Columbia hydropower contracts that PSE is obligated to share, and a full-year's impact of the Bonneville Power Administration's transmission rate increase discussed in the 2004 general rate case that impacted only the very end of the rate year in that case.

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 June 7, 2005, 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, the Industrial Customers of

Northwest Utilities, and the Cogeneration Coalition of Washington, the intervenors in PSE's 2003 PCORC proceeding that actively participated in the proceeding.

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 anticipated timing of completion of the Hopkins Ridge Project, the Company relies upon the prefiled direct testimonies of Mr. Eric M. Markell, Mr. Roger Garratt, and Ms. Julia M. Ryan. The Company relies upon the prefiled direct testimony of Mr. John 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

² See PCA Settlement at § C.8.

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 PCORC filing under the PCA Mechanism, in Docket No. UE-031725.⁵
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 December 1, 2005, 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.

³ See PCA Settlement at § C.11.

⁴ Twelfth Supp. Order at ¶ 28.

⁵ See Order No. 03, Docket No. UE-031725 (Nov. 12, 2003). The proceeding was later continued for three weeks at the request of the Industrial Customers of Northwest Utilities and Microsoft. See Order No. 06, Docket No. UE-031725 (Dec. 19, 2003). Microsoft later joined ICNU, withdrew from the proceeding, and was thereafter represented by counsel for ICNU. See Order No. 08, Docket No. UE-031725 (Jan. 5, 2004).

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 December 1, 2005.

DATED this 7th day of June, 2005.

Respectfully submitted,

PERKINS COIE LLP



By _____

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