

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY, INC.,

Respondent.

DOCKET NOS. UE-011570 and
UG-011571 (Consolidated)

[PROPOSED] FIFTEENTH SUPPLEMENTAL
ORDER: GRANTING APPLICATION FOR
APPROVAL OF AMENDMENTS TO POWER
COST ADJUSTMENT MECHANISM IN
COMPLIANCE WITH TWELFTH
SUPPLEMENTAL ORDER

- 1 **PROCEEDINGS.** On November 26, 2001, Puget Sound Energy, Inc. (“PSE” or the “Company”) filed tariff revisions designed to effectuate a general rate increase for electric and gas services. On December 3, 2001, PSE filed a request for an interim electric rate increase. These proceedings were consolidated under Docket Nos. UE-011570 and UG-011571. The Commission established procedural schedules for an interim phase (electric) hearing and general rate phase (electric and gas) hearing.
- 2 On June 20, 2002, the Commission approved the multi-party settlement stipulation of disputed electric and common issues in PSE's pending general rate case, Docket Nos. UE-011570 and UG-011571 ("Stipulation") in its Twelfth Supplemental Order: Rejecting Tariff Filing; Approving and Adopting Settlement Stipulation dated June 20, 2002 ("Order"). Exhibit A to the Stipulation set forth details regarding Settlement Terms for the PCA ("PCA Settlement"). However, at the time the Commission approved the Stipulation, certain numbers set forth in the exhibits to the PCA Settlement required verification by the parties who executed the PCA Settlement ("Executing Parties").
- 3 On _____, 2003, PSE filed its Application for Approval of Amendments to Power Cost Adjustment Mechanism in Compliance with Twelfth Supplemental Order. The purpose of the filing is to memorialize the outcome of the verification process contemplated in the Twelfth Supplemental Order and to obtain Commission approval of the Agreement Regarding Resolution of PCA Mechanism Open Issues; Verification of Exhibit A and Exhibit B to the PCA Settlement Agreement

("PCA Verification Agreement"), including a set of replacement exhibits for the PCA Settlement approved in the Twelfth Supplemental Order. The executed original of the PCA Verification Agreement is attached to PSE's Application as Exhibit A.

4 **PARTIES.** Markham Quehrn and Kirstin Dodge, Perkins Coie LLP, Bellevue, Washington, represent Puget Sound Energy, Inc. John A. Cameron and Traci Kirkpatrick, Davis Wright Tremaine, represent AT&T Wireless and the Seattle Times Company. Danielle Dixon, Policy Associate, Northwest Energy Coalition, represents that organization and the Natural Resources Defense Council. Carol S. Arnold, Preston Gates Ellis, Seattle, Washington, represents Cost Management Services, Inc., and the cities of Auburn, Des Moines, Federal Way, Redmond, Renton, SeaTac, Tukwila, Bellevue, Maple Valley, and Burien ("Auburn, *et al.*"). Ron Roseman, attorney at law, Seattle, Washington, represents the Multi-Service Center, the Opportunity Council, and the Energy Project; Charles M. Eberdt, Manager, Energy Project also entered his appearance for the Energy Project; Dini Duclos, CEO, Multi-Service Center, also entered an appearance for that organization. Angela L. Olsen, Assistant City Attorney, McGavick Graves, Tacoma, Washington, represents the City of Bremerton. Donald C. Woodworth, Deputy Prosecuting Attorney, Seattle, Washington, represents King County. Melinda Davison and S. Bradley Van Cleve, Davison Van Cleve, P.C., Portland, Oregon, represent Industrial Customers of Northwest Utilities. Elaine L. Spencer and Michael Tobiason, Graham & Dunn, Seattle, Washington, represent Seattle Steam Company. Edward A. Finklea, Energy Advocates, LLP, represents the Northwest Industrial Gas Users. Donald Brookhyser, Alcantar & Kahl, Portland, Oregon, represents the Cogeneration Coalition of Washington. Michael L. Charneski, Attorney at Law, Woodinville, Washington, represents the City of Kent. Norman J. Furuta, Associate Counsel, Department of the Navy, represents the Federal Executive Agencies ("FEA"). Michael L. Kurtz, Boehm, Kurtz & Lowry, Cincinnati, Ohio, represents Kroger Company. Kirk H. Gibson and Lisa F. Rackner, Ater Wynne LLP, Portland, Oregon, represent WorldCom, Inc. Elizabeth Thomas, Preston Gates Ellis LLP, Seattle, Washington, represents Sound Transit. Harvard M. Spigal and Heather L. Grossman, Preston Gates and Ellis LLP, Portland, Oregon, represent Microsoft Corporation. Simon ffitch, Assistant Attorney General, Seattle, Washington, represents the Public Counsel Section, Office of Attorney General. Robert D. Cedarbaum, Senior Assistant Attorney General, and Shannon Smith, Assistant Attorney General, Olympia, Washington, represent the Commission's regulatory staff (Staff).

5 **COMMISSION:** The Commission grants PSE's Application for Approval of Amendments to Power Cost Adjustment Mechanism in Compliance with Twelfth Supplemental Order. The

Commission: (1) approves the PCA Verification Agreement that is attached to the Application as Exhibit A as a supplement to the Twelfth Supplemental Order; (2) orders that the revised pages of Exhibits A, B, D and F that are attached to the PCA Verification Agreement be substituted for the corollary pages of Exhibits A, B, D and F of the PCA Agreement that the Commission approved in the Twelfth Supplemental Order; and (3) orders that the resulting adjusted calculations are to be used for purposes of the PCA accounting beginning July 1, 2002.

MEMORANDUM

6 On June 20, 2002, the Commission approved the multi-party settlement stipulation of disputed electric and common issues in PSE's pending general rate case, Docket Nos. UE-011570 and UG-011571 ("Stipulation") in its Twelfth Supplemental Order: Rejecting Tariff Filing; Approving and Adopting Settlement Stipulation dated June 20, 2002 ("Order"). Exhibit A to the Stipulation set forth details regarding Settlement Terms for the PCA ("PCA Settlement"). However, at the time the Commission approved the Stipulation, certain numbers set forth in the exhibits to the PCA Settlement required verification by the parties who executed the PCA Settlement ("Executing Parties").

7 Specifically, the PCA Settlement provides: "The remaining Executing Parties agree to PSE's presentation shown in Exhibit A and will verify in due course the accuracy of the specific numbers in that exhibit." Stipulation, Exhibit A, Section D, ¶ 12. Similarly, Section D, paragraph 13 of the PCA Settlement provides that Exhibit B of the PCA Settlement "is subject to verification by the remaining Executing Parties."

8 The Executing Parties subsequently agreed that corrections were required to some of the numbers set forth in the exhibits to the PCA Settlement, as well as corresponding adjustments to other exhibits and the PCA Benchmark calculation. The Executing Parties have memorialized their agreement to these changes in the Agreement Regarding Resolution of PCA Mechanism Open Issues; Verification of Exhibit A and Exhibit B to the PCA Settlement Agreement ("PCA Verification Agreement"), which is attached to PSE's Application as Exhibit A.

9 The PCA Verification Agreement describes in some detail the corrections and adjustments that the Executing Parties have agreed need to be made to the PCA Agreement that the Commission approved in the Order. As a result of these adjustments, the PCA Verification Agreement states that the power cost rate set forth in the PCA Agreement approved in the Order should be reduced from \$44.463 per MWh to \$43.953 per MWh.

10 Because the PCA Verification Agreement changes the PCA Settlement that the Commission approved in the Order, PSE has requested that the Commission: (1) approve the PCA Verification Agreement that is attached to the Application as Exhibit A as a supplement to the Order; (2) order that the revised pages of Exhibits A, B, D and F that are attached to the PCA Verification Agreement be substituted for the corollary pages of Exhibits A, B, D and F of the PCA Agreement that the Commission approved in the Order; and (3) order that the resulting adjusted calculations are to be used for purposes of the PCA accounting beginning July 1, 2002. PSE states that this accounting treatment is appropriate because the revised numbers reflect the numbers to which the Executing Parties intended to agree in the PCA Agreement, and are essentially ministerial corrections resulting from the verification process. Furthermore, the resulting power cost rate is lower than the rate set forth in the original PCA Agreement.

11 The Commission has authority to amend its Order as requested pursuant to RCW 80.04.210 and WAC 480-09-815. PSE has provided notice of its Application to the parties who executed the PCA Settlement, and to all parties to the general rate case, Docket Nos. UE-011570 and UG-011571.

FINDINGS OF FACT

12 Having discussed above all matters material to our decision, and having stated general findings, the Commission now makes the following summary findings of fact. Those portions of the preceding discussion that include findings pertaining to the Commission's ultimate decisions are incorporated by this reference.

- (1) The Washington Utilities and Transportation Commission is an agency of the State of Washington, vested by statute with authority to regulate rates, rules, regulations, practices, and accounts of public service companies, including electric companies.
- (2) Puget Sound Energy, Inc., is a "public service company" and an "electrical company" as those terms are defined in RCW 80.04.010, and as those terms otherwise may be used in Title 80 RCW. Puget Sound Energy, Inc., is engaged in Washington State in the business of supplying utility services and commodities to the public for compensation.
- (3) PSE's Application of _____, 2003, is in the public interest and produces results that are fair, just, and reasonable.

CONCLUSIONS OF LAW

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Having discussed above in detail all matters material to our decision, and having stated general findings and conclusions, the Commission now makes the following summary conclusions of law. Those portions of the preceding detailed discussion that state conclusions pertaining to the Commission's ultimate decisions are incorporated by this reference.

- (1) The Washington Utilities and Transportation Commission has jurisdiction over the subject matter of, and parties to, these proceedings. *Title 80 RCW.*
- (2) The Commission's prior orders in Docket Nos. UE-011570/UG-011571 should be amended to the extent necessary, or rescinded to the extent required, to effectuate the provisions of this Order. *RCW 80.04.210; WAC 480-09-815.*
- (3) The Commission should retain jurisdiction over the subject matters and the parties to this proceeding to effectuate the terms of this Order. *Title 80 RCW.*

ORDER

- (1) THE COMMISSION ORDERS that PSE's Application for Approval of Amendments to Power Cost Adjustment Mechanism in Compliance with Twelfth Supplemental Order is granted. The Commission therefore:
 - (a) approves the PCA Verification Agreement that is attached to the Application as Exhibit A as a supplement to the Twelfth Supplemental Order;
 - (b) orders that the revised pages of Exhibits A, B, D and F that are attached to the PCA Verification Agreement be substituted for the corollary pages of Exhibits A, B, D and F of the PCA Agreement that the Commission approved in the Twelfth Supplemental Order; and
 - (c) orders PSE to use such adjusted calculation in its PCA accounting effective July 1, 2002.
- (2) THE COMMISSION ORDERS FURTHER That it retains jurisdiction over the subject matter and the parties to effectuate the provisions of this Order.

DATED at Olympia, Washington, and effective this ___ day of _____ 2003.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION