

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND)	
TRANSPORTATION COMMISSION,	)	DOCKET NOS. UE-011570 and
	)	UG-011571 (Consolidated)
Complainant,)	
)	
v.	)	FIFTEENTH SUPPLEMENTAL
	)	ORDER: GRANTING
PUGET SOUND ENERGY, INC.,	)	APPLICATION FOR APROVAL OF
	)	AMENDMENTS TO POWER COST
Respondent.	)	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 ("Power Cost Adjustment Settlement" or “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 April 29, 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 On May 2, 2003, the Commission gave notice to the parties of their opportunity to comment on the application.

5 On May 5, 2003, Commission Staff filed comments in support of the application. Staff's comments indicated that Commission Staff had worked closely with the PSE in determining the proposed recalculation and that Staff agrees with the recalculation, as memorialized in the PCA Verification Agreement that was filed with the application. Staff recommends that the Commission approve the application.

6 No other party filed any comments on the application.

7 **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 ffitich, 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 (Commission Staff)¹.

¹ In formal proceedings, such as this case, the Commission’s regulatory staff functions as an independent party with the same rights, privileges and responsibilities as any other party to the proceeding. There is an “*ex parte* wall” separating the Commissioners, the presiding ALJ, and the Commissioners’ policy and accounting advisors from all parties, including Staff. *RCW 34.05.455*.

I. MEMORANDUM

8 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 ("Power Cost Adjustment 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").²

9 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."

10 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.

² The executing parties are: PSE, Commission Staff, Public Counsel, Kroger Co., AT&T Wireless Services, Inc.; NW Energy Coalition and Natural Resources Defense Council

- 11 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 Settlement 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 Settlement approved in the Order should be reduced from \$44.463 per MWh to \$43.953 per MWh.
- 12 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 Twelfth Supplemental 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 Settlement 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 Settlement, 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 Settlement.
- 13 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.
- 14 **Decision:** Based on the Commission's review of the parties' joint agreement to amend the power cost adjustment, and based on Commission Staff's recommendation that PSE's application be granted, the Commission finds that the agreed amendments to the power cost adjustment mechanism meet the

requirements of the Twelfth Supplemental Order, are reasonable, and should be approved.

II. FINDINGS OF FACT

15 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.

16 (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.

17 (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.

18 (3) PSE's Application of April 29, 2003, is in the public interest and produces
results that are fair, just, and reasonable.

III. CONCLUSIONS OF LAW

19 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.

- 20 (1) The Washington Utilities and Transportation Commission has jurisdiction over the subject matter of, and parties to, these proceedings. *Title 80 RCW.*
- 21 (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.*
- 22 (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.*

IV. ORDER

- 23 (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.
- 24 (2) THE COMMISSION ORDERS FURTHER That the PCA Verification Agreement that is attached to PSE's Application as Exhibit A is approved as a supplement to the Twelfth Supplemental Order.
- 25 (3) THE COMMISSION ORDERS FURTHER 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 Settlement that the Commission approved in the Twelfth Supplemental Order.
- 26 (4) THE COMMISSION ORDERS FURTHER That PSE use the adjusted calculation in its PCA accounting effective July 1, 2002.

- 27 (5) 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 13th day of May 2003.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

MARILYN SHOWALTER, Chairwoman

RICHARD HEMSTAD, Commissioner

PATRICK J. OSHIE, Commissioner