

Agenda Date: October 29, 2003
Item Number: A2

Docket: UE-031725
Company Name: Puget Sound Energy, Inc.

Staff: Hank McIntosh, Economist
Ken Elgin, Case Strategist

Recommendation:

Issue a Complaint and Order Suspending the Proposed Tariff Revisions and set the matter for hearing; grant the Company's motion for a protective order containing provisions for "Highly Confidential" information, subject to later amendment if necessary; and trigger the discovery provisions of WAC 480-090-480.

Background:

On October 24, 2003, Puget Sound Energy, Inc., ("PSE" or the Company) filed a petition and tariffs in Docket No. UE-031725 for a Power Cost Only Rate Review. The filing proposes to change the Company's rates as a result of its decision to purchase a new generating resource. The estimated rate impact is an increase of rates by 4.72% from a revenue requirement increase of \$64.4 million.

PSE announced on October 22, 2003, its decision to be a partner with EPCOR Utilities in the development of a combined cycle combustion turbine near Tacoma, Washington. Company testimony indicates that the facility is rated at 249.3 mW and that PSE will acquire a 49.85 percent share, or 124.3 mW. EPCOR is developing the facility at its Spanaway, Washington site. The news release indicates that this is PSE's first step in its return to the traditional energy utility business model in that it is purchasing a new resource in order to carry out its obligations as a public service company. The Company's prefiled written testimony states that the purchase price is \$76.3 million.

In the Company's last general rate case (Docket No. UE-011570), the Commission accepted a settlement agreement that provided for a Purchased Cost Adjustment (PCA). One element of the PCA is the opportunity for PSE to file a "Power Cost Only Rate Review" in order to recover the cost of any new resource from its customers. The current filing is submitted under that provision. Commission Staff is bringing this filing to the Commission today in order to comply with the settlement provisions that require the parties to seek expedited treatment of these costs by the Commission.

Discussion:

The Company's filing increases its rates and charges for electric service. Thus, in order to determine the reasonableness of the proposed increases, Staff recommends that the Commission

issue a complaint and order suspending the proposed tariff revisions and set the matter for hearing.

There are two additional items for the Commission to consider at this stage of the proceeding. First, the Company requests immediate issuance of a protective order with provisions for “Highly Confidential” information. Staff does not oppose the Company’s request. However, the need for the “Highly Confidential” provisions is driven by the nature of potential intervenors to the case. Thus, Staff recommends that the Commission reconsider the need for the Highly Confidential provisions at the prehearing conference when parties to the proceeding have been identified. The Highly Confidential provisions can then be removed from the protective order if they are unnecessary.

Second, Staff recommends that the Commission trigger immediately the discovery provisions of WAC 480-09-480. This process is consistent with the parties’ settlement agreement in the last general rate case that contemplated expedited review of the filing.

Conclusion:

Staff recommends that the Commission issue a complaint and order suspending the proposed tariff revisions and set the matter for hearing. Staff also does not oppose the Commission granting the Company’s motion for a protective order, subject to later amendment if necessary and that finally, the Commission should trigger the discovery provisions of WAC 480-090-480.