

**BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of

PUGET SOUND ENERGY,

Petitioner,

For an Accounting Order Authorizing the
Deferral of Fixed Production Costs
Previously Recovered in PSE's Power
Cost Adjustment Mechanism

DOCKET UE-161112

ORDER 01

ORDER GRANTING ACCOUNTING
PETITION

BACKGROUND

- ¹ On September 30, 2016, Puget Sound Energy (PSE or Company) filed with the Washington Utilities and Transportation Commission (Commission) a petition requesting an accounting order (Petition), which would allow the Company to defer revenue variances¹ associated with its recovery of its fixed production related costs, which are due to be removed from PSE's Power Cost Adjustment (PCA) mechanism beginning January 1, 2017.² The deferral period would commence on January 1, 2017.
- ² On August 7, 2015, the Commission approved a settlement agreement in Docket UE-130617 *et al* (Order 11), which incorporated changes to PSE's PCA and specified that PSE may file an accounting petition:

deferring revenue variances in Fixed Production Costs between January 1, 2017, when Fixed Production Costs are removed from the PCA per this Settlement, and March 1, 2017, when rates from the general rate case become effective and Fixed Production Costs are placed in the decoupling mechanism, if PSE's decoupling program continues.³

¹ Both over- and under-collection.

² In Docket UE-161135, PSE filed its limited update to its Power Cost Baseline Rate. In that filing, PSE calculates separate Power Cost Baseline Rates for both its variable and fixed production related costs. The deferral will use the fixed production related cost baseline in UE-161135 of \$25.871 per MWH. The deferral amount is calculated monthly by subtracting the product of the fixed production related cost baseline multiplied by forecast loads from this same baseline multiplied by actual loads.

³ *WUTC v. Puget Sound Energy, Inc.*, Dockets UE-130617 *et al*, Order 11, ¶ 15 (August 7, 2015) and Appendix A to Order 11 – Settlement Stipulation, ¶ 9, Section F, Item 4. It was anticipated at the time

- 3 On June 25, 2013, the Commission entered Order 07 in Docket UE-121697 *et al*, approving a multi-year rate plan in which PSE would file its next general rate case no sooner than April 1, 2015, and no later than April 1, 2016.⁴ On March 9, 2016, PSE, the Commission's regulatory Staff, the Public Counsel Unit of the Office of Attorney General, Industrial Customers of Northwest Utilities, Northwest Industrial Gas Users, The Energy Project, NW Energy Coalition, Federal Executive Agencies, and the Sierra Club (collectively, Joint Petitioners), filed a Joint Petition to Modify Order 07, requesting an extension to the date by which PSE must file a general rate case until January 17, 2017.⁵
- 4 On March 17, 2016, the Commission granted the relief requested by the Joint Petitioners, enabling PSE to file this petition.

DISCUSSION AND DECISION

- 5 We approve PSE's accounting petition and authorize the Company to defer the revenue variances associated with the collection of fixed production related costs along with any accrued interest, beginning January 1, 2017, until the Commission establishes new rates for the Company in PSE's next general rate case. The deferral account will track the monthly difference in actual revenue collected compared to the amount of revenue estimated using forecasted loads. The deferral of these variances protects both the Company and ratepayers from possible over- or under-collection of the authorized amount of fixed production related costs currently in rates and is therefore in the public interest.
- 6 We note that the settlement agreement approved in Order 11 in Docket UE-130617 *et al* and paragraph 15 of Order 11 still reference the previously-anticipated rate effective date

Order 11 was issued that the disposition of any deferral balance for the two-month period would also be addressed in the Company's next general rate case. It was agreed among the settling parties that the interest rate on any deferred customer surcharges or refunds will continue for the PCA per current policy. Staff has proposed, and the Company agrees to apply the FERC Interest Rate to the revenue variances (both over- and under-collection) associated with its recovery of its fixed production related costs in order to be consistent with both the PCA and the Company's existing Decoupling Mechanism.

⁴ *WUTC v. Puget Sound Energy*, Dockets UE-121697 *et al*, Order 07, ¶ 9 (June 25, 2013).

⁵ The Joint Petitioners also agreed to support an amendment to Order 11 in Docket UE-130617 *et al* for the purposes of extending the deferral period in recognition of the new date by which PSE must file its next general rate case and when new rates are expected to take effect. UE-121697, Joint Petition to Modify Order 07, ¶ 8, Item H.

of March 1, 2017. We encourage the parties to file a joint motion in that adjudicative proceeding requesting modification of that date in the settlement agreement and Order 11 to reflect the extension of the multi-year rate plan in Docket UE-121697 *et al.*

FINDINGS AND CONCLUSIONS

- 7 (1) The Washington Utilities and Transportation Commission is an agency of the State of Washington vested by statute with the authority to regulate the rates, rules, regulations, practices, accounts, securities, transfers of property and affiliated interests of public service companies, including electric companies. RCW 80.01.040, RCW 80.04, RCW 80.08, RCW 80.12, RCW 80.16 and RCW 80.28.
- 8 (2) PSE is an electric company and a public service company subject to Commission jurisdiction.
- 9 (3) WAC 480-07-370(1)(b), allows companies to file petitions including that for which PSE seeks approval.
- 10 (4) Staff has reviewed the petition in Docket UE-161112 including related testimonies, exhibits, and work papers.
- 11 (5) This matter came before the Commission at its regularly scheduled meeting on November 10, 2016.
- 12 (6) After reviewing PSE's accounting petition filed in Docket UE-161112, and giving due consideration to all relevant matters and for good cause shown, the Commission finds that the Petition seeking a deferral of fixed production costs revenue variances previously recovered in PSE's Power Cost Adjustment Mechanism should be granted.

ORDER

THE COMMISSION ORDERS:

- 13 (1) The Commission grants the accounting petition of Puget Sound Energy filed September 30, 2016.

- 14 (2) Puget Sound Energy is authorized to establish a deferral account for the revenue variances associated with fixed production costs previously recovered in Puget Sound Energy's Power Cost Adjustment Mechanism, beginning January 1, 2017.
- 15 (3) This Order shall not affect the Commission's authority over rates, services, accounts, valuations, estimates, or determination of costs, on any matters that may come before it. Nor shall this Order be construed as an agreement to any estimate or determination of costs, or any valuation of property claimed or asserted.
- 16 (4) The Commission retains jurisdiction over the subject matter and Puget Sound Energy, to effectuate the provisions of this Order.

The Commissioners, having determined this Order to be consistent with the public interest, directed the Secretary to enter this Order.

Dated at Olympia, Washington, and effective November 10, 2017.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chairman

PHILIP B. JONES, Commissioner

ANN E. RENDAHL, Commissioner