

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND)	DOCKET UG-121569
TRANSPORTATION)	
COMMISSION,)	ORDER 01
)	
Complainant,)	
)	
v.)	COMPLAINT AND ORDER
)	SUSPENDING TARIFF REVISIONS;
PUGET SOUND ENERGY, INC.,)	ALLOWING RATES ON A
)	TEMPORARY BASIS, SUBJECT TO
Respondent.)	REVISION
.....)	

BACKGROUND

- 1 On September 27, 2012, Puget Sound Energy, Inc., (PSE or Company) filed with the Washington Utilities and Transportation Commission (Commission) revisions to its currently effective Tariff WN U-2, designated as Thirty-Sixth Revision of Sheet No. 1101 Canceling Thirty-Fifth Revision of Sheet No. 1101; and Thirty-Ninth Revision of Sheet No. 1106 Canceling Thirty-Eighth Revision of Sheet No. 1106. The stated effective date is November 1, 2012. This matter came before the Commission at its October 25, 2012, Open Meeting.

- 2 In this filing, PSE would decrease rates for the Company’s Purchased Gas Adjustment (PGA) and Deferred Gas Cost Amortization mechanisms, reducing annual revenue by approximately \$77.0 million or 7.7 percent. PSE serves over 750,000 natural gas customers in six counties in Washington – King, Kittitas, Lewis, Pierce, Snohomish, and Thurston.

- 3 The PGA reflects the projected costs of purchases gas for the coming year, November 2012 through October 2013. The Company proposes an estimated weighted average costs of gas (WACOG) of \$0.57195 per therm (\$0.43770 commodity and \$0.13425 demand) resulting in an estimated overall annual decrease in sales revenues of approximately \$64.5 million. The proposed decrease is in large part the result of decreasing wholesale natural gas prices.

- 4 The cost of gas passed on to ratepayers includes the actual spot/index market prices, financial hedging costs, and the cost of transporting the gas from the point of purchase to the point of distribution. According to Commission Staff (Staff), the last few years have

seen a sharp decline in natural gas prices, but a slower decline in the costs of gas passed on to ratepayers. Staff suggests the possibility that locking in prices of future gas supplies through financial hedging has led to commodity costs for ratepayers being higher than what those costs would have been absent financial hedging or at least a decrease in the volumes hedged. Staff has not pre-determined the prudence of this practice for any of the natural gas utilities the Commission regulates, and Staff notes that financial hedging in the face of rising natural gas prices could benefit ratepayers.

- 5 Staff has concerns regarding the variety of procurement and hedging strategies and the differences in PGA reporting by natural gas companies the Commission regulates. Staff requests more time to investigate PSE's books, accounts, practices and activities and recommends that the Commission suspend the tariff filing so that the Commission can examine hedging practices in general and determine if the rates resulting from this tariff filing are fair, just, reasonable, and sufficient. PSE proposes a decrease in rates, therefore, Staff recommends that the rates become effective on November 1, 2012, on a temporary basis subject to revision.

DISCUSSION

- 6 The Commission agrees that an investigation is warranted into the hedging and procurement practices of PSE and the other natural gas companies the Commission regulates. As Staff suggests, such practices may benefit the companies' customers under appropriate circumstances, but the Commission should investigate whether the hedging and procurement in which the companies currently engage results in rates that are fair, just, reasonable, and sufficient.

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 rates, regulations, practices, accounts, securities, transfers of property and affiliated interests of public service companies, including gas 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 a gas company and a public service company subject to Commission jurisdiction.

- 9 (3) This matter came before the Commission at its regularly scheduled meeting on October 25, 2012.
- 10 (4) The tariff revisions PSE filed on September 27, 2012 would decrease charges and rates for service provided by PSE, and such decreases pending Commission Staff review are in the public interest.
- 11 (5) Although PSE has not yet demonstrated that the tariff revisions would result in rates that are fair, just, reasonable, and sufficient, the Commission finds it reasonable to allow the rates filed on September 27, 2012, to become effective November 1, 2012, on a temporary basis, subject to revision.
- 12 (6) As authorized in RCW 80.04.130 and RCW 80.04.220, an investigation into this filing is warranted including an examination of PSE's books, accounts, practices and activities.
- 13 (7) Under RCW 80.04.130(4), PSE would bear the burden of proof to show that the proposed decreases are fair, just, reasonable and sufficient in the event this matter were set for hearing. Nothing in this Order is intended to limit the issues as to the fairness, justness, reasonableness and sufficiency of the proposed decreases.

ORDER

THE COMMISSION ORDERS:

- 14 (1) The tariff revisions Puget Sound Energy, Inc., filed on September 27, 2012, are suspended.
- 15 (2) The proposed tariff revisions Puget Sound Energy, Inc., filed on September 27, 2012, shall become effective on November 1, 2012, on a temporary basis, subject to revision.
- 16 (3) The Commission will hold hearings and conduct workshops at such times and places as may be required.
- 17 (4) Puget Sound Energy, Inc., must not change or alter the tariffs filed in this docket during the suspension period, unless authorized by the Commission.

- 18 (5) The Commission will institute an investigation of Puget Sound Energy, Inc.'s books, accounts, practices, activities, and operations as described in this Order.
- 19 (6) Commission Staff will report to the Commission on the status of Staff's investigation no later than March 1, 2013, and that report shall include recommendations on the disposition of this tariff filing by Puget Sound Energy Inc. or the need for further process to make the appropriate determination.

DATED at Olympia, Washington, and effective October 31, 2012.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

JEFFREY D. GOLTZ, Chairman

PATRICK J. OSHIE, Commissioner

PHILIP B. JONES, Commissioner