

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

WASHINGTON UTILITIES AND)	
TRANSPORTATION COMMISSION,)	DOCKETS UE-060266 and
)	UG-060267 (<i>consolidated</i>)
Complainant,)	
v.)	ORDER 09
)	
PUGET SOUND ENERGY, INC.,)	GRANTING IN PART AND
)	DENYING IN PART STAFF
Respondent.)	MOTION FOR CLARIFICATION
.....)	

MEMORANDUM

- 1 **Proceedings:** This is a general rate proceeding initiated by PSE’s filing on February 15, 2006. The Commission, suspended the tariff filing on February 22, 2006, conducted a public comment hearing in Renton, Washington on June 29, 2006, and evidentiary hearings in Olympia, Washington, on September 18 - 21 and 25, 2006. The parties filed Initial Briefs on October 31, 2006, and Reply Briefs on November 14, 2006. The Commission entered Order 08, its Final Order in this proceeding, on January 5, 2007.

- 2 **Motion for Clarification:** On January 10, 2007, Staff filed its Motion for Clarification of Order 08. Staff asks the Commission to clarify Order 08 by expressly:
 - Approving the natural gas low income assistance proposal of Staff, Public Counsel and the NWIGU.
 - Including in the Purchased Gas Adjustment mechanism the cost associated with the new line of credit to support its core gas portfolio hedging transactions.
 - Rejecting the Company’s allocation of demand-related gas costs in Schedules 101 and 106.

Discussion and Decisions:

- 3 **Low Income Assistance.** Staff, Public Counsel and the Northwest Industrial Gas Users proposed an increase in the natural gas low income bill assistance program of \$525,000 (net of taxes and revenue sensitive items) above the current level of \$2.8 million. The \$525,000 increase would be allocated across classes on an equal percent of margin basis, which is consistent with existing Schedule 129.¹ The Company did not oppose the proposal.² Staff argues that while the Commission's Order 08 expressly approves an increase in the *electric* low income assistance program,³ it does not expressly approve the increase proposed for the *natural gas* low income assistance program.
- 4 The Commission approved an uncontested Settlement Agreement (Appendix A of the Order) that refers to the increase in low income assistance for both electric and gas. The Settlement states the parties' agreement not to contest inclusion of \$525,000 in additional low-income energy assistance on the gas side, but does not expressly endorse the inclusion of this amount. We clarify that Order 08 approves the inclusion of \$525,000 in additional low-income energy assistance in Docket UG-060267. This result should be reflected in the Company's compliance filing.
- 5 **Inclusion of Hedging Costs in PSE's Purchased Gas Adjustment (PGA).** PSE proposed to include in the Power Cost Adjustment mechanism the cost associated with a new line of credit to support wholesale power hedging transactions. All parties addressing the issue supported the proposal, which the Commission approved in its Order 08.⁴
- 6 The Company also proposed to include in its Purchased Gas Adjustment mechanism the cost associated with the new line of credit to support its core gas portfolio hedging transactions.⁵ No party opposed PSE's proposal. However, Order 08 does not include language expressly approving this result. We clarify that PSE is authorized to include in its Purchased Gas Adjustment mechanism the

¹ Exhibit No. 581 at 14:16-15:6 (Joint Parties).

² Tr. 98:22-25 (Harris).

³ Order 08 at ¶ 144.

⁴ Order 08 at ¶ 34.

⁵ Exhibit No 131C at 25:18-26:2 (Gaines) and Exhibit No. 421 at 51:15-52:6 (Story).

cost associated with the new line of credit to support its core gas portfolio hedging transactions.

- 7 **Allocation of Demand-Related Gas Costs to Rate Schedules 101 and 106.**
Staff asks us to clarify that Order 08 rejects the Company's allocation of demand-related gas costs in Schedules 101 and 106 based on a cost of service study that allocates peak costs using the so-called design day. Order 08 does not expressly decide the issue regarding the methodology for allocation of demand-related gas costs. Indeed, the Commission states in Order 08 that:

The record in this proceeding is not adequate for purposes of evaluating PSE's use of the design day as a peak allocator in its COS study. We express no opinion on the subject.⁶

- 8 Order 08 also states:

While the evidence and argument on this issue is not developed particularly well by either party, the Company's case is, on balance, the stronger and more principled approach. We find it reasonable for purposes of determining rates in this proceeding.

- 9 We deny Staff's Motion for Clarification on this point. As we stated in Order 08, the Commission accepts PSE's rate spread for purposes of determining rates in this proceeding. This includes acceptance of the Company's allocation of demand-related gas costs to Schedules 101 and 106. We emphasize, however, that the Commission expresses no opinion in this proceeding concerning PSE's use of the design day as a peak allocator in its cost of service study and none should be inferred.

ORDER

THE COMMISSION ORDERS THAT:

- 10 (1) Staff's Motion for Clarification concerning funding for low income assistance programs for gas customers and the inclusion in the Company's

⁶ Order 08 at ¶ 133.

PGA of a line of credit to support hedging as discussed in the body of this order is granted.

- 11* (2) Staff's Motion for Clarification concerning the allocation of demand-related gas costs in Schedules 101 and 106 is denied.
- 12* (3) The Commission retains jurisdiction to effectuate the terms of its orders entered in this proceeding.

Dated at Olympia, Washington, and effective January 10, 2007.

WASHINGTON STATE UTILITIES AND TRANSPORTATION COMMISSION

MARK H. SIDRAN, Chairman

PATRICK J. OSHIE, Commissioner

PHILIP B. JONES, Commissioner