

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of	)	DOCKETS UE-121697
	)	and UG-121705
PUGET SOUND ENERGY and	)	(consolidated) <sup>1</sup>
NW ENERGY COALITION	)	
	)	ORDER 14
For an Order Authorizing PSE to	)	
Implement Electric and Natural Gas	)	GRANTING PROPOSED
Decoupling Mechanisms and to Record	)	CORRECTION TO CALCULATION
Accounting Entries Associated with the	)	METHOD FOR DECOUPLING
Mechanisms	)	DEFERRALS
.....)	)	

**MEMORANDUM**

*1* On March 31, 2015, Puget Sound Energy (PSE) filed a petition requesting the Washington Utilities and Transportation Commission (Commission) to approve an errata to Attachments A and B to the Amended Petition for Decoupling in Dockets UE-121697 and UG-121705 (consolidated).<sup>2</sup> The purpose of the errata is to correct the manner in which decoupling deferrals are calculated. PSE states that the errata will make clear that prior years’ accumulated decoupling deferrals will not be included in the calculation of the current rate year Actual Revenue for purposes of determining the current decoupling deferrals. PSE states that the effect of this change

---

<sup>1</sup> These consolidated dockets concerning the Joint Petition of PSE and NWEC for approval of decoupling mechanisms for PSE (Decoupling dockets) were heard jointly, but not consolidated, with Dockets UE-130137 and UG-130138, an Expedited Rate Filing (ERF dockets). The ERF dockets are not implicated by PSE’s petition and, hence, are not reflected in the caption of this Order. The next order number in either the Decoupling or ERF dockets, however, will be Order 15 to maintain consistency in the numbering of subsequent joint orders.

<sup>2</sup> The errata revises language in subsections 6.b. of Attachments A and B to the Amended Petition for Decoupling, filed in these dockets on March 1, 2013, and approved by the Commission in Order 07 on June 25, 2013. Those attachments describe the Electric Revenue Decoupling Mechanism and Gas Revenue Decoupling Mechanism. The errata to Attachments A and B is attached to this Order as Appendix A.

is to set the Schedule 142 rates at the appropriate level, which is approximately \$12 million lower than the rates would be set if the errata is not approved.<sup>3</sup>

- 2 PSE informed the NW Energy Coalition, Commission Staff, Public Counsel and the Industrial Customers of Northwest Utilities of its plans to file the Petition. The Commission issued a notice on April 2, 2015, setting a deadline of April 7, 2015, for any responses to PSE's Petition. Staff answered on the designated date stating its support for the petition. Public Counsel filed a letter the same day stating it does not oppose the petition.
- 3 PSE's Petition states that the manner in which current period decoupling deferrals are calculated, as described in Attachments A and B to the Amended Petition For Decoupling Mechanisms filed on March 1, 2013, has unintended consequences. PSE's Petition is its attempt to correct this defect.
- 4 PSE's decoupling deferrals are calculated by comparing Allowed Revenue to Actual Revenue; the monthly difference between the two is the monthly deferral amount. PSE states that the currently authorized method for calculating Actual Revenue requires that the accumulated deferral from the prior year be included in the calculation of Actual Revenues for the current year. Rather than passing back these deferred revenues from the prior year through a separate tracker, these deferrals from the prior year are included in the calculation of current year Actual Revenues. This results in current year deferrals being misstated because they include the prior year deferral in current year Actual Revenues. This also results in prior years' accumulated deferrals being passed back to customers potentially being taken back as part of the current year's deferral calculation.
- 5 PSE states that in December 2013, the total decoupling mechanism deferral (gas and electric) to be passed back to customers between May 2014 and April 2015 totaled approximately \$20 million. This amount was approved for refund beginning May 2014 and is currently being credited back to customers. If not corrected, PSE claims,

---

<sup>3</sup> PSE states that the total impact is approximately \$20 million. The additional amount--approximately \$8 million--would be reflected in rates in 2016, if the errata is not approved.

the decoupling mechanism would cause the \$20 million deferral amortization from the prior year to be included as Actual Revenue in the current rate period. Beginning in May 2014, when calculating the monthly deferral, the Actual Revenues would be understated because the prior year's amortized deferral for refund to customers would be included in the current year's Actual Revenues. PSE states that this results in the creation of excess deferrals as receivables from customers approximately equal to (but in the opposite direction of) the \$20 million refund included in current rates for the prior year's decoupling deferrals.

- 6 According to PSE the defect has only impacted non-cash tracking accounts and has not impacted customers' rates as of the date of its filing. However, if left uncorrected, the Schedule 142 rates set on May 1, 2015, would include the misstated receivable from customers. PSE states that granting its Petition will allow PSE to calculate the deferrals as intended, from May 1, 2014 forward, before setting those rates. PSE states that it will represent a reduction to the receivable reflected on PSE's books as of December 2014.
- 7 PSE's annual Schedule 142 tariff filing, filed concurrently with its Petition, corrected the defect and excluded prior years' deferrals from the calculation of the current year Actual Revenue. In order to implement Schedule 142, as filed, PSE's proposed errata to Attachments A and Attachment B to the Amended Petition For Decoupling must be approved to correct and make clear that prior years' deferrals will not be included in the current year calculation of Actual Revenue. Absent the Commission's approval, PSE states that it would need to revise the current Schedule 142 filing to remove the effect of this petition, resulting in a higher revenue requirement for the May 1, 2015, rates.
- 8 PSE proposes the following errata to the description of the calculation of the decoupling rate, which is set forth in Section 6 of Attachment A (Electric Revenue Decoupling Mechanism) and Attachment B (Gas Revenue Decoupling Mechanism) to PSE's petition. The change to the original description is underlined below:
  - a) Step 1 – Calculate Current Allowed Revenue (Allowed Revenue): The Company will calculate Allowed Revenue by multiplying the Monthly Allowed Delivery RPC for each Rate Group for the current calendar

month by the number of customers in the group for the current calendar month (Current Customers).

- b) Step 2 – Calculate Current Actual Revenue (Actual Revenue): The Company will calculate Actual Revenue by multiplying the Rate Year RPU excluding the portion recovering the accumulated decoupling deferrals from prior calendar years for each Rate Group for the current calendar month by the kilowatt-hour sales<sup>4</sup> in the group for the current calendar month (Current Sales).
- c) Step 3 – Calculate Monthly Deferral Amounts: The Company will compare the difference between Allowed Revenue and Actual Revenue for the month for each rate Group and defer 100 percent of the revenue difference, either positive or negative, and record that amount in a separate account for later recovery or rebate. The Company will accrue interest on the deferred balance at a rate equal to that determined by the Federal Energy Regulatory Commission pursuant to the Code of Federal Regulations, Title 18, Section 35.19a.

- 9 The Commission determines that PSE's proposed errata, as shown in Appendix A of this Order, is reasonable, is in the public interest, and should be approved.

## ORDER

### THE COMMISSION ORDERS THAT

- 10 (1) PSE's proposed errata to Attachments A and B to the Amended Petition or Decoupling Mechanism in Docket Nos. UE-130137 and UG-130138 (consolidated), as shown in Appendix A, which is here adopted by reference as if set forth in full, is approved.

---

<sup>4</sup> Attachment A references kilowatt-hour sales, Attachment B references therms sales.

- 11 (2) The Commission Secretary is authorized to accept by letter, with copies to all parties to this proceeding, any filing necessary to comply with the requirements of this Order.
- 12 (3) The Commission retains jurisdiction to effectuate the provisions of this Order.

DATED at Olympia, Washington, and effective April 22, 2015.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION<sup>5</sup>



DAVID W. DANNER, Chairman

ANN E. RENDAHL, Commissioner

**NOTICE TO PARTIES: This is a Commission Final Order. In addition to judicial review, administrative relief may be available through a petition for reconsideration, filed within 10 days of the service of this order pursuant to RCW 34.05.470 and WAC 480-07-850, or a petition for rehearing pursuant to RCW 80.04.200 and WAC 480-07-870.**

---

<sup>5</sup> Commissioner Philip B. Jones is on family medical leave and unavailable to sign this Order.