

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY,

Respondent.

DOCKET UE-190324

**JOINT NARRATIVE IN SUPPORT  
OF SETTLEMENT STIPULATION**

**I. INTRODUCTION**

*I* This Joint Narrative in Support of Settlement Stipulation (“Narrative”) is submitted in accordance with WAC 480-07-740(2) by the settling parties to this proceeding, *i.e.*, Puget Sound Energy (“PSE” or “Company”), Staff of the Washington Utilities and Transportation Commission (Staff), and the Public Counsel Unit of the Washington Attorney General’s Office (Public Counsel), (collectively referred to as the “Parties” and individually as a “Party”). The Alliance of Western Energy Consumers (“AWEC”) is an intervening party in this proceeding but takes no position on the Stipulation.<sup>1</sup> This Narrative summarizes and explains the terms of the Settlement Stipulation (Stipulation) and is not intended to modify any terms of the Stipulation.

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<sup>1</sup> AWEC takes no position on the only remaining issue in this proceeding. *See* Docket UE-190882, Final Order 05 at ¶ 14 “The Commission granted AWEC’s request to be excused from the evidentiary hearing because it offered no testimony, intended no cross-examination, and only further intended to monitor this proceeding.”

## II. NATURE AND SCOPE OF THE PROCEEDING AND THE DISPUTE

2 PSE’s power cost adjustment (“PCA”) is a rate mechanism designed to recover or refund significant, unexpected variations in power costs. The PCA mechanism accounts for differences in PSE’s actual power costs relative to the power cost baseline included in rates. The costs or benefits of such power cost variances are shared between PSE and customers according to three graduated levels of power cost variance or sharing bands, a dead band, in which PSE retains all benefits or losses, and two sharing bands. The customers’ share of power cost variances is accounted for each year and deferred until the cumulative balance in the deferral account triggers a refund or the Company requests a surcharge.

3 The Commission authorized the PCA in 2002,<sup>2</sup> and modified it in 2015.<sup>3</sup> Pursuant to the Commission’s order approving the PCA mechanism, PSE must make annual filings to report its calculation of the deferred amounts for the prior year.<sup>4</sup> Staff and other parties have the opportunity to review these annual filings and to ask the Commission to conduct appropriate process if they dispute the deferral balances reported by the Company.<sup>5</sup>

4 On April 30, 2019, PSE filed its PCA Period 17 annual report including supporting testimony. In its original filing PSE specified that for the 12-month period ended December 2018, the cumulative imbalance for sharing at the end of PCA Period 17

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<sup>2</sup> See *Wash. Utils. & Transp. Comm’n v. Puget Sound Energy.*, Dockets UE-011570 and UG-011571 (consolidated), Twelfth Supp. Order (June 20, 2002) (“PCA Order”).

<sup>3</sup> See *Wash. Utils. & Transp. Comm’n v. Puget Sound Energy.*, Docket UE-130617, Final Order 11 (Aug. 7, 2015).

<sup>4</sup> See PCA Order, Exh. A to Settlement Stipulation, ¶ 4.

<sup>5</sup> *Id.*

for PCA Periods 1 through 17 was an under-collection of \$29,359,893. PSE's share of this imbalance is \$25,905,548 with the remaining \$3,454,344 assigned to the customer.

5           On September 26, 2019, Staff filed a motion with the Commission to commence an adjudicative proceeding and consolidate this proceeding with proceedings related to Avista Corporation and Pacific Power and Light Company to determine the prudence of certain costs related to a 2018 outage at the Colstrip facility. On October 24, 2019, the Commission issued an order opening a separate investigation into the 2018 outage at the Colstrip facility (Docket UE-190882) and moved this proceeding to an adjudicative proceeding. The Commission held a prehearing conference on November 21, 2019 and adopted a procedural schedule on November 22, 2019.

6           On March 20, 2020, the Commission issued an order in Docket UE-190882 disallowing recovery of approximately \$11.7 million of costs that were incurred to acquire replacement power resulting from the 2018 Colstrip outage. The Commission further left the determination of how the allowed and disallowed power costs would interact with each company's power cost mechanisms to the respective power cost dockets. On April 7, 2020, the parties held a telephonic settlement conference and reached a settlement in principle in Docket UE-190324. Consistent with WAC 480-07-730, the Parties memorialize their agreement with the Stipulation accompanying this Narrative, which constitutes a full multiparty settlement of the issues in this proceeding.

### **III. SCOPE OF THE STIPULATION AND ITS KEY ASPECTS**

7           This stipulation is a resolution of all the contested issues in this docket. It results in an increased deferral in the refund direction for customers. Under this stipulation, and consistent with Final Order 05 in Docket UE-190882, the Parties agree to reduce PSE's

actual net power costs by \$11.7 million, which represents the calculated replacement power costs for the 2018 Colstrip outage. PSE will revise line 16 on page six of PSE's PCA mechanism annual report for the amount of disallowance. This results in \$672.8 million in total allowable power costs for PCA Period 17.

8 PSE's initial \$3.5 million under-recovery imbalance therefore becomes an \$8.2 million over-recovery imbalance. Because the amount of the revised imbalance remains within PSE's \$17 million dead-band, there is no resulting change to the customer share of the imbalance.

#### **IV. STATEMENTS OF THE PARTIES THAT THE STIPULATION SATISFIES THEIR INTERESTS AND THE PUBLIC INTEREST**

9 The Stipulation provides benefits to customers by resolving and concluding this adjudicated proceeding and by revising the PCA imbalance to accurately reflect allowed power costs for PCA Period 17. For that reason, and those contained in the individual statements of the Parties below, the Stipulation as a whole is in the public interest.

##### **A. Statement of Staff**

10 In Final Order 05, in Docket UE-190882, the Commission disallowed \$11,700,000 in replacement power costs incurred by Pacific Power as a result of the 2018 Colstrip Outage.<sup>6</sup> The Commission stated in Final Order 05:

We leave for resolution in the Companies' separate power costs dockets how the post-outage costs allowed and disallowed for recovery for Washington ratepayers by this Order should interact with each of the Companies' separate power cost mechanisms.<sup>7</sup>

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<sup>6</sup> UE-190882, Final Order 05 at ¶ 115. The Commission also allowed PSE to recover \$845,602 in operations and maintenance and capital expense associated with corrective post-outage actions. The \$845,602 in operations and maintained and capital expenses will not be recovered by PSE in this docket.

<sup>7</sup> UE-190882. Final Order 05, at ¶ 68.

Accordingly, how this disallowance impacts the deferral balance within PSE's PCA mechanism is to be resolved in this docket.

11           This settlement stipulation implements Final Order 05 in Docket UE-190882 by reducing the actual power costs by \$11,700,000. This adjustment results in PSE's initial \$3.5 million under-recovery to become a \$8.2 million over-recovery. This amount is within the PCA's \$17,000,000 dead-band so there is no credit to ratepayers. Staff does not contest any other deferred costs within this docket. Accordingly, Staff supports this settlement as an efficient resolution of this docket that is in the public interest and recommends that the Commission adopt this settlement as a resolution of all issues in this case.

**B. Statement of PSE**

12           This settlement reflects the implementation of Final Order 05 in Docket UE-190882 in a way that is consistent with the accounting under PSE's PCA mechanism. Additionally, this item represents the only contested part of PSE's PCA Period 17 costs. Therefore, PSE supports this settlement as in the public interest and recommends that the Commission adopt this settlement as the resolution of all the issues in this case.

**C. Statement of Public Counsel**

13           Public Counsel also believes this settlement reflects the implementation of Final Order 05 in Docket UE-190882 appropriately. No other contested issues are present in PSE's PCA Period 17 costs, and therefore, Public Counsel supports this settlement. Public Counsel believes the settlement is in the public interest, and recommends the Commission approve this settlement.

**V. LEGAL POINTS THAT BEAR ON PROPOSED SETTLEMENT**

14 In WAC 480-07-700, the Commission states its support for parties' informal efforts to resolve disputes without the need for contested hearings when doing so is lawful and consistent with the public interest. The Parties have resolved all the issues in dispute between them, and their resolution complies with Commission rules and, as explained above, is consistent with the public interest.

**VI. CONCLUSION**

15 The resolution of issues complies with Commission rules and, as explained above, satisfies the Parties' interests and is consistent with the public interest. The Parties request that the Commission approve the Stipulation in its entirety.

Respectfully submitted this 19<sup>th</sup> day of May, 2020.

ROBERT W. FERGUSON  
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PUGET SOUND ENERGY

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Susan E. Free  
Director of Revenue Requirement and  
Regulatory Compliance

Dated: \_\_\_\_\_ 5/19 \_\_\_\_\_, 2020

Dated: \_\_\_\_\_ 5/19 \_\_\_\_\_, 2020

ROBERT W. FERGUSON  
Attorney General

\_\_\_\_\_  
Lisa Gafken  
Assistant Attorney General  
Counsel for the Public Counsel Unit of the  
Washington Attorney General's Office

Dated: \_\_\_\_\_, 2020

Respectfully submitted this 19<sup>th</sup> day of May, 2020.

ROBERT W. FERGUSON  
Attorney General

PUGET SOUND ENERGY

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Joe Dallas  
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