WUTC UG-950326,
DOCKET NO. -951415
EXHIBIT # 26
ADMIT W/D REJECT

Exh.

SERVICE DATE

MAR - 9 1992

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, Complainant,	)	DOCKET NO. UG-901459
vs.	)	THIRD SUPPLEMENTAL ORDER
THE WASHINGTON WATER POWER COMPANY, Respondent.	)	

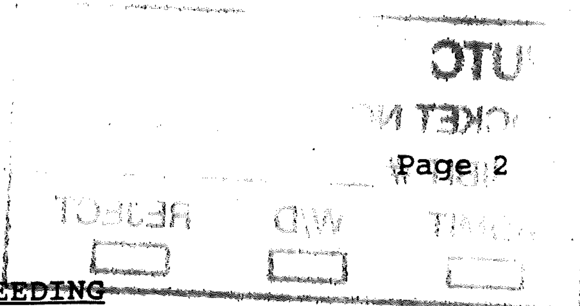
PROCEEDING: On November 30, 1990, The Washington Water Power Company filed tariff revisions for the purpose of redesigning its rates for gas service.

The company waived the suspension date to March 15, 1992.

HEARINGS: Hearings were held before Chairman Sharon L. Nelson, Commissioner Richard D. Casad, Commissioner A. J. Pardini, and Administrative Law Judge Alice L. Haenle of the Office of Administrative Hearings. All parties received proper notice. Hearings were held in Olympia on February 8; April 22 - 23; July 1, 2, and 3; October 14 - 15; and, December 5 - 6, 1991. A hearing was held in Spokane on September 30, 1991, for the purpose of taking ratepayer testimony regarding the filing.

APPEARANCES: The Washington Water Power Company ("WWP," "respondent," or "company") was represented by David J. Meyer, attorney, Spokane. The Commission was represented by Robert D. Cedarbaum, assistant attorney general, Olympia. The public was represented by Charles F. Adams, assistant attorney general, Seattle ("Public Counsel"). Intervenor Kaiser Aluminum and Chemical Corporation ("Kaiser") was represented by Grant E. Tanner, attorney, Portland, Oregon. Intervenor Northwest Industrial Gas Users ("NWIGU") was represented by Edward A. Finklea, attorney, Portland, Oregon.

SUMMARY: The Commission accepts the Commission staff cost-of-service study and rate design/rate spread proposals, except that Schedule 146 will not be eliminated and Schedule 148 will continue to contain a banded rate. The company may sign contracts with Kaiser, but no revenue shift will be approved in this case.



I. SCOPE OF PROCEEDING

A. Settlement in Docket No. UG-900190

The company last received a general rate increase in Docket No. UG-900190. The Commission's Second Supplemental Order in that case, entered July 19, 1990, authorized the company to increase its rates for natural gas service by $1,131,000 annually.

The Commission accepted a stipulation offered by the parties to that proceeding. The parties had agreed to a rate increase based on the Commission Staff's case. The parties had also agreed that the company would file revised, revenue neutral, tariffs within ninety days to trigger an investigation into whether the company's rates for all classes of gas service should be redesigned.

B. Procedural History

The company submitted its rate design filing on November 30, 1990, and the Commission suspended the filing by order entered December 28, 1990. By its First Supplemental Order entered January 30, 1991, the Commission instituted investigation of this filing.

The original statutory suspension date was October 2, 1991. The company on two occasions requested delay of the proceedings. In connection with those requests, the company offered to waive the suspension date. The Commission accepted the company's offer to waive the suspension date to March 15, 1992.

On April 22, 1991, the Commission denied a late-filed petition to intervene by the Interlocal Natural Gas Procurement Cooperative.

Briefs were due January 10, 1992.

C. Scope of This Case

The specific purpose of this case is to consider what cost-of-service methodology the company should use and how rates should be designed and spread, based upon the results of the elected cost-of-service study and other relevant factors considered by the Commission. The company's existing rate structure is the status quo. The Commission inquired whether the status quo indicated in the Commission's previous order should be altered, and, if so, how it should be changed. In two prior WWP cases,[1] the

[1] Docket Nos. U-88-2380-T and UG-89-3105-T.

company sponsored a cost-of-service study and rate spread based upon a methodology approved by the Commission in a Cascade Natural Gas Corporation case, Docket No. U-86-100.[2]

By joint oral motion on July 3, 1991, the company and Kaiser requested a delay in the proceedings to accommodate contract negotiations between them. They were negotiating new contracts for transportation service to Kaiser's Mead and Trentwood plants, to replace contracts that expire in April of 1992. The Commission has considered the issues involving these contracts which fit within the scope of this proceeding. Other issues can only be addressed in a revenue requirements proceeding.

The revenue requirement used in this proceeding was set in Docket No. UG-900190. The test year in that case was the year ending December 31, 1989. Affiliated interest concerns must be further examined and a current need for increased revenues must be proven before the Commission will consider whether revenue shifts based upon competitive contracts (as distinct from cost of service, rate design, or rate spread) may be appropriate.

II. COST OF SERVICE

A. Cost of Service Principles

The company specified that it seeks to move from a cost-of-service methodology that was derived from our Cascade order and underlies current rates, to a new methodology. The company states that the new methodology was designed to meet two goals:

> (1) to assure that each customer class bears its appropriate cost responsibility for services that are being provided, and
>
> (2) to provide transportation rates that are competitive with the customers' alternative energy and supply options. (Ex. T-1, p.3)

In order to determine whether the proposed new method is meritorious, we must first examine the principles underlying the Cascade methodology and determine whether they have become inapplicable in today's environment. Second, we will consider whether the alternative embedded cost approach offered by the

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[2] Fourth Supplemental Order. The parties in this proceeding have referred to "Cascade principles." The Commission will use the same shorthand in this order. The reader should be aware that such references are to the WWP status quo.

company in this proceeding is preferable from the perspective of pricing transportation service.

1. Should the Commission abandon the methodology approved in Cascade?

The cost-of-service methodology we approved in the Cascade order rested on several principles. These included the following:

a) Embedded cost studies are important tools for comparing the relative contributions of different customer classes to a company's overall costs;

b) Embedded cost studies should allocate some fixed costs on the basis of annual use (or throughput) in order to reflect the fact that a gas distribution system is built to deliver gas year round; that fixed costs incurred in the past do not necessarily match usage patterns in the present; and that certain shared and common costs cannot be separately attributed to the needs of specific customer groups;

c) Embedded cost studies should be only one consideration in determining rate spread and rate design; and

d) Any discounting for purposes of providing rates competitive with the price of alternative energy options should be done explicitly.

We believe that these principles continue to offer guidance in several areas on issues that we face in this case. The first area relates to the use to be made of cost studies. Embedded cost of service continues to provide an important means for comparing the contributions made by different customer classes to the company's overall revenue requirement. Therefore, any request for rate changes should be accompanied by an embedded cost-of-service study.

We also believe that nothing in today's environment changes the fact that cost of service should be only one of the elements of a Commission decision on rate spread and rate design. In addition to the cost study results, rate spread and rate design decisions may consider equity, potential rate shock, marginal cost, and other factors. However, just as a cost study should not be the sole determinant of rates, rate goals should not be used to determine what cost methodology is used. Discounting for customers with bypass or other competitive alternatives should be done explicitly rather than by reliance upon unsupportable theories of cost causation.

The second area relates to how an acceptable cost study will allocate certain costs. In Cascade, we established that when a gas utility builds its distribution system to deliver gas year-round, not only at peak periods, some costs of the distribution system should be allocated on the basis of year-round use, or annual throughput. Embedded cost-of-service studies do not necessarily reflect actual costs caused by particular customers. The fixed costs of a gas distribution system contain common and joint costs that are not directly traceable to the needs of any specific customer. Furthermore, embedded cost studies allocate costs that were incurred over time on the basis of customers and services that may have changed since the costs were incurred. Nothing in today's environment suggests that the principle of allocating some fixed costs on the basis of year-round use is inapplicable.

2. Does the company's embedded cost study offer an improved method for analyzing the cost of transporting gas and pricing gas transportation service?

First, the Commission agrees with the company that the appropriate standards for setting transportation rates should be investigated. Unfortunately, none of the studies presented in this proceeding analyzes the cost of the transportation services provided to all customers as a separate cost category.

Each cost study filed in this case looked at WWP's costs of gas service in the framework of existing or proposed schedules or tariffs. These schedules or tariffs reflect both differences among classes of customers and among types of service. As a result, the Commission was unable to determine how costs associated with transporting gas (whether it is company-owned, third-party-owned, or customer-owned gas) relate to the different demands put on the system by each customer class. In the absence of such information, the Commission cannot identify general principles sufficient to support new policies for pricing, and conditions for offering, transportation service.

Second, the Commission rejects the company's implication that its embedded cost study should be designed to produce transportation rates competitive with other energy and supply options available to certain of its customers. Responding to competition may be an important goal for the company, but it should not be a goal of the cost-of-service study. The purpose of a cost study is to provide consistent, accurate information about a company's costs relative to the revenues provided by different customer classes. Skewing cost study parameters to obtain pre-conceived results means that the resulting cost-of-service study no longer provides useful information.

B. Commission's Conclusions Regarding Cost-of-Service Methodology

The cost-of-service studies presented by the parties varied in emphasis. The company study directly allocated plant to some large industrial customers, with the emphasis on avoiding potential bypass. The Commission Staff and Public Counsel adhered more closely to the approach adopted in the Cascade order, while attempting to relate that approach to the current environment. Intervenor NWIGU supported the company's study.

The company calculated its cost-of-service results to require a revenue shift of $1.8 million to Schedule 101, and a shift of $216,000 to Schedule 111. Remaining schedules would receive revenue requirement reductions. The Commission Staff and Public Counsel proposals would require only minor revenue changes.

The Commission has reviewed the cost studies filed in support of the rates proposed in this case and has determined that none of those studies provides a sufficient basis for diverging from the principles that underlie the Commission's decision on cost-of-service in the Cascade case. The Commission finds the Commission Staff study has incorporated the Cascade principles while making appropriate modifications to their application to reflect changes in the industry.[3] The primary differences between the company and Commission staff studies relate to direct assignment of plant to Schedule 148 customers, treatment of distribution system costs, and the company's proposal to shift certain customers to other schedules for cost-of-service purposes. These issues will be discussed in the following sections. On other cost-of-service issues, the Commission accepts the Staff treatment.

1. Direct Assignment of Plant to Schedule 148

The company directly assigned certain costs to customers on transportation Schedule 148. The only customers involved are Kaiser at Mead, Kaiser at Trentwood and Lamb Weston. Company witnesses Mr. Mitchell and Ms. Kihara made an "inventory" of distribution plant used to serve these customers and directly assigned costs of that plant to Schedule 148. This type of direct assignment was not performed for other schedules or customer classes. The company contended this direct assignment was appropriate because the facilities were readily identifiable.

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[3] The Commission staff recommended revised treatment for allocating fixed costs associated with "upstream" costs. "Upstream" costs as defined by the Commission staff are those associated with the cost of gas supply, including the fixed cost of pipeline capacity (Staff brief, p. 5).

Intervenor NWIGU supported the company's direct assignment.

Commission Staff and Public Counsel opposed the direct assignment of these costs. Commission staff witness Mr. Elgin contended this treatment constituted rate deaveraging,[4] which would primarily benefit those customers with marginal costs of service less than the average (Ex. T-77, pp. 5-6). The Commission Staff also contended direct assignment of these costs was specifically intended to respond to bypass threats by shifting revenue responsibility away from these specific industrial customers.

Public Counsel also opposed the direct assignment as geographic deaveraging. He recommended this not become Commission policy.

The Commission agrees that the company's direct assignment of these costs should be rejected. Class cost-of-service identifies the average cost to serve customers who, by virtue of similar usage characteristics, are grouped together. Costs are allocated to the group based on characteristics of the class -- annual usage, peak demand, number of customers, etc. Of necessity the costs of serving some members of a class will be higher than the average, and of others, below. The company proposes to treat certain customers on Schedule 148 differently, based on their distance from the pipeline and level of depreciation of distribution plant identified as directly serving these customers. However, the company's embedded cost analysis does not treat distance from the pipeline and level of depreciation as important determinants of cost of service, and does not include these factors when assigning costs. Instead, the company has used distance and depreciation to segregate distribution costs for a few customers where the outcome would be a lower cost assignment.

Removing and directly assigning plant only for a select group of customers with lower costs is not consistent with the embedded cost class allocations underlying the rest of the company study. As described by Public Counsel on brief, direct assignment could be considered to be cost-based only if it were applied to the entire utility rather than to one customer with competitive alternatives.[5]

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[4] Mr. Elgin defined "rate deaveraging" as the direct assignment of specific distribution facilities to either one customer or group of customers and determining rates based on the facilities used to serve those customers.

[5] Public Counsel brief, page 22.

2. Distribution System Costs

The company classified distribution plant[6] as 100 percent demand-related. This was based on Mr. Mitchell's testimony that distribution plant is sized to meet peak demand, not annual usage (Ex. T-4, p. 1). After classifying distribution plant as demand-related, the company used demand on a single day system peak (that occurred February 2, 1989) to allocate these costs among customer classes (excluding Schedule 148). The company contended this was the best representation of "near design conditions."

Intervenor NWIGU supported the company's treatment of distribution system costs.

The Commission Staff allocated distribution plant 25 percent to non-coincident peak, 25 percent to coincident peak, and 50 percent to commodity (or throughput), following the Cascade methodology. Mr. Bushnell contended that, although it might have been sized to meet peak, the distribution system was built to deliver energy. On that basis, he considered allocation according to the same percentages used in Cascade appropriate. The Commission Staff recommended the Commission retain the use of a five-day three-year peak to allocate demand-related costs.

The Commission accepts the Commission Staff recommendation for treatment of distribution system costs. Although the company provided engineering testimony about the design of distribution systems, this information does not lead automatically to the company's conclusions. The cost of a main does not increase proportionally as the size of the main is increased.[7] The system was built to deliver gas daily. Cost-of-service analysis thus should reflect the fact that fixed costs are incurred for the company to deliver gas year-round, not just on a peak day. The Staff's allocation proposal recognizes this.

The Commission rejects the company's proposal to allocate demand-related costs on the basis of a single peak day. A figure averaging several days for several years is more likely to avoid wide swings from year to year due to unusual weather conditions that are unlikely to occur frequently.

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[6] That is, distribution plant remaining after the "direct allocation" discussed in the preceding section.

[7] As discussed by company witness Mr. Mitchell on cross-examination, increasing the size of a main by 100 times increases the cost by a factor of less than three times [TR 766].

3. Schedule Shifting

Prior to running its cost-of-service study, the company made certain pro forma adjustments to transfer revenues and therms among customer classes. These shifts were made based on the company's prediction of the rate schedule the company believes those customers would choose if WWP's proposed tariffs were accepted. For some customers the company speculated as to what schedule the customers would elect. The company has signed contracts for service with other customers. The company was unable to tell what percentage of these customers have signed contracts for service, so no specific data were provided [TR 199]. Commission Staff witness Russell recommended that these pro forma adjustments be rejected because the changes are not known and measurable (Ex. T-53, p. 21).

The Commission agrees that these changes are not known and measurable and that the adjustments should not be made. Further, this type of adjustment would appear to be more appropriate in a revenue requirements filing, where reasons for the shifting and any savings or affiliated profits resulting from the shift could be examined. Therefore, the Commission accepts the Commission Staff's recommendation and rejects the company's schedule shifting proposals.

4. Future Cost of Service Analyses

While reaffirming the basic approach embodied in the Cascade methodology, the Commission notes that gas transportation service was not offered at the time Cascade was heard. The methodologies examined in that case did not consider a rationale to be used in determining the cost of transporting gas, and setting transportation rates.

The Commission has determined (as will be discussed later in the rate design section of this order) that it is appropriate for local distribution companies to provide transportation as a separate service, even absent a threat of competition (whether from alternate fuels or bypass). The parties to this case have treated transportation as if it were a deviation from the "norm" of sales service. The parties essentially subtracted the cost of gas from the totality of sales service costs, and considered the remaining amount to be the "cost" of transportation. No party looked at the true cost of transporting gas.

The Commission intends to investigate ways to address the true system cost of transporting gas. If no upcoming gas-related proceeding offers a cost study that separates the costs associated with transporting gas for different classes of customers from the cost of obtaining gas for such customer classes, the Commission

will seek a special proceeding, notice of inquiry, or other forum for examining the cost of transporting gas separately from the costs of purchasing gas. The Commission hopes in this manner to be able to determine the proper structure for defining and pricing the various services that may be provided by gas distribution utilities. The Commission also expects to establish principles that will provide more specific guidance for putting the price for selling and transporting gas on a sound economic footing.

In future cost-of-service studies, the Commission instructs the parties to study the cost of providing transportation functions to all customers (bundled sales and transportation customers alike). Then, additional costs of providing bundled service should be analyzed, as well as any costs unique to transportation customers (e.g., daily nominations).

III. RATE SPREAD/RATE DESIGN ISSUES

Having made cost-of-service determinations, the Commission must next focus on rate spread and rate design issues. "Rate spread" refers to the manner in which revenue responsibility is allocated to various schedules. "Rate design" refers to the structure of rates within a specific schedule.

As the Commission has repeatedly stated, the results of a properly-performed cost-of-service study will be only one factor considered in determining rate spread. The Commission has also in the past considered the acceptability of rate design to customers, elasticities of demand,[8] perceptions of equity and fairness, stability of rate schedules over time, and overall economic circumstances within the region.

The Commission must first determine the appropriate rate schedules. The company has proposed changes to definitions in several schedules. The Commission then must determine rate spread, and, finally, rate design. The Commission must also evaluate a number of proposals for changes in tariff language. The Commission makes those determinations in the following sections.

A. Definition of Appropriate Rate Schedules

WWP's existing tariff includes nine schedules. Schedule 101 is currently titled "general service - firm". Schedules 111 and 112 are identical to each other, and are "large general service - firm". Schedules 121 and 122 are identical to

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[8] "Elasticity of demand" is the variation of demand when prices change.

each other, and are "high annual load factor large general service - firm". Schedules 131 and 132 are identical to each other, and are "interruptible service" for sales. Schedule 146 is "transportation service for customer-owned gas," firm and interruptible. Schedule 148 is "high volume transportation service".

This section will discuss proposed redefinition of Schedule 101, and whether small commercial customers should be moved to Schedule 111. It will consider whether proposed Schedule 145 and/or Schedule 146 should be allowed and, if allowed, whether proposed terms and restrictions should be approved.

1. Should small commercial customers be shifted from Schedule 101 to Schedule 111?

The company proposed redefining Schedule 101 to include residential customers only. Currently, both Schedule 101 and Schedule 111 are available "To Customers in the State of Washington where Company has natural gas service available." (Ex. 21). Currently, over 85% of WWP's commercial and industrial customers receive service under Schedule 101. (Ex. T-13, p. 24).

The company proposed revising the language in Schedule 101 to limit its availability to "Residential Customers in the State of Washington..." Revised Schedule 101 would apply to ". . . firm gas service for domestic purposes in each individual residence, apartment, mobile home, or other living unit . . ." The schedule would be retitled "Residential Service" (Ex. 75).

The company contended that the characteristics of residential customers differ significantly from those of the commercial/industrial customers currently served by Schedule 101. Mr. Deniston concluded that the costs to serve the two classes are different, resulting in an intra-schedule subsidy of residential customers (Ex. T-13, pp. 24-25). He also noted differences in load factor between the two classes and that other utilities in the area have residential-only rate schedules. This proposal was conditioned on the Commission's acceptance of the substitution of a basic charge in Schedule 111, in place of the current minimum bill (Ex. T-13, p. 26).

The Commission Staff and Public Counsel opposed moving small commercial and industrial customers to Schedule 111. Mr. Bushnell contended that small commercial customers differ more from Schedule 111 customers than they do from the remaining residential customers of Schedule 101 (Ex. T-53, p. 25).

Public Counsel expressed concern that the company's proposal would result in higher bills for many small commercial

customers, noting that over 51 percent of those bills would increase by more than 25 percent. (Ex. T-45, p. 33). Public Counsel on brief questioned whether administrative convenience of the proposal would justify a rate impact of that magnitude.

The Commission rejects the company's proposal to redefine Schedule 101 as a solely residential tariff and to shift small commercial/industrial customers to Schedule 111. While these customers may have characteristics which differ from purely residential customers, they differ even more from Schedule 111 customers. In addition, the Commission has elsewhere in this order rejected revision to the minimum bills and basic charges in current tariffs. The company sought to realign Schedule 101 only if minimum bills were replaced by a basic charge in Schedule 111.

2. <u>Should Schedule 146 exist?</u>

Schedule 146 currently applies to transportation of customer-owned gas. The company proposed several changes to the tariff, which are discussed below.

The Commission Staff recommended elimination of Schedule 146 as existing contracts expire. During this phase-out, firm transportation customers would revert to firm sales service under Schedule 121. Interruptible transportation customers would revert to Schedule 131. The Commission Staff offered this proposal to address its concern that sales service is not sufficiently distinguished from transportation service. It argued that Schedule 146 was originally sought and approved as a vehicle to keep dual-fuel customers on the system. Since alternate fuels currently cost more than natural gas, the Commission Staff argued that the schedule was no longer needed. The Commission Staff contended its proposal would not interfere with access to transportation over the interstate pipeline or eliminate transportation service over the local distribution system.

The company on rebuttal opposed the phase-out of Schedule 146. It offered modifications to further distinguish transportation service from sales service.

Public Counsel supported continued availability of Schedule 146, as long as that service is clearly distinguished from sales service and fully covers its costs. Public Counsel agreed that the modifications offered by the company sufficiently distinguish the two services. Public Counsel encouraged the Commission to monitor enforcement of the new tariff provisions to ensure the service distinctions are maintained.

Intervenor NWIGU contended a phase-out of Schedule 146 would be unduly discriminatory under Washington law and would

eliminate competition. This intervenor also contended such a phase-out would violate federal law. NWIGU supported the company's proposed modifications to Schedule 146 as responsive to the Commission Staff's concerns.

The Commission shares the Commission Staff's concerns that the line between sales and transportation service is blurred in Schedule 146 as it currently exists. We agree that lower rates are justified only where they reflect a lower level in the quality or nature of service provided. The current tariff, together with the availability of service provided by marketers such as WWP's affiliate, Development Associates, creates a situation where sales and transportation service are virtually indistinguishable.

The Commission continues to be concerned about the role of Development Associates. Development Associates is an affiliate of The Washington Water Power Company (Ex. T-68, p. 2). WWP's FERC Form 1 shows Development Associates as the company's only transportation customer. Development Associates procures gas, arranges for transportation, and provides billing service for twenty-three customers [TR 1254-1256].

The company witness testified that the billing is handled in this manner because it is easier and more convenient for the customers to receive only one bill [TR 1254]. Thus, the customers of Development Associates receive a "bundled" service that precisely matches the company's sales service. It is counter-intuitive that transportation, which requires daily nominations for each of the twenty-three customers, plus commodity procurement by an affiliate of the company, should cost less than sales service provided by WWP. The proposed phase-out of Schedule 146 would seem to affect Development Associates in providing its bundled marketer/broker service, rather than preventing any customer from transporting its own gas.[9] For ratemaking purposes, the Commission will explore the role of Development Associates in the company's next general rate case.

The Commission will not, however, require the phase-out of Schedule 146 at this time. The Commission is satisfied that the restrictions recommended by the company on rebuttal are sufficient to alleviate the problems of customers switching without notice between sales and transportation schedules. The company's proposed revisions take several steps in the right direction. The

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[9] We note Commission staff's concern that the primary impact of a phase-out of Schedule 146 would be to move the unregulated services provided by Development Associates to regulated sales service. We currently have no evidence concerning the impact on the company's profitability.

Commission encourages the parties to go further and examine whether standby charges or reconnect charges should be established for customers who move from sales service to another form of service. The Commission views such movement as permanent, and is concerned that customers receive, up front, full disclosure of the implications of their decisions.

The Commission agrees with the position of the company that it should, to the extent possible, make transportation service available to end-use customers without otherwise prejudicing its obligation to provide service to its core group of sales customers. The extent of its obligation does not rise to the level of "common carrier" status whereby the company would be required, under any circumstances, to provide transportation service to all who request it.[10]

3. Should Schedule 145 be approved?

The company proposed a new tariff to enable transportation customers to purchase gas from the company when they are unable to buy gas from third parties. Schedule 145 "Best Efforts Gas Sales Service" would be available on a "best-efforts" basis only after all other firm and interruptible gas sales requirements were satisfied. The tariff rate would reflect the highest cost of gas procured on a particular day, plus any incremental procurement charges, transportation charges, and $50 per day to cover administration of the service.

After the Commission Staff expressed concerns about the proposed tariff, Mr. Hirschkorn sponsored a revised Schedule 145 (Ex. 75). Mr. Hirschkorn testified that the company would be willing to stipulate that it would not use storage gas to provide "best-efforts" service.[11]

The Commission Staff opposed the establishment of Schedule 145. Mr. Elgin contended the service was underpriced, allowing transportation customers access to the company's gas supply without contributing to the cost of the facilities necessary to access the diverse portfolio available to the company (Ex. T-33, p. 20). Mr. Elgin also warned of the potential for abuse of the

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[10] Because the Commission decides, for policy reasons, that Schedule 146 should not be eliminated, the Commission does not need to address the broader issue of whether elimination of Schedule 146 would violate federal or state law.

[11] This appeared at in testimony in Ex. T-72, p. 13, but does not appear in proposed tariff language.

schedule as an alternative to curtailment of interruptible customers during peak weather conditions. The Commission Staff outlined several revisions which would make acceptable to it the establishment of a best-efforts gas schedule.

The Commission would accept a best-efforts schedule structured according to the Commission Staff's recommendations. Those recommendations as described by Mr. Elgin and Mr. Russell, are the following:[12] Revenues derived from the service should be used to offset the company's gas cost deferrals, so that costs to provide service under Schedule 145 are not spread to all sales customers. The customer must pay an annual rate for the company's facilities and gas supply relied on to provide the service. The customer must also nominate a level of standby service and pay for that service annually.

The Commission agrees the company should not use storage gas to provide best-efforts service. In addition, the tariff should include the language found in Exhibit 75, Sheet 145, on proration. The company and Commission Staff should work together to develop an appropriate rate for stand-by service.

The Commission Staff also recommended that penalties for unauthorized overruns during periods of curtailment be increased in this schedule, as well as Schedules 131 and 148. The company agreed with this proposal and included the increased penalties in its proposed revisions to the schedules. The Commission approves the increased penalties.

B. Rate Spread

In the usual case, "rate spread" is defined as the allocation of the revenue deficiency among various customer classes.[13] In this proceeding, there is no revenue deficiency to be spread. An agreed-upon revenue requirement from a prior proceeding is the basis of all parties' presentations. In this section of the order the Commission will consider whether the rate relationships among the various customer classes should be shifted from those established in the prior proceedings.

The company contended, based on its cost-of-service results, that Schedule 101 rates should increase by 8.89% because Schedule 101 was not contributing its fair share to the company's rate of return. The company also recommended increasing the rates

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[12] See Ex. T-33, pp. 20-21, and Ex. T-48, pp. 18-20.

[13] See, Fourth Supplemental Order, Cascade Natural Gas, Cause No. U-86-100, p. 12.

for Schedules 101 and 111, and decreasing the rates for Schedules 121, 131, 146, and 148 to better align them with cost-of-service results.

The Commission Staff cost-of-service evaluation showed Schedule 101 earning nearly the overall rate of return. The Commission Staff recommended only minor shifting of revenue requirement among classes.

Public Counsel recommended that current rates be maintained, based on modified Cascade cost-of-service methodology. Although Schedules 146 and 148 may be making a greater contribution than the system average, Dr. Power characterized this difference as an appropriate way to reflect the higher risk associated with serving these classes.

Intervenor NWIGU supported the recommendations of the company to reduce rates to Schedule 146 and Schedule 148 customers.

The Commission has accepted the Commission Staff recommendations regarding cost of service. The Commission Staff rate spread recommendations will also be accepted. Those recommendations are the following: First, no change should be made in Schedule 101 rates because that class is providing an adequate return. Second, revenues for Schedule 148 rates should be pro formed at 5.025 cents per therm plus $200 per month, which the Commission Staff calculated to be the fully-distributed cost of service.[14] Third, contributions to fixed cost recovery for Schedules 121 and 131 should be equalized with the contributions for Schedules 146-F and 146-I, respectively. Finally, Schedule 111 rates should be decreased somewhat to balance revenue with the company's authorized revenue requirement.

C. Rate Design

"Rate design" is defined as the structure of rates within a specific customer class. The company proposed changing similar portions of several tariffs. These changes will be discussed by function; the classes to which each decision applies will be indicated.

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[14] The issue of shifting revenues for this class based on the proposed Kaiser contracts will be addressed in the next section of the order. Unless and until a revenue shift is approved in a revenue requirements case, these volumes should be pro formed based on the top of the Schedule 148 rate band.

1. Service Charge/Minimum Bill

The company recommended increasing the basic charge of Schedules 101 and 148. The company also recommended changing the basic charge structure of Schedule 146.[15] The company recommended establishing a basic charge for other schedules that do not currently have one, contending such charges would better reflect the direct costs associated with providing service.

The basic charge for Schedule 101 would increase under this proposal from $3.25 to $6.45. For Schedule 111, a basic charge of $10 would replace the monthly minimum bill. For Schedules 121 and 131, a basic charge of $100 would replace the existing monthly minimum bill. For Schedule 146, a $200 basic charge would be added for both firm and interruptible customers, replacing the current $164.88 charged only to firm customers. For Schedule 148, the flat monthly charge would increase from $200 to $250.

The Commission Staff and Public Counsel contended no increase in Schedule 101 rates was necessary. The Commission Staff recommended there be no changes to existing basic charges or minimum bills at this time (Ex. T-53, pp. 25-26). They argued that, if rates in Schedule 101 were increased, the increase should be made in commodity charges rather than in the customer charge. The customer charge is inelastic and increasing it would do little to encourage conservation when compared to an equivalent increase in therm rates.

Because the Commission has elsewhere accepted the Commission Staff's rate spread recommendations, no changes will be made to current basic charges or minimum bills. The Commission is concerned that insufficient information was provided regarding the proper level of the basic charge or minimum bill for each of the rate schedules. The Commission agrees that disproportionate increases to customer charges discourage conservation. In future proceedings parties should show their calculation of the proper level for these charges and explain the theoretical basis of the calculation.

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[15] Currently, Schedule 146 does not have a basic charge for interruptible customers. Schedule 146 firm customers currently pay a monthly rate of $164.88 plus a per-therm charge. This is essentially a basic charge for firm customers, although it is not labelled "basic charge". The company's proposal would add a $200 basic charge for both firm and interruptible customers, and eliminate the $164.88 listed in the current tariff for firm customers.

2. <u>Changes to Schedule 146</u>

The company proposed a number of changes to the terms and conditions of Schedule 146 (Transportation Service for Customer-Owned Gas). The following highlight those proposed changes:

o Restrict the availability of service to commercial and industrial customers whose annual requirements exceed 250,000 therms.

o Add $200 basic charge for both firm and interruptible service, replacing the $164.88 charge that currently applies only to firm customers.

o Offer firm transportation service under Schedule 146 with rates that reflect an allocation of firm transportation capacity on Northwest Pipeline, grossed up for company revenue-related expenses. Those costs of firm transportation will be recovered through a contractual annual minimum.

o Require customers to contract for a one-year minimum and provide notice to the company by August 1 of any year in order to shift from transportation to sales service by November 1 of that year.

o Require payment by the customer of any costs associated with the overrun of WWP's D-2 nomination caused by the customer, until such time as WWP has the opportunity to renominate the level of D-2 service from Northwest Pipeline.

o Add "unauthorized overrun" penalties and balancing penalties.[16]

As noted in Section III(A)(2) above, the Commission has approved continuation of Schedule 146 with these changes other than the $200 basic charge. The Commission has elsewhere rejected changes to current basic charges and minimum bills.

3. <u>Tracker/Fuel Cost Adjustment</u>

Schedule 156 is a purchased gas cost adjustment that was approved by the Commission during the pendency of this case. The Commission Staff recommended that the company withdraw Schedule 156 and incorporate those rates directly into the respective rate schedules. The proposal is similar to the company's proposed treatment of Schedule 150, which is the gas cost adjustment schedule that was in effect at the time the company filed this case.

The company did not rebut the Commission Staff proposal.

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[16] See Ex. T-20, pp. 10-16, and Ex. T-72, pp. 14-17. The revised company proposed tariff is included in Ex. 75.

The Commission accepts the proposal of Commission Staff. Schedule 156 should be withdrawn and the adjustments moved to individual rate schedules. The Commission also approves the company's treatment of Schedule 150.

D. Tariff Language Changes

The company proposed a number of language changes in its revised tariffs. Some of the changes were added on rebuttal to address concerns of the Commission Staff. Those changes are acceptable, with the following comments and exceptions.

1. Language Limiting Schedule Shifting

The company proposed adding language to Schedules 121 and 131 to limit schedule shifting. Additionally, the company proposed allowing Schedule 131 customers to switch back to firm sales service only if the company has resources available to meet the firm needs of those customers.

These changes are a positive step toward preventing the type of schedule shifting which has occurred in the past. Although notice by August 1 for a change November 1 may not be sufficient notice for realistic planning purposes, the notice requirement moves in the right direction.

In the future, the Commission expects the company to explore additional steps. These steps could include a re-entry fee for transportation customers who want to renew sales service, and additional charges associated with the provision of stand-by service.

2. Elimination of "May" Language

The company proposed adding language to some schedules which gives the company latitude in setting prerequisites for service. One such provision states that customers above a standard pressure and metering "may be required" to execute a special contract for service.[17] Another such provision states that the company "may require" customers to provide prior notice to the company if they wish to switch to an interruptible or transportation service.[18]

[17] See Schedules 111 and 112 for examples.

[18] See Schedules 111 and 112.

The Commission is concerned that this type of language does not give the company and customers a clear description of the actual requirements of a tariff. The requirements should be clearly stated. They should include the mandatory "shall" to be sure that all customers are treated in the same manner. Mandatory language allows customers to know the service parameters before they begin service under a schedule.

The amount of prior notice should also be specified in the tariff. The company and the Commission Staff should work together on this requirement to ensure appropriate notice periods are chosen.

3. Tariff Administration

The company on rebuttal presented several changes to language in Schedules 101, 145, 146, 148, and 170A. (Ex. T-72, pp. 2-3; and Ex. T-74, pp. 2-3) In addition to the issues already discussed elsewhere in this order, the Commission approves the language inserted in Schedules 146 and 148 regarding telemetry equipment, and the definitions added to Schedule 170-A. The Commission rejects the proposals on rebuttal regarding rate changes in Schedules 101, 146, and 148, and the language proposed for Schedule 101 on requirements for service under the schedule.

IV. COMPETITIVE CUSTOMER ISSUES

A. Background

The regulated gas local distribution company was developed and the system built at a time when it was public policy to encourage a single distributor to purchase and deliver gas for all customers. It was believed that by sharing costs through common rate pools, all customers would benefit from economies of scale and integration of service. Historically, the costs for classes of customers have been averaged, with a recognition that some customers will have individual costs above and some below the average.

It is not likely that WWP's distribution system would have been built, certainly not according to the same design, had it not been for anticipated revenues from all customers sharing in the costs of the system. The cost-of-service methodology approved by the Commission in this proceeding recognizes the historical responsibility of WWP's customers for imposing costs on the system in its allocation of the fully-embedded costs of the system.

B. Bypass

Changes in federal regulation of the gas industry have, in recent years, given some customers the ability to bypass the local distribution company and connect directly with the interstate pipeline. The advantage of bypass to a customer is necessarily examined on an individual basis. A customer will base its decision to bypass on its own individual costs. The average cost of providing service to its rate class is irrelevant to a customer deciding whether bypass will save it money.

The Commission could decide to allow either fully allocated rates or bypass, with no intermediate option. There are circumstances, however, where retaining a customer with bypass potential is beneficial to the remaining customers of the system.[19] The Commission's task has been to determine how to define these circumstances and what regulatory structure to use to set rates for service.

C. Banded Rates

In 1988[20] the legislature provided four goals for the guidance of the Commission, and authorized setting banded rates in order to carry out those goals. The goals are:

> (1) Preserve affordable natural . . . gas services to the residents of the state;
>
> (2) Maintain and advance the efficiency and availability of natural gas . . . services to the residents of the state of Washington;
>
> (3) Ensure that customers pay only reasonable charges for natural gas . . . service;

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[19] Uneconomic bypass occurs when the cost of bypass service is lower than the price that could be charged by the local distribution company, but higher than the cost to the utility of providing similar service. Statement of Policy Regarding Rate Treatment, Case 90-G-0379, Proceeding on Motion of the Commission to Investigate the Impact of Bypass by Gas Cogeneration Projects, (March 1991).

[20] Chapter 166, Laws of Washington, 1988. This chapter contained two sections: the goals outlined here, and the banded rate provision discussed later in this order. It is appropriate to refer to the goals in order to determine the purpose of the banded rate provision.

(4) Permit flexible pricing of natural gas . . . services.

RCW 80.28.074.[21]

In order to carry out these goals, the Commission may, but is not required to, approve a tariff that includes banded rates for any nonresidential natural gas service that is subject to effective competition from energy suppliers not regulated by the Commission. "Banded rate" means a rate that has a minimum and maximum rate. RCW 80.28.075.[22]

The Commission views the banded rate as a tool that allows it to address the customer whose bypass costs are less than the average cost for its customer class, but from whom payment of a rate less than average will still provide a contribution to the shared and common costs of the system. The positions of the parties on the proper extent of the rate band vary. The Commission Staff position is that no rate band should be allowed and only rates based upon fully-embedded cost-of-service should be charged unless a special contract is approved by the Commission. The position of intervenor NWIGU is that the top of the band should be the cost-of-service reflected by the company study and the bottom should be avoidable cost.[23] Company witness Mr. Davis testified that prevention of bypass is good for WWP's customers as long as the company can profitably serve a customer in the long run. Such a customer would be required to make a contribution to fixed system costs. [TR 79-80]

Four criteria for determining whether competitive pricing (i.e., pricing on the basis of the customer's competitive

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[21] Id., § 1.

[22] Id., § 2.

[23] The Commission considered the parameters of an appropriate rate band to be one of the more important issues framed by the testimony of the parties. For this reason it specifically instructed the parties to brief this issue. It was dismayed to read on page 28 of Kaiser's brief an assertion about notice coupled with a refusal to provide information the Commission had determined would be useful to it. It was also puzzled, since Kaiser provided its position on the bottom rate appropriate for special contracts on page 26 of its brief, with its assertion that the only possible alternative to fully-allocated cost is short-run marginal cost. Kaiser did not provide support for this assertion.

alternative) is justifiable in a regulatory regime have been proposed by Professor Bonbright.[24] These are:

> (1) It should only be permitted if embedded cost exceeds marginal cost;
>
> (2) It should not be permitted unless other customers would get lower rates as a result;
>
> (3) It should not be permitted unless there is good evidence that the rate charged will cover long run marginal costs; and
>
> (4) It should be forbidden if it would seriously prejudice the competitive business relationships between the customers with favorable pricing and those without.

The Commission believes that application of these standards will allow it to meet the four goals established by the legislature in the banded rate statute.

D. Commission Decision

The Commission agrees with the Commission Staff that contracts must be considered on an individual basis. If there is a banded rate, the floor of the rate band must be low enough that the lowest-cost customer in the class will not choose uneconomic bypass. By definition, however, this rate will be below what should be charged for every other customer in the class. The rate to be charged each customer must be determined by an analysis of that customer's bypass option.

The Commission agrees with the New York Commission that:

> Incremental cost differences, including those occurring because of proximity to transmission facilities of the . . . interstate pipeline, afford a justifiable basis for distinguishing among customers within the classification.[25]

The Commission does not agree, however, that the only way to accomplish this individual consideration is to eliminate the rate band and require filing of individual contracts.

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[24] J. Bonbright, Principles of Public Utility Rates, (1st ed. 1961) pp. 383-384.

[25] Case 90-G-0379, supra., footnote 22.

Establishment of a rate band does not a priori decide that any revenue gap between the level which would have been received if fully-embedded rates were charged and the level actually received under the contract will be shifted to other customers of the company. This would imply that customers lacking competitive alternatives bore sole responsibility for giving their serving utility the ability to compete. We believe that management, and thus shareholders, bear this responsibility. The fact that a contract falls within the rate band does not decide how the revenue shortfall, if any, will be treated in a future revenue requirements proceeding.

This ruling is consistent with the Commission order in Docket No. U-87-1532-T. In that proceeding the Commission rejected the company's Schedule 148 filing, and suggested that the company file a banded rate tariff.[26] The Commission indicated that review of the company's performance under the banded rate would take place as part of the company's next general rate case. The company was required "to demonstrate that it had bargained effectively" with customers who had competitive alternatives.[27] The Commission said the following about revenue shortfalls:

> Possible revenue shortfalls caused by the banded rate approach will, of necessity, be dealt with in the next general rate filing or subsequent rate cases. However, at this time we note with approval the approach to this problem embodied in rules adopted by the Pennsylvania Public Utility Commission in January 1987. These rules establish minimum and maximum rates and create a rebuttable presumption that natural gas supply fixed costs relating to transportation customers should not be recovered from sales customers. (Citation omitted.)[28]

With the principle established that entry into a contract within the rate band will not automatically result in a revenue shift,[29] the Commission will set a rate band with a floor equal to the long-term marginal cost of the lowest-cost customer in the

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[26] Second Supplemental Order, p. 14.

[27] Id.

[28] Id., pp.14-15.

[29] Revenues from this class will be pro formed at embedded rates unless and until a revenue shift, if any, is specifically approved.

class and a ceiling of fully-embedded costs.[30] In the next revenue requirements case following the inception of such a contract, the company will be required to file a long-term marginal cost study based on the stand-alone cost of facilities to serve the customer. These costs should include future capacity expansions required for system growth that would not be required but for the contract service.[31]

The contract charges shall be unbundled so that the Commission may compare the rates shown in the contract to the costs indicated in the long-term marginal cost study. The company will be required to demonstrate that other customers will get lower rates as a result of retaining the potential bypass customer. Finally, the contract will be subject to review for the prudence of the company's decisions.[32] The Commission expects companies it regulates to act responsibly in the best interests of all their customers as well as shareholders. It is only after such a showing that the Commission will be able to determine how much of a revenue shift, if any, is appropriate.[33]

The rate band approved for Schedule 148 in this case is a 2.091 cents per therm floor and a 5.025 cents per therm, plus a $200 per month basic charge, ceiling. The floor of the band is set at the costs testified to by WWP as Kaiser's cost to bypass WWP's system. This level is chosen as a proxy for the long-run marginal cost of providing Kaiser service. In the future the bottom of the band will be set based upon a long-run marginal cost study for the lowest-cost customer that qualifies for service under this

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[30] The Commission does not view marginal pricing for Schedule 148 customers as a one-way street. If, at the conclusion of a contract, continued provision of service to such a customer would impose marginal costs above the fully-embedded average costs for this class of customers, then the Commission will base rates for such a customer on its long-term marginal costs.

[31] Case 90-G-0379, supra., footnote 22.

[32] A company decision not to enter into a contract will also be subject to prudence review.

[33] The Commission has previously discussed its concerns with Development Associates in relation to Schedule 146. The Commission wants further information on the relationship between Development Associates and WWP to be provided in the next proceeding. In particular, information should be provided on the level of profits of Development Associates, as well as a discussion of whether an offset of these profits against any possible revenue shift is appropriate.

schedule. The ceiling of the band is the fully-embedded cost of service. (Ex. 56, page 1)

E. Kaiser Contracts

The Kaiser contracts fall into the rate band established in section "D". Therefore, WWP may elect to enter into them if the company deems they meet the tests set forth in this order. The company's decision to enter into, or not enter into, the contracts will be subject to review in the company's next general rate case, based on the extent to which the rate meets the tests set forth in section "D" of this order.[34]

No revenue shift will be approved in this case. This is a cost-of-service case, not a revenue requirements case. The parties agreed to use the revenue requirements results of Docket No. U-90-0190. The test period in that case was the year ending December 31, 1989. The Commission does not know, in 1992, how much of a revenue shift would be required at current company earnings or if the rate of return authorized in 1990 is currently reasonable. Revenue shift judgments must be made in a setting where offsetting savings or increased earnings in other company accounts are also before the Commission.

The Commission rejects the premise of Section 2., Term of Agreement, of the contracts[35] which requires both Commission approval of the contracts and authorization of recovery of any revenue shift as a precondition to the contracts taking effect. The company must independently make its own decisions and then bring them to the Commission. The Commission does not provide pre-approval, whether the issue is resource acquisition or competitive sales contracts.

V. PUBLIC COMMENT

Four customers gave testimony at the hearing held in Spokane to take public input. In addition, Exhibit 76 contains letters from members of the public regarding the filing.

Three of the ratepayers opposed the company's proposal to raise residential and small business rates while reducing rates to

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[34] If the company and Kaiser do elect to enter into the contracts which are Exs. 62 and 63 in this proceeding, a long-run marginal cost study will have to filed in the company's next general rate case.

[35] Exs. 62 and 63.

industrial customers such as Kaiser. Edwin Weber and Robert Claeson opposed increasing the Schedule 101 basic charge. James Kropff and Mary Lou Goodwin testified that low-income customers and those relying on fixed incomes cannot afford increased rates. Mr. Claeson and Ms. Goodwin noted that many customers are already attempting to conserve energy.

The majority of letters in Exhibit 76 opposed increasing residential rates.

FINDINGS OF FACT

Having discussed in detail both the oral and documentary evidence concerning all material matters, and having stated findings and conclusions, the Commission now makes a summary of those facts. Those portions of the preceding detailed findings pertaining to the ultimate findings are incorporated herein by this reference.

1. The Washington Utilities and Transportation Commission is an agency of the state of Washington vested by statute with authority to regulate rates, rules, regulations, practices, accounts, securities and transfers of public service companies, including gas companies.

2. The Washington Water Power Company is a public service company subject to regulation by the Washington Utilities and Transportation Commission.

3. On November 30, 1990, WWP filed tariffs to redesign its rates for all classes of gas service. By its First Supplemental Order entered January 30, 1991, the Commission instituted investigation of the filing.

4. In its Second Supplemental Order in Docket No. UG-900190, entered on July 19, 1990, the Commission had, prior to the instant case, accepted a Stipulation of the parties regarding the company's revenue requirement.

5. By joint oral motion on July 3, 1991, the company and Kaiser requested a delay in the proceedings to accommodate contract negotiations between them. They were negotiating new contracts for transportation service to Kaiser's Mead and Trentwood plants, to replace contracts that expire in April of 1992. The Commission has considered the issues involving these contracts which fit within the scope of this proceeding. Other issues can only be addressed in a revenue requirements proceeding.

6. The Commission reaffirms the principles expressed in the Cascade order in Docket No. U-86-100. Embedded cost-of-service studies should be used as a guideline for determining whether customers or customer classes are making appropriate contributions to overall revenue requirements. Cost of service should not be the only consideration in determining rate spread and rate design. Cost-of-service decisions should be made separately from pricing decisions made to respond to competition.

7. The studies supplied in this case do not provide the basis for determining the costs of providing transportation service. The Commission expects to explore this issue in the future.

8. The Commission staff cost-of-service study in this case has incorporated the Cascade principles while making appropriate modifications to the methodology to reflect changes in the industry. The Commission staff study is accepted in this case.

9. The Commission accepts the Commission staff's proposed rate spread and rate design, except that Schedule 146 should not be phased out and Schedule 148 should continue to include a rate band. Those elements are described in the body of this order. Some of the highlights include the following: Schedule 101 should not be redefined as purely residential, and small commercial/industrial customers should not be shifted to Schedule 111. Schedule 145 should be adopted according to the Commission staff's recommendations. Schedule 146 should not be phased out. Schedule 146 should be retained with the restrictions recommended by the company, except for the $200 basic charge. No changes should be made to basic charges or current minimum bills.

10. Schedule 156 should be withdrawn and the adjustments moved to individual rate schedules. The Commission approves the company's treatment of Schedule 150.

11. Contracts must be considered on an individual basis. Entry into a contract within a rate band does not automatically result in a revenue shift.

12. The rate band approved for Schedule 148 in this case is a 2.091 cents per therm floor and a 5.025 cents per therm, plus a $200 per month basic charge, ceiling.

13. The company may enter into the contracts with Kaiser. That decision will be subject to review in the company's next general rate case. No revenue shift will be approved in this case.

14. The late-filed petition to intervene of the Interlocal Natural Gas Procurement Cooperative was properly denied.

15. The company should be authorized to file revised tariffs consistent with this order. If so filed, the rates will be fair, just, reasonable and sufficient.

CONCLUSIONS OF LAW

1. The Washington Utilities and Transportation Commission has jurisdiction over the subject matter of this proceeding and the parties thereto.

2. Revisions to respondent's tariffs, if filed pursuant to the authority conferred by this order, and if consistent with the findings of fact set forth herein, will be fair, just, reasonable and sufficient, and will not be unjustly discriminatory or unduly preferential.

3. All motions consistent with the findings and conclusions herein should be granted, and those inconsistent herewith should be denied.

On the basis of the foregoing analysis of evidence, findings of fact and conclusions of law, the Commission hereby enters the following order.

ORDER

IT IS HEREBY ORDERED:

1. The tariff filings are rejected.

2. The company is authorized to file revised tariffs consistent with the body of this order.

3. The filing authorized herein shall bear an effective date which allows the Commission at least five working days following the day of the Commission's receipt thereof to consider the filings. The filing shall reflect no retroactive rate treatment and shall bear the notation on each sheet, "By Authority of Order of the Washington Utilities and Transportation Commission, Docket No. UG-901459".

4. Material in support of the manner in which the filings are prepared shall be submitted simultaneously with the filings related thereto.

5. Notice of the filings herein authorized shall be posted on or before the date of filing with the Commission, at each business office of respondent in Washington State. The notice shall state when the filing is to become effective, and advise that a copy of the filing is available for inspection at each office. The notice shall remain posted until the Commission has acted on the filings.

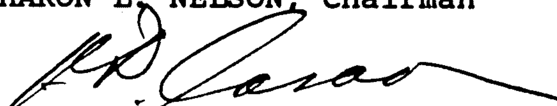
6. All motions consistent herewith are granted. Those inconsistent herewith are denied.

7. The Commission retains jurisdiction to effectuate the provisions of this order.

DATED at Olympia, Washington, and effective this 9th day of March, 1992.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

SHARON L. NELSON, Chairman



RICHARD D. CASAD, Commissioner

A. J. PARDINI, Commissioner

NOTICE TO PARTIES:

This is a final order of the Commission. 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 480-09-810, or a petition for rehearing pursuant to RCW 80.04.200 or RCW 81.04.200 and WAC 480-09-820(1).