

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY

Respondent.

DOCKET UE-190324

SETTLEMENT STIPULATION

1 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”) submit this settlement stipulation regarding the deferral calculation and the portion allocable to customers under PSE’s Power Cost Adjustment (“PCA”) mechanism for the 12-month period ending December 31, 2018 for approval by the Washington Utilities and Transportation Commission (“Commission”). Staff, Public Counsel, and PSE (collectively, the “Parties,” and individually “Party”) have reached this settlement stipulation (“Stipulation”) resolving all the issues in this proceeding.

2 This Stipulation is being filed with the Commission as a full multiparty settlement of the issues remaining in this case in accordance with WAC 480-07-730(3)(a). The Alliance of Western Energy Consumers (“AWEC”) is an intervening party to this proceeding, but AWEC takes no position on this Stipulation.¹ The Stipulation consists of

¹ AWEC took 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.”

this document, entitled “Settlement Stipulation”. The Parties understand that the Stipulation is not binding on the Commission or any Party unless the Commission approves it.²

I. RECITALS

3 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. The dead band includes the first \$17 million of power cost variance (positive or negative). Within the dead band, 100 percent of costs or benefits are retained by PSE. The first sharing band includes power cost variances between \$17 and \$40 million (positive or negative). Within this band, costs (under-recovered) are shared 50 percent to PSE and 50 percent to customers while benefits (over-recovered) are shared 35 percent to PSE and 65 percent to customers. The second sharing band includes power cost variances over \$40 million (positive or negative). All variances in this band are shared 10 percent to PSE and 90 percent to customers, regardless of whether they are costs or benefits. The customers’ share of power cost variances is accounted for each year and deferred until the cumulative balance in the deferral account triggers a surcharge or refund.³

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

² The exception is that before the Commission’s approval of the Stipulation, the Parties agree to support approval of the Stipulation by the Commission.

³ *Wash. Util. & Transp. Comm’n v. Puget Sound Energy.*, Docket UE-130617, Final Order 11 at ¶¶ 6-13 (Aug. 7, 2015).

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. Consistent with WAC 480-07-730, the Parties memorialize their agreement in this Stipulation, which constitutes a full settlement of the issues in this proceeding.

II. AGREEMENT

A. Adjustment to PSE's PCA Mechanism Annual Report

7 Consistent with Final Order 05 in Docket UE-190882, the Parties agree to an adjustment 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.

B. General Provisions

9 Public Interest. The Parties agree that this Stipulation is in the public interest and will produce rates for the Company that are fair, just, reasonable, and sufficient.

10 Binding on Parties. The Parties agree to support this Stipulation as a settlement of the contested issues between them in this proceeding, Docket UE-190324. The Parties understand that this Stipulation is not binding on the Commission or any Party unless the Commission approves it.⁴ If approved by the Commission, the Parties shall take all actions necessary, as appropriate, to carry out this Stipulation.

11 Integrated Agreement. The Parties agree that this Stipulation represents the entire agreement of the Parties, and supersedes all prior oral and written agreements on the issues addressed. The Parties have negotiated this Stipulation as an integrated document to be effective upon execution and Commission approval. Accordingly, the Parties recommend that the Commission adopt this Stipulation in its entirety.

12 Procedure for Supporting Stipulation. The Parties shall cooperate in submitting this Stipulation promptly to the Commission for acceptance, and cooperate in supporting this Stipulation throughout the Commission's consideration of this Stipulation. In

⁴ The exception is that before the Commission's approval of the Stipulation, the Parties agree to support the Stipulation before the Commission.

particular, each Party shall cooperate in developing a narrative and presenting supporting witnesses, and/or presenting supporting testimony, as described in WAC 480-07-740(2)(a) and (b). If necessary, each Party will provide a witness to sponsor and support this Stipulation at a Commission hearing. If the Commission decides to hold such a hearing, each Party will recommend that the Commission issue an order adopting the Stipulation. No Party to this Stipulation or their agents, employees, consultants, or attorneys will engage in advocacy contrary to the Commission's adoption of this Stipulation.

13 Reservation of Rights. If the Commission rejects this Stipulation, WAC 480-07-750(2)(a) shall apply. If the Commission accepts the Stipulation with new conditions, or approves the resolution of this proceeding through provisions that are different than recommended in this Stipulation, each Party reserves the right, upon written notice to the Commission and all Parties within seven (7) days of the Commission's order, to state its rejection of the conditions. If any Party rejects a proposed new condition, the Parties will: (1) request the prompt reconvening of a prehearing conference for purposes of establishing a procedural schedule for the completion of the case pursuant to WAC 480-07-750(2)(a); and (2) cooperate in the development of a schedule that concludes the proceeding on the earliest possible date, taking into account the needs of the Parties in participating in hearings and preparing briefs.

14 Advance Review of News Releases. The Parties agree: (1) to provide each other the right to review in advance of publication any and all announcements or news releases that any Party intends to make about the Stipulation (with the right of review to include a reasonable opportunity to request changes to the text of such announcements), and (2) to

include in any news release or announcement a statement that the Staff's recommendation to approve the settlement is not binding on the Commission itself.

15 No Precedent. The Parties have entered into the Stipulation to avoid further expense, inconvenience, uncertainty, and delay of continuing litigation. The Parties recognize that the Stipulation represents a compromise of the Parties' positions. As such, conduct, statements, and documents disclosed during negotiations of the Stipulation shall not be admissible as evidence in this or any other proceeding. By executing this Stipulation, no Party shall be deemed to have agreed that any provision of this Stipulation is appropriate for resolving issues in any other proceeding.

16 Execution. The Parties may execute the Stipulation in counterparts and as executed shall constitute one agreement. Copies sent by facsimile or electronic mail are as effective as original documents.

17 Effective date. The effective date of the Stipulation is the date of the Commission order approving it.

This STIPULATION is entered into by each Party as of the date entered below.

DATED: May 19, 2020.

ROBERT W. FERGUSON
Attorney General

PUGET SOUND ENERGY

Joe Dallas _____
Joe Dallas
Assistant Attorney General
Counsel for the Washington Utilities and
Transportation Commission Staff

Susan E. Free _____
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

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Lisa W. Gafken

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Assistant Attorney General
Counsel for the Public Counsel Unit of the
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Dated: _____, 2020