

Agenda Date: December 23, 2008
Item Number: A6

Docket: UE-082128
Company: Puget Sound Energy, Inc.

Staff: Roland Martin, Regulatory Analyst
Kathryn Breda, Regulatory Analyst
Ken Elgin, Energy Case Strategist
Mike Parvinen, Assistant Director, Energy

Recommendation

Set for hearing Puget Sound Energy, Inc.'s petition for an order determining that the Mint Farm Energy Center complies with the greenhouse gases emissions performance standard of RCW 80.80 and approving proposed deferred accounting methodology, in Docket UE-082128.

Discussion

On November 15, 2008, Puget Sound Energy, Inc. (PSE or company) filed, pursuant to RCW 80.80.060(5), a petition for an order determining that its newly acquired Mint Farm Energy Center (Mint Farm) complies with the greenhouse gases (GHG) emissions performance standard in RCW 80.80, Greenhouse Gases Emissions. PSE describes in its petition that Mint Farm is a 311-megawatt (MW) (nominal) natural gas-fired combined cycle combustion turbine electric plant that will be used to meet baseload, daily, and seasonal peaking needs. The Mint Farm purchase was completed on December 8, 2008.

The company's petition also requests approval of a proposed deferred accounting methodology, pursuant to RCW 80.80.060(6) and WAC 480-100-435.

In the alternative, in the event the commission determines that Mint Farm is not eligible for deferral accounting under RCW 80.80.060(6), PSE petitions the commission for an accounting order that authorizes the deferred accounting treatment detailed in Section III of the petition, in accordance with WAC 480-07-370(b).

Having satisfied the notice of intent to defer costs required by WAC 480-100-435(2)(a), PSE may account for and defer for later consideration by the commission costs incurred in connection with the acquisition of Mint Farm, as authorized by WAC 480-100-435(1), including operating and maintenance costs, depreciation, taxes, and cost of invested capital. However, the requested deferred accounting methodology appears to defer costs beyond those authorized by the rule, such as carrying costs on deferred operating and maintenance expenses. The requested accounting also includes issues, such as the proposed rate base treatment and three-year amortization period of deferred costs, considered by Staff to be appropriately decided in a general rate case.

PSE also proposes temporary modification of the power cost adjustment (PCA) mechanism. Specifically, PSE proposes to temporarily eliminate the true-up under PCA Schedule G for Mint Farm during the deferral period commencing with the plant acquisition date and ending with the effective date of new rates in the company's next rate proceeding. (PCA Schedule G calculates an adjustment to allow a new resource cost at the lesser of its actual cost or the average embedded cost in the PCA, until cost review in the next rate case). This proposal changes the existing PCA mechanism approved previously by the commission.

Staff recommends that this matter be set for hearing consistent with WAC 480-100-415, which provides that an application, filed with the commission outside of a general rate case, for determination of whether a facility complies with the greenhouse gases emissions performance standards be considered under the provisions of RCW 34.05 (Part IV) and WAC 480-07. The question of deferred costs and modification to the PCA mechanism should be addressed at the same hearing.

Conclusion

In order for the commission to determine whether the Mint Farm Energy Center complies with the greenhouse gases emissions performance standard in RCW 80.80 and to determine eligibility of the Mint Farm requested deferred accounting methodology under RCW 80.80.060(6) and/or WAC 480-07-370(b), Staff recommends the commission set for hearing PSE's petition for an order determining that Mint Farm complies with the greenhouse gases emissions performance standard of RCW 80.80 and approving proposed deferred accounting methodology, in Docket UE-082128.