

KIRSTIN S. DODGE
Direct: (425) 635-1407
Internet: ksdodge@perkinscoie.com

**VIA OVERNIGHT MAIL
& ELECTRONIC MAIL**

[April 12, 2004](#)

Carole J. Washburn
Office of the Secretary
Washington Utilities and
Transportation Commission
1300 S. Evergreen Park Drive SW
Olympia, WA 98504-7250

**Re: Docket No. UE-040641,
Puget Sound Energy, Inc.'s General Rate Case – Electric Rates**

Dear Ms. Washburn:

We represent Puget Sound Energy, Inc. ("PSE" or "the Company") with respect to the above proceeding, as well as with respect to the Company's request to increase general natural gas rates, Docket No. UG-040640.

PSE understands that members of the Commission Staff have raised a concern that the Company's general rate case filing is improper with respect to the proposed changes in electric rates because of the pending power cost only rate case ("PCORC"), Docket No. UE-031725. Specifically, PSE understands that Staff believes the Company must obtain the Commission's permission to pursue the electric general rate case filing because Order No. 01 in Docket No. UE-031725 (Oct. 29, 2003) ("PCORC Suspension Order") provides that PSE "must not change or alter the tariff filed in this docket during the suspension period, unless authorized by the Commission." PCORC Suspension Order at ¶ 15.

We explain below why we believe the Company's filing in UE-040641 does not violate the PCORC Suspension Order. In the event the Commission disagrees with our analysis, the Company requests in the alternative that the Commission authorize its filing in UE-040641 so that its electric general rate case filing can proceed without delay, in conjunction with its natural gas general rate case filing, Docket No. UG-040640.

The tariff that was filed and suspended in the PCORC docket was the "Twenty Fifth Revised Sheet No. 95, and Original Sheet Nos. 95-a through 95-e." PCORC Suspension Order at ¶ 1. *See* [\[UE-040641 Clarification Letter PSE 040904.DOC\]](#)

Ms. Carole J. Washburn
April 9, 2004
Page 2

also Docket No. UE-031725, Exhibit 219 (J. Story). The PCORC Suspension Order only prohibits PSE from changing or altering this proposed new Schedule 95 without Commission authorization. *See* PCORC Suspension Order at ¶ 15. PSE's electric general rate case filing did not propose any changes to Schedule 95. *See* Docket No. UE-040641, Cover Letter and Proposed Electric Tariff Sheets. Thus, the filing does not require Commission authorization.

In addition to complying with the plain language of the PCORC Suspension Order, PSE's electric general rate case filing complies with applicable statutes and regulations and is substantively proper.

To better understand this, it may be helpful to recall that the PCA Mechanism approved in PSE's 2001 general rate case, Docket No. UE-011570, established on the record and concluded that "the Power Cost Only Rate Review provisions do fall within the exception to [the Commission's] rule governing general rate increase filings" because they are "[p]eriodic rate adjustments for electric utilities as may be authorized by the Commission." *See* Twelfth Supplemental Order, Docket No. UE-011570 and UG-011571 (June 20, 2002) at ¶ 27; WAC 480-09-310(2) (now WAC 480-07-505(2)(a)).

Accordingly, the mechanism within PSE's Electric Tariff WN U-60 for implementing rate adjustments approved through Power Cost Only Rate Reviews is not a change to each tariff sheet governing various types of service, but rather a single tariff sheet, Schedule 95. Schedule 95 provides for an adjustment per kWh "in addition to the rate specified in the otherwise applicable rate schedules." PSE's compliance filing in UE-011571 included Schedule 95 with the adjustment set at "0.0000¢ per kWh" as a placeholder until the filing and resolution of a Power Cost Only Rate Review.

Consistent with the Commission's ruling on the PCA Mechanism and this tariff structure, the Company's PCORC filing proposed changes only to Schedule 95, which set forth specific ¢-per-kWh adjustments to various existing rates. Proposed revised Schedule 95 was suspended through the PCORC Suspension Order, thus the 0.0000¢ per kWh adjustment in the Schedule 95 that became effective July 1, 2002, is still in force.

When the Company files proposed changes to its tariff, notice must be provided of "the changes proposed to be made in the schedule *then in force*." RCW 80.28.060; WAC 480-100-194. PSE's electric general rate case filing in Docket No. UE-040641 proposes to change the rates set forth in many of its tariff sheets to implement the relief requested in the general rate case. The requested electric revenue requirement includes updated normalized power costs for the general rate case rate year (March 2005 – February 2006) that would update and supersede the power costs currently at issue in the PCORC based on the PCORC rate year (April 2004 – March 2005). *See, e.g.*, Docket No. UE-040641, Exhibit ___(JMR-1T) at pp. 28-29 and Exhibit ___(JMR-11) (J. Ryan).

Once the proposed tariff sheets in Docket No. UE-040641 are adjusted to incorporate the new rates ultimately approved in the general rate case, it will be appropriate for Schedule 95 to reflect an adjustment of 0.0000¢ per kWh to these rates, until the next Power Cost Only Rate Review under the PCA Mechanism. Because the Schedule 95 that is *currently in force* provides for an adjustment of 0.0000¢ per kWh, there was no need for PSE to file a proposed revised Schedule 95 with its electric general rate case filing. *See* RCW 80.28.060.

Upon acceptance of the compliance filing for the pending PCORC proceeding, there will be a Schedule 95 in force that sets an adjustment other than 0.0000¢ per kWh. Restoration of Schedule 95 to the 0.0000¢ per kWh rate as part of the electric general rate case could be accomplished through a number of procedures, including through a supplemental Company filing in its direct case, through the Staff's response case, through a substitute tariff filing under WAC 480-80-111, or through the ultimate compliance filing in the general rate case. However, any such filing would be premature at this time.

For these reasons, the Company requests that the Commission determine that PSE's electric general rate case filing in Docket No. UE-040641 does not violate the PCORC Suspension Order. In the alternative, the Company requests that the Commission authorize the filing so that the electric general rate case can proceed without delay.

Ms. Carole J. Washburn
April 9, 2004
Page 4

We have enclosed 12 copies of this letter and have provided an electronic copy via email to the Commission's Records Center. Thank you for your assistance.

Very truly yours,

Kirstin S. Dodge

KSD:pli
Enclosures

cc: Robert D. Cedarbaum
Simon J. ffitch
S. Bradley Van Cleve
Edward A. Finklea
Mike Kurtz
Ronald L. Roseman

CERTIFICATE OF SERVICE

Docket No. UE-040641

I hereby certify that on this day I caused to be served via electronic mail and regular U.S. mail, postage prepaid, a true and correct copy of the attached letter to the individuals listed below:

Robert Cedarbaum
Washington Utilities & Transportation
Commission
1400 S. Evergreen Park Drive S.W.,
Olympia, WA 98504
bcedarba@wutc.wa.gov

Simon fitch
Washington State Attorney General's
Office
900 Fourth Avenue, Suite 2000
Seattle, WA 98164-1012
simonf@atg.wa.gov

S. Bradley Van Cleve
Davison Van Cleve
1000 SW Broadway, Suite 2460
Portland, OR 97205
mail@dvclaw.com

Edward A. Finklea
Cable Huston Benedict Haagensen & Lloyd
1001 SW Fifth Avenue, Suite 2000
Portland, OR 97204
Phone: (503) 224-3092
e-mail: efinklea@chbh.com

Mike Kurtz
Boehm, Kurtz and Lowry
2110 CBLD Center
36 East Seventh St.
Cincinnati, OH 45202
Phone: (513) 421-2255
email: mkurtzlaw@aol.com

Ronald L. Roseman
2011 – 14th Avenue East
Seattle, WA 98112
Phone: (206) 324-8792
Fax: (206) 568-0138
e-mail: ronroseman@attbi.com

Dated this ____ day of April, 2004.

Pam Iverson

Ms. Carole J. Washburn
April 9, 2004
Page 6

bc: Kimberly Harris
John Story
Denise Schroeder
Sheree Carson
Jason Kuzma
Brian Platt