

Agenda Date: June 15, 2005
Item Number: A1

Docket: UE-050870
Company Name: Puget Sound Energy, Inc.

Staff: Hank McIntosh, Economist
James Russell, Energy Accounting Supervisor
Roger Braden, Assistant Director, Energy Section

Recommendation:

Issue a Complaint and Order Suspending the Proposed Tariff Revisions, set the matter for hearing, and trigger the discovery provisions of WAC 480-07-400 and WAC 480-07-405.

Background:

On June 7, 2005, Puget Sound Energy, Inc., ("PSE" or the Company) filed a petition and tariffs in Docket No. UE-050870 for a Power Cost Only Rate Review. Per the filing, the Company proposes to change its Power Cost Rate as a result of increases in its power costs for reasons that include higher natural gas costs, annual cost increases in PSE's existing long-term power purchase agreements ("PPAs"), increased costs related to Mid-Columbia hydropower contracts that PSE is obligated to share, and a full-year's impact of the BPA transmission rate increase. In addition, the Company is seeking this relief to obtain approval and recovery in rates of its acquisition of a wind powered electric generation facility. The proposed tariff changes will generate an estimated \$55.6 million (3.7% increase) in additional annual revenues.

PSE made commitments on March 11, 2005, to acquire a wind powered electric generation facility that is being constructed in Columbia County, Washington (the "Hopkins Ridge Project"). Company testimony indicates that the facility is rated with a nameplate capacity of 150 MW and that PSE will acquire full ownership. The Company's prefiled written testimony states that the gross purchase price is \$ 199 million, which after certain tax and accounting adjustments nets to \$ 186.5 million to be added to production rate base.

In the Company's general rate case (Docket No. UE-011570), the Commission accepted a settlement agreement that provided for a Power Cost Adjustment Mechanism (PCA).

One element of the PCA is the opportunity for PSE to file a "Power Cost Only Rate Review" in order to recover the cost of any new resource from its customers. The current filing is submitted under that provision. Commission Staff is bringing this filing to the Commission today in order to comply with the settlement provisions that require the parties to seek expedited treatment of a Power Cost Only Rate Review by the Commission.

Discussion:

The Company's filing increases its rates and charges for electric service. Thus, in order to determine the reasonableness of the proposed increases, Staff recommends that the Commission issue a complaint and order suspending the proposed tariff revisions and set the matter for hearing.

Staff also recommends that the Commission trigger the discovery provisions of WAC 480-07-400 and WAC 480-07-405 in its suspension order. This process is consistent with the parties' settlement agreement in PSE's general rate case in Docket UE-011570 that contemplated a "best efforts" expedited review of the filing. It is also consistent with the procedure adopted in PSE's first PCORC in Docket UE-031725.

Conclusion:

Staff recommends that the Commission issue a complaint and order suspending the proposed tariff revisions and set the matter for hearing. As part of that order, Staff also recommends that the Commission trigger the discovery provisions of WAC 480-07-400 and WAC 480-07-405.