

**BEFORE THE  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND	)	DOCKET NO. UE-141141
TRANSPORTATION COMMISSION,	)	
	)	
Complainant,	)	ANSWER OF PUGET SOUND
	)	ENERGY, INC. TO PETITION FOR
v.	)	ACCOUNTING ORDER OF THE
	)	INDUSTRIAL CUSTOMERS OF
PUGET SOUND ENERGY,	)	NORTHWEST UTILITIES
	)	
Respondent.	)	
	)	
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**I. INTRODUCTION**

1 Pursuant to WAC 480-07-370(1)(c), Puget Sound Energy, Inc. (“PSE” or the “Company”) files this answer to the Petition For Accounting Order filed by the Industrial Customers of Northwest Utilities (“ICNU”). In general, PSE denies that an accounting order should be issued by the Washington Utilities and Transportation Commission (“Commission”) as requested by ICNU, for the reasons set forth herein.

**II. ANSWER TO PETITION**

2 Answering paragraph 1 of ICNU’s petition, PSE denies that the Commission should issue an accounting order as requested by ICNU. The Commission will address PSE’s return on equity in the remand proceeding in Dockets UE-121697/UG-121705 and UE-130137/UG-130138. In that proceeding, the Commission will determine whether the 9.8 return on equity is within the zone of reasonableness, based on substantial evidence. The Commission may determine whether the rates set in this proceeding are fair, just, reasonable and sufficient based on the return on equity set in the remand proceeding.

3                    Answering paragraph 2 of ICNU’s petition, PSE admits the facts contained  
therein with respect to the identity of ICNU and contact information.

4                    Paragraph 3 of ICNU’s petition cites legal statutes to which no answer is required.

5                    Answering paragraph 4 of ICNU’s petition, PSE admits it filed a PCORC on May  
23, 2014, initially proposing a total rate decrease of \$9,556,193 and that PSE filed supplemental  
testimony on August 1 revising PSE’s revenue surplus to \$5,463,695. The testimony and  
exhibits filed in that case speak for themselves and no further answer is required.

6                    Answering paragraph 5 of ICNU’s petition, PSE admits ICNU filed a Petition for  
Accounting Order in the 2013 PCORC. PSE admits that the Commission issued a Final Order in  
the 2013 PCORC on October 23, 2013, approving and adopting an all-party settlement  
agreement and setting new rates that became effective on November 1, 2013. ICNU’s  
concurrent petition in the 2013 PCORC, the 2013 all-party settlement agreement, and the  
Commission order approving the settlement speak for themselves. PSE denies that unlawfully  
high amounts have been collected through tariffs authorized in the 2013 PCORC as ICNU  
alleges or that the Commission should order a refund or deferral.

7                    Answering paragraph 6 of ICNU’s petition, PSE admits that the Commission  
approved PCORC filings and a power cost adjustment mechanism (“PCA”) in 2002. The  
Commission order, settlement stipulation and exhibits in that case speak for themselves.

8                    Answering paragraph 7 of ICNU’s petition, PSE admits that the power cost  
baseline is embedded within PSE rates subject to review in any PCORC proceeding, including  
the 2014 PCORC. PSE admits that the rate of return is derived from the Company’s return on  
equity (“ROE”). The remainder of paragraph 7 contains legal argument and citations to which  
no answer is required.

9                    Answering paragraph 8 of ICNU’s petition, PSE admits that on June 25, 2013 the Commission entered a Final Order in PSE’s consolidated expedited rate filing (“ERF”), rate plan, and decoupling cases, in which it approved the ERF, rate plan, and a decoupling mechanism for PSE and that ICNU and Public Counsel challenged this decision in Thurston County Superior Court. PSE further admits that the Commission set PSE’s rates using the Company’s previously authorized ROE of 9.8%, but denies the remainder of paragraph 8.

10                    Answering paragraph 9 of ICNU’s petition, PSE admits that on July 25, 2014, the court entered an order affirming in part and reversing in part Order 07. The court’s letter ruling and order speak for themselves.

11                    Answering paragraph 10 of ICNU’s petition, PSE admits that ICNU filed a Petition for Accounting Order on July 30, 2014, and that the Commission issued notices and suspended the deadlines for responses to ICNU’s Petition. The Commission’s notices speak for themselves. PSE denies the remainder of the paragraph, including ICNU’s mischaracterization of the Commission’s notice.

12                    Answering paragraph 11 of ICNU’s Petition, PSE lacks sufficient information to form a conclusion as to what ICNU’s petition seeks to do, but PSE denies that ICNU’s Petition will effectuate the court order. PSE further denies that the rates are illegal as ICNU alleges. The remainder of paragraph 11 contains a proposal by ICNU to which no answer is required. To the extent an answer is required, PSE denies the same.

13                    Paragraph 12 contains legal conclusions and proposals by ICNU to which no answer is required. To the extent an answer is required, PSE denies that deferral is appropriate.

14                    Answering paragraph 13 of ICNU’s petition, PSE denies the allegations in this  
paragraph and ICNU’s interpretation of the court’s order as reflected in paragraph 13 of ICNU’s  
petition.

15                    Answering paragraph 14, PSE denies that the return on equity used in the PCORC  
has been found illegal by the court and denies the remainder of the allegations and conclusory  
assumptions made by ICNU in paragraph 14. ICNU misreads the language of the court’s order.

16                    Paragraph 15 contains proposal by ICNU to which no answer is required. To the  
extent an answer is required, PSE denies that the deferral proposed by ICNU is appropriate.  
ICNU misreads the language of the court’s order.

### **III. RELIEF REQUESTED**

17                    The Commission should reject ICNU’s proposal for a deferral. The court did not  
determine that the return on equity or cost of capital currently in place was set at the wrong rate.  
Rather, the court stated that “[t]he Commission has particular expertise in understanding the  
relevant evidence, determining which evidence and models are credible, and determining what  
‘fair, reasonable, and sufficient’ means.”<sup>1</sup> The court expressly stated that it “does not attempt to  
override the Commission’s expertise on such matters, but focuses on the procedural  
requirements.”<sup>2</sup> The court expressed concern that the Commission did not require PSE to  
present a sophisticated model or complex presentation or evidence regarding its current situation  
and from that determine its cost of capital for the multi-year rate plan.<sup>3</sup> Consistent with the  
court’s limited function on judicial review, the court did not predecide how the Commission  
should remedy procedural errors or what the substantive outcome of the remand proceeding

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<sup>1</sup> Letter Decision p. 4.

<sup>2</sup> *Id.*

<sup>3</sup> *Id.*

should be. *See* RCW 34.05.574(1). The court remanded the case to the Commission to take action consistent with the court's order.

18           The Commission should not undertake a piecemeal deferral, as proposed by ICNU. As discussed above, deferral is not appropriate at this time. Rather, the Commission should first determine the appropriate return on equity based on substantial evidence. The appropriate return on equity may be 9.8 percent, or it may be determined to be higher or lower than 9.8 percent. After determining whether the 9.8 return on equity is appropriate, the Commission may then undertake further process as needed--including but not limited to surcharges or refunds if required--to ensure that rates are fair, just, reasonable and sufficient. However, if the Commission were to order deferral as ICNU requests, it must similarly order deferral for all riders, trackers and other mechanisms that pass back benefits to customers such as Treasury Grants and Renewable Energy Credits.

Respectfully submitted this 28th day of August 2014

**PERKINS COIE LLP**



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