

**BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY, INC.,

Respondent.

**DOCKETS UE-090704 and
UG-090705 (*consolidated*)**

**MOTION OF PUGET SOUND
ENERGY, INC. FOR
CLARIFICATION OF
ORDER NO. 11**

INTRODUCTION

1. Pursuant to WAC 480-07-835, Puget Sound Energy, Inc. (“PSE”) respectfully requests that the Washington Utility and Transportation Commission (the “Commission”) clarify the Commission’s Order No. 11, entered April 2, 2010, in these consolidated dockets (“Order No. 11”). PSE is not seeking through this motion to change the outcome with respect to these matters but to clarify the meaning of the order so that compliance may be enhanced.

DISCUSSION

2. PSE requests clarification on four items: (i) clarification of the treatment of Colstrip settlement payment amounts; (ii) clarification of Wild Horse Expansion and Mint Farm Adjustments production O&M costs; (iii) clarification of Wild Horse Expansion wheeling costs; and (iv) clarification of Mint Farm fuel costs.

A. Clarification of Colstrip Settlement Payment Amounts

3. In its initial filing, PSE requested authority to defer the Colstrip settlement payment in Account 182.3 – Other Regulatory Assets pursuant to an accounting petition filed May 22, 2008, Docket No. UE-080900. *See generally* Exh. No. MLJ-1T (Jones). The restating adjustment proposed by PSE would have removed the \$10,487,160 Colstrip settlement payment charged to production operations and maintenance (“O&M”) during the test year. PSE’s proposal would then have reduced the Colstrip settlement payment of \$10,487,160 by an insurance reimbursement receivable of \$2,083,590. PSE’s proposal would have placed the net Colstrip settlement payment of \$8,403,570 in a regulatory asset. Interest would have accrued on the regulatory asset from August 2008, which is the date of the payment, through the beginning of the rate year. The resulting balance would have amortized over sixty months. *See* Exh. No. JHS-1T (Story) at 50:12 – 51:7; Exh. No. JHS-14T (Story) at 47:10-18.
4. In its filing, Commission Staff proposed the inclusion of Colstrip settlement payment amounts in Miscellaneous Deferred Debits and power cost O&M expense. First, Commission Staff reserved the amount recovered from insurance (\$2,083,590) to Account 186, Miscellaneous Deferred Debits. Commission Staff included the remainder (\$8,404,396) in power cost O&M expense. *See* Exh. No. KHB-1TC (Breda) at 34:12-15.
5. In Order No. 11, the Commission agreed with Commission Staff that the Colstrip settlement costs should be test period expenses:

We are not persuaded that the costs of the Colstrip litigation should be afforded any extraordinary treatment, either as a regulatory asset or as a non-recurring expense. Indeed, these costs are not out of the ordinary and it is appropriate to treat them as a test period expense, as proposed by Staff.

Order No. 11 at ¶216. Table 4 (Commission Determinations of Restating and Pro Forma Adjustments – Electric) of Order No. 11, however, does not include Colstrip settlement costs of \$8,404,396 in power cost O&M expense in Adjustment 10.03 (Power Costs), as proposed by Commission Staff.

6. PSE respectfully requests that the Commission clarify its Order No. 11 to include Colstrip settlement costs of \$8,404,396 in power cost O&M expense in Adjustment 10.31 (Regulatory Assets and Liabilities), as proposed by PSE. Such clarification reduces net operating income by \$5,558,973 and increases the revenue requirement by \$8,947,872. *See* Exhibit A to this Motion for Clarification at line 3. PSE has discussed this adjustment with Commission Staff, and Commission Staff has indicated that is in agreement with the PSE's analysis and proposed correction with respect to this adjustment.

B. Clarification of Mint Farm Fuel Costs

7. In its initial filing, PSE included fuel costs of \$59,359,585 for Mint Farm. *See* Exh. No. JHS-4 (Story) at 4.08. In its filing, Commission Staff included fuel costs of \$53,577,114 for Mint Farm. *See* Exh. No. KHB-2 (Breda) at 2.15. In its rebuttal testimony, PSE included updated fuel costs of \$60,053,640 for Mint Farm. *See* Exh. No. JHS-16 (Story) at 16.08.
8. Table 4 (Commission Determinations of Restating and Pro Forma Adjustments – Electric) of Order No. 11 include net operating income of (\$46,408,534) Adjustment 10.08 (Mint Farm). These amounts include fuel costs of \$53,577,114 for Mint Farm. This pro forma adjustment does not correlate with the level of power costs approved by the Commission in Order No. 11. Only PSE's fuel costs of \$60,053,640 correspond with the power costs approved by the Commission in Order No. 11.

9. PSE respectfully requests that the Commission clarify its Order No. 11 to use PSE's pro forma adjustments for fuel costs for Mint Farm of \$60,053,640. Such clarification reduces net operating income by \$4,283,833 and increases the revenue requirement by \$6,895,373. *See* Exhibit A to this Motion for Clarification at line 4. PSE has discussed this adjustment with Commission Staff, and Commission Staff has indicated that is in agreement with the PSE's analysis and proposed correction with respect to this adjustment.

C. Clarification of Wild Horse Expansion Wheeling Costs

10. In its initial filing, PSE included wheeling costs of \$23,006 for the Wild Horse Expansion. *See* Exh. No. JHS-4 (Story) at 4.07. In its filing, Commission Staff also included wheeling costs of \$23,006 for the Wild Horse Expansion. *See* Exh. No. KHB-2 (Breda) at 2.14. In its rebuttal testimony, PSE included corrected wheeling costs of \$1,318,262 for the Wild Horse Expansion. *See* Exh. No. JHS-16 (Story) at 16.07.

11. Table 4 (Commission Determinations of Restating and Pro Forma Adjustments – Electric) of Order No. 11 include net operating income of \$(3,289,703) for Adjustment 10.07 (Wild Horse Expansion). These amounts include wheeling costs of \$23,006 for the Wild Horse Expansion. This pro forma adjustment does not correlate with the level of power costs approved by the Commission in Order No. 11. Only PSE's Wild Horse wheeling costs of \$1,318,262 correspond with the power costs approved by the Commission in Order No. 11.

12. PSE respectfully requests that the Commission clarify its Order No. 11 to use PSE's pro forma adjustments for Wild Horse Expansion wheeling costs of \$1,318,262. Such clarification reduces net operating income by \$856,734 and increases the revenue requirement by \$1,379,022. *See* Exhibit A to this Motion for Clarification at line 5. PSE has discussed this adjustment with

Commission Staff, and Commission Staff has indicated that is in agreement with the PSE's analysis and proposed correction with respect to this adjustment.

**D. Clarification of Wild Horse Expansion and Mint Farm Adjustments
Production O&M Costs**

13. In its initial filing, PSE used an annual average of the forecasted five year cost analysis to determine normalized maintenance costs, or direct expense costs for the rate year. *See* Exhibit JHS-1T (Story) at 15:6-10. This methodology resulted in pro forma adjustments for production O&M of \$1,951,841 and \$9,311,752 for the Wild Horse Expansion and Mint Farm, respectively. *See* Exh. No. JHS-4 (Story) at 4.07 and 4.08.
14. In its filing, Commission Staff opposed PSE's use of budgeted or forecast figures for plant expenditures and relied instead on historical and normalized expenses over a five-year period for established facilities (i.e., Colstrip 1 and 2, Encogen, Frederickson 1 and 2, Fredonia 1-4, Whitehorn). For new facilities added during the test year, Staff calculated an annual expense based on January through August 2009 (Mint Farm and Hopkins Ridge Infill), monthly average actual expense from August 2008 through August 2009 (Sumas), or actual construction costs through October 2009 (Wild Horse Expansion). *See* Exh. No. KHB-1TC at 24:14 – 25:10. This methodology resulted in pro forma adjustments for production O&M of \$1,242,216 and \$4,934,400 for the Wild Horse Expansion and Mint Farm, respectively. *See* Exh. No. KHB-2 (Breda) at 2.14 and 2.15.
15. In its rebuttal filing, PSE proposed (i) the inclusion of additional management staff, foreseeable infrastructure maintenance costs, and project development royalty payments for O&M expense for the Wild Horse Expansion and (ii) the use of test year actual O&M expense for the Goldendale Generating Station as a proxy for O&M expense for Mint Farm. *See* Exh.

No. LEO-13CT (Odom) at 11:27 – 12:4 (Mint Farm) and at 26:1 – 29:16 (Wild Horse Expansion). These methodologies resulted in pro forma adjustments for production O&M of \$1,951,216 and \$5,215,033 for the Wild Horse Expansion and Mint Farm, respectively.

See Exh. No. JHS-16 (Story) at 16.07 and 16.08.

16. In Order No. 11, the Commission agreed with PSE's proposals with respect to production O&M:

O&M is an ongoing expense and there is no evidence that the more recent historic data upon which the Company would have us rely requires any normalizing adjustments. We accept the Company's proposals and its proposal to reduce overall plant operations and maintenance expense by \$1,799,720 from test year levels.

Order No. 11 at ¶162. Table 4 (Commission Determinations of Restating and Pro Forma Adjustments – Electric) of Order No. 11, however, includes Commission Staff's pro forma adjustments for production O&M of \$1,242,216 and \$4,934,400 for the Wild Horse Expansion and Mint Farm, respectively. These pro forma adjustments do not correlate with the level of power costs approved by the Commission in Order No. 11. Only PSE's production O&M allocations of \$1,951,216 and \$5,215,033 for the Wild Horse Expansion and Mint Farm, respectively, correspond with the power costs approved by the Commission in Order No. 11.

17. PSE respectfully requests that the Commission clarify its Order No. 11 to use PSE's pro forma adjustments for production O&M of \$1,951,216 and \$5,215,033 for the Wild Horse Expansion and Mint Farm, respectively. Such clarification (i) reduces net operating income by \$469,373 and increases the revenue requirement by \$755,518 with respect to the pro forma adjustment for Wild Horse Expansion production O&M and (ii) reduces net operating income by \$185,622 and increases the revenue requirement by \$298,782 with respect to the pro forma adjustment for Mint Farm O&M. *See* Exhibit A to this Motion for Clarification at lines 6 and 7.

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18. Commission Staff objected to these clarifications with respect to the pro forma adjustments for production O&M for the Wild Horse Expansion and Mint Farm. Pursuant to an order conference held Tuesday, April 6, 2010, in this matter, the Commission interpreted Order No. 11 as requiring these clarifications.

E. Clarification to Adjust the Tenaska Disallowance to Reflect the Approved Rate of Return

19. Order No. 11 establishes an overall rate of return of 8.10 percent for PSE. Order No. 11 at ¶ 377. PSE has adjusted the Tenaska disallowance to reflect this approved rate of return. This adjustment reduces net operating income by \$105,970 and increases the revenue requirement by \$170,572. *See* Exhibit A to this Motion for Clarification at line 8. PSE has discussed this adjustment with Commission Staff, and Commission Staff has indicated that is in agreement with the PSE's analysis and proposed correction with respect to this adjustment.

F. Clarification to Adjust the Production Factor to Reflect the Rejection of the Conservation Phase-In Adjustment


20. Order No. 11 rejected the conservation phase-in adjustment proposed by PSE. Order No. 11 at ¶ 47. PSE has adjusted the production factor and Production Adjustment to reflect this determination and reflect other changes to this adjustment based on Order No. 11. This adjustment (i) reduces rate base by \$404,397; (ii) reduces return on rate base by \$32,756; (iii) increases net operating income by \$334,579; and (iv) decreases the revenue requirement by \$591,272. *See* Exhibit A to this Motion for Clarification at line 9. PSE has discussed this adjustment with Commission Staff, and Commission Staff has indicated that is in agreement with the PSE's analysis and proposed correction with respect to this adjustment.

CONCLUSION

21. For the reasons set forth above, PSE respectfully requests that the Commission enter an order clarifying Order No. 11 with respect to the above-referenced issues. The clarification of the above items would adjust the electric revenue deficiency provided in Order 11 from \$56,204,849 to \$74,060,716. See Exhibit A to this Motion for Clarification at line 11.

DATED: April 7, 2010

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PUGET SOUND ENERGY, INC.

Exhibit A

PUGET SOUND ENERGY, INC.
CLARIFICATIONS TO ELECTRIC REVENUE DEFICIENCY IN FINAL ORDER NO. 11
GRC TYE 12/31/2008 RYE 03/31/2011

Ref	Description	Rate Base	Return on Rate Base	NOI	Revenue Requirement (Deficiency)
1	PER FINAL ORDER NO. 11	\$3,797,019,369	\$307,558,569	\$272,640,632	\$56,204,849
2					
3	Include Colstrip Settlement Payment in Production O&M via Reg Asset & Liab Adjustment			(\$5,558,973)	\$8,947,872
4	Change Mint Farm Fuel from Commission Staff's \$53,577,114 to PSE's \$60,053,640			(\$4,283,833)	\$6,895,373
5	Change Wild Horse Expansion Wheeling from \$23,006 to corrected \$1,318,262			(\$856,734)	\$1,379,022
6	Change Wild Horse Expansion Production O&M from Commission Staff's \$1,242,216 to PSE's \$1,951,841			(\$469,374)	\$755,518
7	Change Mint Farm Production from Staff's \$4,934,400 to PSE's \$5,215,033			(\$185,622)	\$298,782
8	Update Tenaska Disallowance for change in rate of return			(\$105,970)	\$170,572
9	Adjust Production Factor to Reflect Rejection of Proposed Conservation Phase-In Adjustment	(\$404,397)	(\$32,756)	\$334,579	(\$591,272)
10					
11	TOTAL	\$3,796,614,972	\$307,525,813	\$261,514,705	\$74,060,716