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

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| **WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,**  **Complainant,**  **v.**  **PUGET SOUND ENERGY, INC.,**  **Respondent.** | **DOCKETS UE-090704**  **and UG-090705 (consolidated)**  **COMMISSION STAFF PETITION FOR RECONSIDERATION** |

1. Pursuant to WAC 480-07-850, the Staff of the Washington Utilities and Transportation Commission (“Commission”) respectfully petitions for reconsideration of Commission Order 11, issued in these proceedings on April 2, 2010. Staff’s petition is limited to one issue: the Commission’s decision to include a cost of long-term debt of 6.70 percent in the overall cost of capital for Puget Sound Energy, Inc. (the “Company”).[[1]](#footnote-1)

**REASONS TO GRANT RECONSIDERATION**

1. In its original direct case, the Company proposed a cost of long-term debt of 6.82 percent based, in part, on projected costs for new debt issues in September 2009 (6.90 percent), March 2010 (6.72 percent), and September 2010 (6.86 percent).[[2]](#footnote-2) In supplemental direct testimony, the Company reduced the cost of long-term debt to 6.70 percent to reflect the issuance of bonds that had actually occurred in September 2009 at a rate of 5.757 percent.[[3]](#footnote-3) However, the Company made no similar reduction for the March 2010 and September 2010 debt issues.[[4]](#footnote-4)
2. For its part, Staff priced the March 2010 and September 2010 debt issues at 5.757 percent since that rate, having just been achieved by the Company, represented the best evidence of the Company’s cost of long-term debt in the capital markets. The resulting cost of long-term debt recommended by Staff was 6.48 percent.[[5]](#footnote-5) However, the Commission rejected Staff’s proposal given testimony from the Company that the rate paid in September 2009 was unprecedented.[[6]](#footnote-6)
3. There are several reasons for the Commission to reconsider its decision. First, the rate the Company paid for the September 2009 debt issue is not unprecedented. On March 2, 2010, the Company filed notice of its intent to issue $325 million in senior secured notes (Docket UE-100365). The notice indicated that the Company expected a range of coupon rates for 10-year or 30-year senior notes consistent with the rate Staff assumed for the March 2010 and September 2010 issues, and well below the rate the Company assumed for those same issues.[[7]](#footnote-7)
4. On March 9, 2010, the Company filed the final terms and conditions of the transaction described in the earlier notice. Those final terms and conditions show that the Company priced the March 2010 long-term debt issue at an all-in price of 5.857 percent, rather than 6.72 percent, as assumed by the Company.[[8]](#footnote-8) In contrast, the rate actually achieved for the March 2010 issue was only 1/10 of 1 percent higher than the rate Staff assumed for that same issue.
5. Second, reply briefs in this case were filed on March 2, 2010. At that time, the Company was well aware that the rate it would pay for the March 2010 issue would be well below the 6.70 percent it projected for that issue, given that its understanding of coupon rates for senior secured notes had already been achieved as of February 18, 2010.[[9]](#footnote-9) Yet, the Company did not advise the Commission of that knowledge in its reply brief. Nor did the Company ever come forward with the fact that the March 2010 debt issue was actually priced at 5.857 percent on March 3, 2010, the day after reply briefs were filed.[[10]](#footnote-10)
6. Finally, in its reply brief, the Company stated that its “compliance filing in the case can incorporate the actual rate for the March 2010 debt issuance, as it will be known.”[[11]](#footnote-11) The compliance filing made by the Company did not follow through on that commitment. Granting Staff’s petition for reconsideration ensures that the Company’s commitment is enforced and that the cost of capital accurately reflects rate year costs.
7. For the reasons set forth above, the Commission should reconsider Order 11 by adopting Staff’s recommended 6.48 percent as the cost of long-term debt for Puget Sound Energy, Inc.

DATED this 12th day of April 2010.

Respectfully submitted,

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Attorney General

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1. *WUTC v. Puget Sound Energy, Inc*., Dockets UE-090704 and UG-090705, Order 11 at ¶¶ 288-289 (April 2, 2010) (“Order 11”). [↑](#footnote-ref-1)
2. Gaines, Exh. No. DEG-5C at 5:31-33. [↑](#footnote-ref-2)
3. Gaines, Exh. No. DEG-9T at 14:2-10. [↑](#footnote-ref-3)
4. Gaines, Exh. No. DEG-9CT at 14:2-6 and Gaines, Exh. No. DEG-10C at 5:31-33. [↑](#footnote-ref-4)
5. Parcell, Exh. No. DCP-1T at 28:22-29:2 and Parcell, Exh. No. DCP-3 at 2. [↑](#footnote-ref-5)
6. Order 11 at ¶¶ 227-288. [↑](#footnote-ref-6)
7. Confidential Attachment 1 at Attachment A (“Indicative Terms & Pricing”). Staff asks that the Commission take official notice of the contents of the file in Docket No. UE-100365 pursuant to WAC 480-07-495(2). [↑](#footnote-ref-7)
8. Non-Confidential Attachment 2. [↑](#footnote-ref-8)
9. Attachment 1 at Confidential Attachment A. [↑](#footnote-ref-9)
10. Attachment 2. The Company could have sought permission under WAC 480-07-830 to reopen the record for the limited purpose of entering into evidence in this case the information filed with the Commission in Docket UE-100365. [↑](#footnote-ref-10)
11. Company Reply Brief at ¶ 21. [↑](#footnote-ref-11)