

Agenda Date: June 24, 2010  
Item Number: A1

**Docket:** UE-091703  
Company Name: Puget Sound Energy, Inc.

Staff: Roland Martin, Regulatory Analyst  
Kathryn Breda, Regulatory Analyst  
Michael Foisy, Regulatory Analyst  
Thomas E. Schooley, Accounting Manager  
Michael P. Parvinen, Assistant Director, Energy

### **Recommendation**

Issue an order dismissing the complaint and order suspending proposed Schedule 95A-Production Tax Credit Tracker tariff revisions filed by Puget Sound Energy in Docket UE-091703 and allow substitute tariff pages to become effective July 1, 2010, by operation of law.

### **Discussion**

On October 30, 2009, Puget Sound Energy, Inc. (PSE or company), filed with the Washington Utilities and Transportation Commission (commission) revisions to its currently effective electric Tariff G, Schedule 95A – Production Tax Credit Tracker (Tracker), effective January 1, 2010. The purpose of the annual filing is to update the Tracker as provided for in Order 04 in Docket UE-050870. The proposed filing would have decreased the amount of the credit passed through to customers under the tracker, resulting in an increase in overall rates of approximately \$8.8 million in annual revenues or 0.46 percent.

On December 23, 2009, the commission entered a complaint and order suspending the tariff revisions pending investigation. On May 28, 2010, PSE filed tariff sheets to replace, in their entirety, the tariff sheets filed on October 30, 2009. PSE requests that the commission issue an order dismissing the suspension and allow the replacement tariff sheets to go into effect on July 1, 2010. The replacement tariff sheets revise the Tracker rates to zero, resulting in an increase in overall rates of approximately \$34.4 million in annual revenues or 1.65 percent.

Production Tax Credits (PTCs) are incentives that can be claimed for wind generation from a qualifying facility to reduce a taxpayer's current tax liability. PSE has been unable to use the PTCs for the past couple years because of additional federal tax incentives granting bonus depreciation for qualifying properties placed in service in 2008 and 2009, that caused taxable income limitations. However, customers started receiving the benefits of the PTCs on November 1, 2005, based on energy consumption and continue to receive the billing credits today. This has led to PSE giving customers a bill reduction for monies it has been unable to realize in recent federal income tax filings, and does not anticipate being able to realize in the next few years. The over-refunded balance is earning interest at the company's allowed net-of-tax rate of return as authorized in Docket UE-050870.

To cease the evergrowing accumulation of interest-bearing cash advanced by PSE to the customers, PSE proposes setting the Tracker rates to zero, which is a departure from the original Tracker mechanism approved by the commission in Docket UE-050870. To address the existing balance and to craft a workable mechanism to pass realized Production Tax Credits and Treasury Grant benefits to the customers, PSE commits to work with staff and other interested parties to undertake necessary modification of the pass-through mechanism. Staff believes that zeroing out the Tracker rates at this point is a practical action for PSE to undertake considering the expected delayed benefit of generated PTCs and pending resolution of the balance owed the company.

### **Recommendation**

Staff recommends the commission issue an order to dismiss the complaint and order suspending proposed Schedule 95A- Production Tax Credit Tracker tariff revisions filed by Puget Sound Energy in Docket UE-091703 and allow substitute tariff pages to become effective July 1, 2010, by operation of law.