

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION  
COMMISSION

In re the Matter of the Application of	)	
	)	
AVISTA CORPORATION for Authority	)	DOCKET NO. UE-991255
to Sell Its Interest in the Coal-Fired	)	
Centralia Power Plant	)	
	)	
In re the Matter of the Application of	)	DOCKET NO. UE-991262
	)	
PACIFICORP for an Order Approving	)	
the Sale of its Interest in (1) the Centralia	)	
Steam Electric Generating Plant, (2) the	)	
Rate Based Portion of the Centralia Coal	)	
Mine, and (3) Related Facilities; for a	)	
Determination of the Amount of and the	)	
Proper Rate Making Treatment of the	)	
Gain Associated with the Sale, and for an	)	
EWG Determination	)	
	)	DOCKET NO. UE-991409
In re the Matter of the Application of	)	
	)	FIFTH SUPPLEMENTAL ORDER
PUGET SOUND ENERGY, INC. for (1)	)	
Approval of the Proposed Sale of PSE's	)	ORDER GRANTING PUGET
Share of the Centralia Power Plant and	)	SOUND ENERGY, INC.,
Associated Transmission Facilities, and	)	PETITION FOR CENTRALIA
(2) Authorization to Amortize Gain over	)	TRANSACTION CREDIT
a Five-Year Period	)	
.....	)	

**I. SYNOPSIS**

*1* The Commission approves a Stipulation that establishes a Centralia Transaction Credit for Puget Sound Energy, Inc. ("PSE"). The Centralia Transaction credit will return to PSE customers as a one-time credit the customer share of the gain on the sale of PSE's interest in the Centralia facilities. The credit will be based on customers' power usage in November, 2000. The approved credit will allow PSE to immediately return to its customers funds that would otherwise be held, and accumulate interest, from now until the next general rate filing by the Company.

**II. PROCEDURAL SUMMARY**

**A. PROCEEDINGS**

- 2 On August 10, 1999, Avista Corporation ("Avista") filed with the Commission an application for authority to sell its interest in the coal-fired Centralia Power Plant to TECWA Power, Inc. ("TECWA"). This application was assigned Docket No. UE-991255.
- 3 On August 11, 1999, Pacific Power & Light Company ("PacifiCorp") filed with the Commission an application for authority to sell its interests in the Centralia Steam Electric Generating Plant, the rate-based portion of the Centralia Coal Mine, and related facilities to TECWA. This application was assigned Docket No. UE-991262.
- 4 On September 10, 1999, Puget Sound Energy ("PSE") filed with the Commission an application for approval of the sale of PSE's interest in the Centralia Power Plant to TECWA Power, Inc. This application was assigned Docket No. UE-991409.
- 5 A joint prehearing conference was held in these three proceedings in Olympia, Washington, on October 28, 1999, before Chairwoman Marilyn Showalter, Commissioner Richard Hemstad, Commissioner William R. Gillis, and Administrative Law Judge Marjorie R. Schaer.
- 6 On November 23, 1999, the Commission entered an order consolidating the applications of Avista, PacifiCorp and PSE. On November 29, 1999, the Commission entered a protective order in the consolidated proceedings.
- 7 The Commission held an evidentiary hearing on January 7, 10 and 11, 2000, for presentation of the Companies' cases, including rebuttal, and cross-examination thereof, and for presentation of the Commission Staff, Public Counsel and Intervenors' cases and cross-examination thereof.
- 8 On March 6, 2000, the Commission entered its Second Supplemental Order in Docket Nos. UE-991255, UE-991262 and UE-991409.<sup>1</sup> The Commission authorized Avista, PacifiCorp, and PSE to sell their ownership interests in the Centralia facilities to TECWA. The Commission also authorized PacifiCorp to sell its interest in the Centralia Coal Mine to TECWA.
- 9 On March 14, 2000, the Commission entered its Third Supplemental Order, which served the dissent of Commissioner Hemstad to portions of the Order.

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<sup>1</sup> Second Supplemental Order, *Avista/PacifiCorp/PSE Applications to Sell Centralia Power Plant*, Docket Nos. UE-991255, UE-991262 and UE-991409 (March 6, 2000). Hereinafter "Second Supplemental Order."

- 10 On April 21, 2000, the Commission entered its Fourth Supplemental Order Granting Reconsideration in Part; Providing Clarification; Denying Petition to Reopen.<sup>2</sup>
- 11 On July 14, 2000, PSE filed a motion asking the Commission to reopen the Second Supplemental Order, and to modify the order to allow PSE to return the customer portion of the gain plus accrued interest to customers now, rather than waiting until PSE's next rate filing. The Commission called for answers to the petition by August 4, and a reply, if any, from PSE by August 14.
- 12 On August 4, 2000, the Commission received a request that we postpone the deadline for parties to file answers until August 11, 2000. Included with the request was the information that Commission Staff, Public Counsel, and the Company had reached agreement on both the allowance of a credit, and the methodology by which such a credit would be calculated and reflected in customer bills. This request was granted; the parties were allowed to either file their answers or file a stipulation by August 11, 2000.
- 13 On August 11, 2000, PSE, Commission Staff and Public Counsel filed with the Commission a Stipulation Re Centralia Transaction Credit. No other party filed an answer to the PSE petition.

## **B. PARTIES**

- 14 Karl Karzmar, Manager, Revenue Requirements, represents Puget Sound Energy. Robert D. Cedarbaum, Assistant Attorney General, Olympia, represents the Staff of the Washington Utilities and Transportation Commission ("Commission Staff"). Simon ffitich, Assistant Attorneys General, Seattle, appears as Public Counsel.

## **III. MEMORANDUM**

### **A. BACKGROUND**

- 15 The Centralia Generation Plant ("Centralia") is a 1,340 MW coal-fired power plant located in Lewis County, Washington. Centralia entered service in 1972 and consists of two steam units. The primary source of coal for Centralia is a mine located adjacent to the power plant.
- 16 In the Second Supplemental Order in this proceeding, the Commission approved the sale by Avista, PSE, and PacifiCorp of their respective shares of Centralia to a subsidiary of TransAlta Corporation, which is a Canadian corporation located in Calgary, Alberta. These facilities had been included by the Commission in rate base

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<sup>2</sup> Hereinafter "Fourth Supplemental Order."

for each company since Centralia began operation in 1972.

- 17 The proceeds from the sale exceeded the net book value of the assets resulting in a gain. The approximate after-tax gain for PSE is \$13,520,000. This amount is an estimate provided in PSE's exhibits. It will be revised after closing based on actual plant balances, costs associated with the sale, and other variables.
- 18 Proceeds from the sale were allocated as follows: net book value to shareholders; remainder, up to original cost, to ratepayers; of remainder (appreciation), one-half to shareholders and one-half to ratepayers; taxes to be paid by shareholders and ratepayers in proportion to taxable gain awarded. The Commission provided the following definition of what it meant by original cost: the cost of building the plant and all capitalized costs incurred from inception to the date of sale.
- 19 Approval of PSE's sale was conditioned on PSE's deferral of the gain until its next general-rate request proceeding. PSE was required to accrue interest of 7.16 percent on the deferred balance. (Second Supplemental Order, Paragraph 154).
- 20 PSE petitioned for reconsideration of the Second Supplemental Order, seeking to overturn the Commission requirement that PSE should be Required to Defer Carrying Costs on the Ratepayer Portion of the Gain. In answer, Commission Staff argued that the Commission should reject PSE's request or, in the alternative, order the company to file a proposal to refund immediately to ratepayers their portion of the gain. Public Counsel also argued that, in order for the ratepayers to realize the full value of their share of the gains, PSE should either accrue interest on the deferred amount at 7.16%, or immediately refund to customers their share of the proceeds from the sale.
- 21 The Commission affirmed that customers should receive the time-value of the Centralia gain while they await its inclusion in rate calculations, and required PSE to provide customers the full value — principal and time-value — of the gain allocated to customers by the accounting treatment we specified. To accomplish this, we affirmed in the Fourth Supplemental Order our requirement that PSE defer the customer portion of the Centralia gain, along with interest at 7.16%.

## **B. PETITION TO AMEND ORDER**

- 22 On July 14, 2000, PSE filed with the Commission a Petition to Amend the portion of the Second Supplemental order that requires it to defer the customer portion of the Centralia gain. Instead, PSE seeks permission to return the customer portion of the Centralia gain plus accrued interest to customers now. PSE proposes to accomplish this through a lump sum transaction credit. Since filing its Petition, PSE has worked with the other parties to its application to reach agreement on a method to flow through the gain and accumulated interest.

- 23 As a result of these discussions, on August 11, 2000, PSE, Commission Staff and Public Counsel filed with the Commission a Stipulation Re Centralia Transaction Credit. No other party filed an answer to the PSE petition.

### **Description of the Stipulation**

- 24 The Stipulation would amend the Second Supplemental Order in this proceeding to accommodate PSE's proposal to return to customers as a one-time transaction credit ("Centralia Transaction Credit") the customer share of the gain on the sale of PSE's interest in the Centralia facilities. The Stipulation also proposes a methodology by which the Centralia Transaction Credit should be paid to PSE's customers. The Stipulation is signed by PSE, Commission Staff, and Public Counsel. The text of the Stipulation indicates that the Industrial Customers of Northwest Utilities was a party to discussions, and has agreed on the methodology; however, the Industrial Customers of Northwest Utilities are not signatories to the Stipulation.
- 25 The Stipulation provides that the Centralia Transaction Credit will begin appearing as a separate line item on customers' bills on November 1, 2000. The amount to be allocated is the customers' share of the gain on sale of the Centralia facilities, plus accumulated interest. This amount will be allocated to classes of customers using the peak credit allocation methodology (with a peak credit ratio of 87/13) based on estimated November consumption. The amounts allocated to customers within each class will be computed by multiplying the actual kilowatt-hour usage during November by the Centralia Transaction Credit shown in the Stipulation. If there is any difference between the amount ultimately returned to the customers through the Centralia Transaction Credit and the amount of gain ultimately due to customers, that remainder shall be transferred to or from the PSE conservation rider account.
- 26 If the Centralia Transaction Credit is approved, PSE will submit a compliance filing to implement payment of the Credit. The parties will be provided with copies of such compliance filing, and may comment on it to the Commission.

### **Commission Discussion and Decision<sup>3</sup>**

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<sup>3</sup> PSE filed a petition for amendment. Under WAC 480-09-815, amendment is a remedy that is available on the Commission's own motion, not on a motion by a party to a proceeding. Initiating the process to alter an order is discretionary with the Commission; it will not begin the process without good reason to do so. Order M. V. G. No. 1533, *In re Sureway Incineration, Inc.*, App. No. GA-868(February 1992). The only procedural avenue available to PSE is a motion for rehearing, under WAC 480-09-820. The Commission will construe pleadings liberally with a view to effect justice among the parties. WAC 480-09-425(4). A petition for rehearing must show changed circumstances or injurious results not anticipated by the

- 27 In the Second Supplemental Order we provided that the return of the customer share of gain from the sale of Centralia facilities could be accomplished in then ongoing rate proceedings for PacifiCorp and Avista. We could not accomplish the return of benefits so directly for PSE because PSE did not have an ongoing rate case before the Commission, and PSE could not file a request for a rate increase until the rate plan governing its rates concluded. We therefore found that approval of PSE's sale should be conditioned on PSE's deferral of the gain until its next general rate proceeding. We said that the deferral should accrue interest at a rate of 7.16% to ensure that ratepayers receive the full value, including time value, of their share of the gain. (Second Supplemental Order, paragraph 145).
- 28 In the Second Supplemental Order we noted that both Commission Staff and Public Counsel had proposed, as an alternative to the treatment prescribed, that PSE could voluntarily seek Commission approval of an immediate pass-through of the customer share of gain. In this Stipulation, PSE would accomplish such an immediate pass-through of gains. The Commission agrees with PSE, Commission Staff, and Public Counsel that the alternative of immediate pass-through of the customers' share of gain of the Centralia facilities is appropriate. PSE should be allowed to implement the Centralia Transaction Credit in the manner provided in the Stipulation.

### III. ORDER

- 29 The Commission approves the Stipulation re Centralia Transaction Credit filed with the Commission on August 11, 2000 in Docket No. UE-991409. A copy of that Stipulation is attached to this order, and is incorporated by this reference.

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Commission at the time the final order was entered, or any good and sufficient cause which was not considered in the final order. Order M. V. No. 141271, *In re Becker Trucking, Inc., d/b/a/ Becker Trucking; Becker Express*, App. No. 19787 (April 1990); *Sharad M. Bhatnagar v. U S WEST Communications* Docket No. UT-900603, Order Denying Rehearing (July 1991). A petition for rehearing may be filed any time after the final order is entered. Order M. V. No. 140273, *In re Thomas C. Kolean and James B. Stewart, d/b/a Olympic Transport*, App. No. P-72389 (September 1989). On a petition for clarification or reconsideration, the Commission may accept stipulated changes to the final order which are consistent with the final order and with the public interest. *WUTC v. Washington Natural Gas Company*, Docket No. UG-920840, Sixth Supplemental Order, (December 1993). The Commission determines in this proceeding that it may also consider stipulated changes to the final order which are consistent with the public interest in a petition for rehearing. The PSE petition shows changed circumstances. The Commission will treat PSE's petition as a petition for rehearing, and will consider the stipulation as new evidence in this proceeding. PSE served its petition on all parties to this proceeding, and the Commission gave them an opportunity to answer. Any party seeking a further opportunity to comment on the stipulation must contact the Commission within ten days of the service date of this Fifth Supplemental Order.

30 The Commission retains jurisdiction over the subject matter and over PSE to effectuate the provisions of this order.

DATED at Olympia, Washington, and effective this      day of August, 2000.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

MARILYN SHOWALTER, Chairwoman

RICHARD HEMSTAD, Commissioner

WILLIAM R. GILLIS, Commissioner