

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of)	DOCKET UE-132027
)	
PUGET SOUND ENERGY)	ORDER 05
)	
For an Accounting Order Approving the)	GRANTING JOINT MOTION
Allocation of Proceeds of the Sale of)	
Certain Assets to Public Utility District)	
#1 of Jefferson County)	
)	
.....)	

MEMORANDUM

- 1 On September 11, 2014, the Washington Utilities and Transportation Commission (Commission) entered its Final Order, Order 04, in this docket, which required Puget Sound Energy (PSE) to credit to customers a portion of the allocation of gain from PSE’s sale of assets to Jefferson County Public Utility District No. 1 (JPUD) under the terms of an Asset Purchase Agreement entered into by PSE and JPUD on June 11, 2010. Specifically, the Commission ordered PSE to pay to customers “\$52,700,723 plus interest deemed accrued since the date of Jefferson County Public Utility District’s final payment to Puget Sound Energy.”¹ PSE had proposed a four year amortization of the proceeds and the Commission accepted this allocation in Order 04.

- 2 On September 22, 2014, PSE, the Regulatory Staff of the Washington Utilities and Transportation Commission, the Public Counsel Section of the Washington Office of Attorney General, and the Industrial Customers of Northwest Utilities (collectively referred to as Movants) jointly moved for an order amending Order 04 to conform it to agreed changes that the Movants propose for adoption in this docket. In brief, Movants request that the Commission amend Order 04 to allow for an expedited crediting to customers of their allocated share of the gain on the sale. The Movants request that customers be provided a one-time bill credit for service taken during the

¹ Order 04 *Synopsis*.

month of December 2014, rather than providing these credits over a 48-month period. The funds to be credited to customers will earn interest at PSE's net of tax rate of return grossed up for taxes from the date of JPUD's final payment to PSE, until the time in which the funds are fully credited to customers, which is anticipated to be in December 2014 or early January 2015, depending on customers' billing cycles. In total, this amounts to \$59.2 million being credited to customers' accounts.

- 3 Specifically, the Movants seek an order amending Paragraph 73, Paragraph 88 (Conclusions of Law Paragraph (5)), and Paragraph 94 (Ordering Paragraph (4)) as follows (proposed additional language underlined; proposed deletions struck through) to allow for expedited bill credits to be passed through to customers:

Paragraph 73:

Based on the preceding discussion, the Commission determines that it should allocate to the Company the \$46,686,436 net book value of the assets (i.e., original costs less accumulated depreciation) and approved transaction costs of \$2,404,643. We determine in addition that of the remaining gain on sale, \$60,182,117 (i.e., sales proceeds less the sum of net book value and approved transaction costs), \$7,481,394 should be allocated to PSE. We allocate to PSE \$56,572,473 from the proceeds of sale. The balance, \$52,700,723, should be allocated to ratepayers. Thus, we allocate approximately 52 percent of the sales proceeds to PSE and 48 percent to the Company's ratepayers. ~~Following Staff's proposal, we~~ We require PSE to place the ratepayers' share in a regulatory liability account, where the ~~declining~~ balance will earn interest at the Company's after-tax rate of return, grossed up for taxes. We will require PSE to return the gain to ratepayers via a one-time bill credit for service taken in December 2014. ~~pro-rata monthly bill credits until the full balance plus interest is amortized at the end of four years (i.e., 48 months from the effective date of this Order).~~ We also accept Staff's proposed allocation among PSE's customers, ~~which PSE accepted via its rebuttal testimony.~~

Paragraph 88:

PSE should be required to record on its books a regulatory liability in favor of ratepayers in the amount of \$52,700,723 (i.e., sales proceeds less the sum of net book value and authorized transaction costs), plus interest. PSE should be

required to allocate the balance among customers as Staff recommends and return this gain to ratepayers via a one-time bill credit for service in December 2014. ~~pro rata monthly payments until the full balance plus interest is amortized at the end of four years (i.e., 48 months from the effective date of this Order).~~ The ~~declining~~ balance in the regulatory liability account will earn interest at the Company's after-tax rate of return, grossed up for taxes.

Paragraph 94:

Puget Sound Energy is required to record on its books a regulatory liability in favor of ratepayers in the amount of \$52,700,723 plus interest deemed accrued since the date of Jefferson County Public Utility District's final payment to Puget Sound Energy. Puget Sound Energy is required to allocate the gain among customer classes as Staff recommends and to provide ratepayers a one-time bill credit for service taken in December 2014. ~~pro rata monthly bill credits until the full balance plus interest is amortized at the end of four years (i.e., 48 months from the effective date of this Order).~~ The ~~declining~~ balance in the regulatory liability account will earn interest at the Company's after-tax rate of return, grossed up for taxes.

4 Movants propose the following methodology for implementing this expedited, one-time payment to customers:

- (1) The total amount allocated to ratepayers, including interest, will be spread across customer groups, per the Commission order.
- (2) Amounts allocated to non-residential customer classes with multiple rate schedules will be further allocated to these rate schedules based on their share of kilowatt-hour (kWh) sales projected for the month of December 2014.
- (3) Amounts allocated to each rate schedule will be divided by their projected kWh sales during the month of December 2014 to derive the rate credit for service taken during this month. This rate credit will be implemented through PSE's Schedule 133. Workpapers supporting the proposed rate calculations are attached as Exhibit A to this joint motion.

- (4) If the residual balance owed from or due to all customers is less than \$100,000, PSE would write-off any residual balance owed from or due customers.
- (5) If the residual balance owed from or due to all customers exceeds \$100,000 after December 31, 2014 (e.g., due to weather variability), this amount would be surcharged or credited to customers, including any additional interest, through a filing made no later than March 31, 2015 for rates effective May 1, 2015 through May 31, 2015. The approach to allocating and pricing this residual balance would follow the same approach used to set the original credit rates, but using projected kWh usage for the month of May 2015.
- (6) If the residual amount owed from or due customers exceeds \$100,000 after May 31, 2015, which the Movants believe to be unlikely, the above process will be repeated until this amount falls below \$100,000. Otherwise, PSE would write-off any residual balance owed from or due customers.

5 The Movants request this one-time payout because it provides a noticeable and appreciable credit to customers during a time when electric bills are typically high due to colder weather and shorter daylight hours. Further, from PSE's perspective, the one-time payout limits the time period in which this regulatory liability remains on PSE's books.

6 RCW 80.04.210 and WAC 480-07-875 authorize the Commission to amend an order after providing notice to the affected public service company and to all parties in the underlying proceeding. In this case, all the parties to the underlying proceeding are Movants and request the amendments set forth above. Thus, the purpose of the notice requirement is satisfied and there is no need for the Commission to issue a separate formal notice prior to taking action. The proposed amendments to Order 04 allow customers to experience a more immediate and substantial credit to their electric bills during a higher usage period during the winter heating season. In addition, the amendments avoid the need for PSE to carry a regulatory liability on its books for four years. Accordingly, the Commission determines that it is in the public interest to amend Order 04 as set forth above.

ORDER

THE COMMISSION ORDERS THAT:

- 7 (1) Order 04 in this docket, entered on September 11, 2014, is amended as set forth in paragraph 3 of this Order.
- 8 (2) The Commission Secretary is authorized to accept by letter, with copies to all parties to this proceeding, any filing by Puget Sound Energy that is necessary to comply with the requirements of Order 04, as amended, and this Order.
- 9 (3) The Commission retains jurisdiction to effectuate the terms of Order 04, as amended, and this Order.

Dated at Olympia, Washington, and effective October 1, 2014.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chairman

PHILIP B. JONES, Commissioner

JEFFREY D. GOLTZ, Commissioner