

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of

PUGET SOUND ENERGY, INC.

For Approval of its March 2008 Power
Cost Adjustment Mechanism Report

DOCKET NO. UE-08 _____

PETITION OF PUGET SOUND
ENERGY, INC. FOR APPROVAL OF ITS
MARCH 2008 POWER COST
ADJUSTMENT MECHANISM REPORT

1 1. This Petition is brought by Puget Sound Energy, Inc. ("PSE" or the
2 "Company"). PSE's representative for purposes of this proceeding is:

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12 and its legal counsel for purposes of this proceeding is:

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1 2. This Petition brings into issue: WAC 480-07-370(1)(b).

2 **I. BACKGROUND**

3 **A. The Company's PCA Mechanism Requires Annual True-Up Filings**

4 3. In the Commission's Twelfth Supplemental Order in Docket
5 Nos. UE-011570 and UG-011571 ("Twelfth Supplemental Order"), the Commission
6 approved the parties' Settlement Stipulation for Electric and Common Issues for PSE's
7 2001 general rate case ("Stipulation"). Among other things, the Twelfth Supplemental
8 Order authorized a Power Cost Adjustment Mechanism ("PCA Mechanism"). Exhibit A
9 to the Stipulation, which is attached to the Twelfth Supplemental Order, sets forth details
10 regarding the PCA Mechanism, and is hereinafter referred to and cited as the "PCA
11 Settlement."

12 4. Following verification of certain numbers set forth in the exhibits to the
13 PCA Settlement, the Commission ordered that revised pages of Exhibits A, B, D and F be
14 substituted for the corollary pages of Exhibits A, B, D and F of the PCA Settlement. The
15 Commission further ordered that the resulting adjusted calculations be used for purposes
16 of the PCA accounting required by the PCA Settlement beginning July 1, 2002. *See*
17 Fifteenth Supplemental Order in Docket Nos. UE-011570 and UG-011571 (May 13,
18 2003). A copy of the PCA Settlement, as revised, is attached to this Petition as
19 Exhibit A.

20 5. The PCA Settlement describes the PCA Mechanism as

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a mechanism that would account for differences in PSE's modified actual power costs relative to a power cost baseline. This mechanism would account for a sharing of costs and benefits that are graduated over four levels of power cost variances

PCA Settlement, ¶ 2. The PCA Settlement sets forth the various levels of costs and benefits sharing between the Company and its customers, and provides that "[t]he customer's share of the power cost variability will be deferred as described below. . . ." *Id.* at ¶ 3.

6. In order to implement its sharing provisions, the PCA Settlement requires an annual true-up of actual power costs (versus the normalized level set in rates) and an accounting of sharing amounts. To accomplish this, the PCA Settlement provides that "[i]n August of 2003 and each year thereafter, the Company shall file an annual report detailing the power costs included in the deferral calculation, in a form satisfactory to the Commission, for Commission review and approval." PCA Settlement, ¶ 4.

II. PSE'S 2008 PCA REPORT

7. In compliance with the PCA Settlement and the Sixteenth Supplemental Order in Docket Nos. UE-011570 and UG-011571 (changing the annual PCA period to a calendar year rather than a fiscal year), this Petition presents to the Commission PSE's Power Cost Adjustment Mechanism Annual Report for the Twelve Month Time Period January 1, 2007 through December 31, 2007—PCA Period Six ("PCA Annual Report") for the Commission's review and approval. The PCA Annual Report is being filed along with this Petition. Accompanying workpapers are being provided to the Commission

1 Staff and Public Counsel with this filing. As described below, PSE requests that the
2 Commission approve the PCA Annual Report as filed.

3 8. As detailed in PSE's PCA Annual Report, PSE had three different Power
4 Cost Baseline Rates during PCA Period 6. The average power cost baseline rate during
5 PCA Period 6 was \$56.692. As further detailed in PSE's 2008 PCA Report, PSE's actual
6 power costs were lower than the average power cost baseline rate during PCA Period 6.
7 In total, actual power costs were lower by \$26,594,041 (after adjustment for Firm
8 Wholesale).

9 9. With respect to the deferral balance, as of December 31, 2006, the
10 Company had deferred \$5,101,727 of under-recovered power costs. During PCA Period
11 6 there was an offset to this amount related to the sharing with customers of an over-
12 recovery of \$3,297,022. Therefore, the deferred balance at December 31, 2007 was
13 \$1,804,705. Interest of \$1,255,088 had been accrued at the end of PCA Period 5, and
14 additional interest of \$54,352 has accrued for PCA Period 6 as allowed by the PCA
15 Mechanism. Adding the total accrued interest of \$1,309,441 to the deferred balance of
16 \$1,804,705, results in a total customer deferral balance under the PCA mechanism at
17 December 31, 2007 of \$3,114,146.

18 10. The Company is not requesting any rate increase as part of this filing as
19 the deferral balance is not at a level where an increase is warranted.

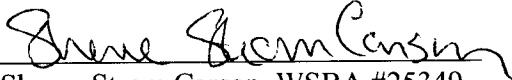
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III. REQUESTED ACTION

11. PSE respectfully requests that the Commission issue an order approving PSE's PCA Annual Report, as filed.

DATED: March 31, 2008.

PERKINS COIE LLP

By 
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