



April 24, 1995

HAND-DELIVERED

Mr. Steve McLellan, Executive Secretary
Washington Utilities and
Transportation Commission
P.O. Box 47250
Olympia, Washington 98504-7250

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STATE OF WASH.
UTIL. AND TRANSP.
COMMISSION

**Re: Docket No. UE-921262 et. al.
Report of PRAM Evaluation Collaborative Group**

Dear Mr. McLellan:

Enclosed for filing with the Commission in the above matter are an original and nineteen (19) copies of a Joint Report and Proposal Regarding Termination of the Periodic Rate Adjustment Mechanism. This Joint Report and Proposal is submitted jointly by Puget Sound Power & Light Company, Commission Staff, Public Counsel, Washington Industrial Committee for Fair Utility Rates, and the Bonneville Power Administration.

This Joint Report and Proposal is filed pursuant to the Eleventh Supplemental Order in the above dockets, which requires that a report of the PRAM Evaluation Collaborative Group be submitted to the Commission on or before May 1, 1995. (Order, p. 18). The Parties to the Joint Proposal reached consensus on the positions and recommendations set forth therein, and seek the Commission's review and acceptance of the Joint Proposal. In the event the Commission has questions regarding the Joint Proposal, the Parties request that the Commission convene the Collaborative Group to present the Joint Proposal and respond to questions.

Thank you for your consideration.

Very truly yours,

PUGET SOUND POWER & LIGHT CO.

By: *Christy A. Omohundro*
Christy A. Omohundro *BY SMU*
Director Rates & Regulation

cc: Parties to Joint Proposal

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STATE OF WASH.
UTIL. AND TRANSP.
COMMISSION

BEFORE THE WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION

**JOINT REPORT AND PROPOSAL REGARDING
TERMINATION OF THE
PERIODIC RATE ADJUSTMENT MECHANISM**

April 20, 1995

In its Eleventh Supplemental Order in Docket Nos. UE-921262 et.al., the most recent general rate proceeding of Puget Sound Power & Light Company ("Puget" or "the Company"), the Commission directed that a collaborative group be convened to evaluate the Company's periodic rate adjustment mechanism, or PRAM, and the decoupling experiment. The Commission further directed that at the conclusion of the evaluation collaborative and no later than May 1, 1995, the Company report to the Commission on the status of the collaborative effort, including positions on issues where the parties have reached consensus.

Since April 1994, a PRAM Evaluation Collaborative Group has been meeting for the purposes of investigating the issues identified in the Commission's order. The PRAM Evaluation Collaborative Group comprises representatives from the Company, Washington Utilities & Transportation Commission Staff, Public Counsel Section of the Attorney General's Office, Northwest Conservation Act Coalition, the Washington Industrial Committee for Fair Utility Rates, or WICFUR, and Bonneville Power Administration (individually, a "Party" and collectively, the "Parties").

The collaborative process has produced a joint proposal which the Parties believe is responsive to the Commission's directives. Accordingly, the Parties hereby present their joint proposal for the Commission's consideration.

JOINT PROPOSAL

The Parties hereby agree to, and jointly propose, the following:

1. Termination of the PRAM

In accordance with the procedures set forth in this Joint Proposal, the Parties agree that the PRAM shall be terminated.

2. PRAM 5 Filing

On or about June 1, 1995, the Company will submit a PRAM 5 filing. The Parties agree that no changes to the PRAM methodology, or to past Commission interpretation and implementation thereof, will be proposed or implemented in that proceeding, except that:

(a) Beginning January 1, 1996, the Company will reduce monthly deferrals recorded under the PRAM to reflect the reduction in conservation financing costs as a result of the Conservation Asset Transaction, in accordance with paragraph 3 of the Stipulation for Approval of Application in Docket No. UE-950195;

(b) The Company will implement the procedure for reflecting the benefits associated with marketing nonfirm energy to the Southwest over Puget's share of the Third AC Intertie, as set forth in the April 17, 1995 letter from Puget to the Commission; and

(c) Adherence to the PRAM methodology shall not preclude the Parties from making recommendations regarding modifications to the calculation of the conservation revenue requirement to reflect the impact of IRS Revenue Ruling 95-32 and the Company's implementation thereof.

3. Cessation of PRAM Deferrals

The Company shall cease accruing additional PRAM deferrals as of the end of the PRAM 5 period, September 30, 1996.

4. Recovery of Deferred Amounts Following PRAM 5 Period

The Parties agree that the Company shall recover in rates all Commission-approved PRAM deferred balances recorded as of September 30, 1996. Such recovery shall be effected as follows:

(a) The rate set for recovery of PRAM deferred balances in the PRAM 5 proceeding (the "Deferral Rate")¹ shall continue through November 30, 1996.

(b) Effective December 1, 1996, the Deferral Rate shall be adjusted, after Commission review and approval, in accordance with a filing submitted by the Company on or about October 15, 1996 (or such time as the actual PRAM deferred balances as of September 30, 1996 are known) which provides for Commission-approved deferred balances to be recovered over a period, not to exceed two years, that satisfies the deferred accounting requirements of the Financial Accounting Standards Board, or FASB. The amount of deferred balances to be recovered in rates shall be calculated in accordance with the existing PRAM methodology and the Commission's interpretation and implementation thereof. Upon collection of all deferred balances, Schedules 100 and 101 shall terminate.

¹This rate is shown in the "Deferral" column of Schedule 100 or, alternatively, in Schedule 101.

5. Moratorium on Company's Next General Rate Case Filing

The Company shall not seek any general increase in rates that would become effective prior to October 1, 1996, except that:

(a) The Company may file sooner if necessary to do so as a result of extraordinary circumstances. "Extraordinary circumstances" shall mean the Company reasonably believes its financial condition is such that emergency rate relief would be warranted under the criteria enunciated by the Commission in WUTC v. Pacific Northwest Bell Telephone Company, Cause No. U-72-30, Second Supplemental Order (October 1972).

(b) In the event the Commission rejects all or any portion of the Joint Stipulation for Approval of Application in Docket No. UE-950195, the Company may, upon ten (10) days' written notice to the other Parties, be released from the limitation set forth in this Section 5, whereupon this Section 5 shall be void and of no further force or effect as to the Company.

6. No Proposal for Earlier Termination of the PRAM

No Party will make any proposal in any filing with the Commission with respect to termination of the PRAM on any terms other than as set forth in this Joint Proposal; provided, however, that this limitation shall not be effective in the event the Company is released from the limitation set forth in Section 5 above.

7. Future Rate Adjustment Mechanisms

In the Company's next general rate proceeding, Puget or any other Party may propose for the Commission's consideration other rate adjustment mechanisms, including decoupling mechanisms, lost revenue calculations, similar methods for

removing or reducing utility disincentives to acquire conservation resources, or other non-traditional ratemaking mechanisms.

8. Miscellaneous Provisions

(a) **No Precedent.** The Parties enter into this Joint Proposal to avoid further expense, inconvenience, and delay and to dispose of litigation. By executing this Joint Proposal, no Party shall be deemed to have accepted or consented to the facts, principles, methods or theories employed in arriving at such a Joint Proposal, nor shall any Party be deemed to have agreed that such a Joint Proposal is appropriate for resolving issues in any other proceeding.

(b) **Binding on Party.** This Joint Proposal is offered in this proceeding as the joint, exclusive recommendation of the Parties with respect to the issues set forth herein. The Parties have negotiated this Joint Proposal as an integrated document, and therefore recommend that the Commission accept this Joint Proposal in its entirety. If the Commission rejects all or any material portion of this Joint Proposal, each Party reserves the right, upon written notice to the Commission and all Parties within fifteen (15) days of the date of the Commission's order, to withdraw from the Joint Proposal, whereupon the Parties will not be bound by any position in the Joint Proposal.

(c) **Execution.** This Joint Proposal may be executed by the Parties in several counterparts and as executed shall constitute one agreement.

(d) **Necessary Actions.** Each Party shall take all actions necessary and appropriate to enable it to carry out this Joint Proposal.

DATED this 20th day of April, 1995.

PUGET SOUND POWER
& LIGHT COMPANY

STAFF OF THE WASHINGTON UTILITIES
AND TRANSPORTATION COMMISSION

By: Christy A. Omohundro
Christy A. Omohundro
Director Rates & Regulation

By: Sally G. Johnston ^{BY SJW}
Sally G. Johnston ^{PER TELEPHONE AUTHORIZATION}
Assistant Attorney General ⁴⁻²⁰⁻⁹⁵
Counsel for Commission Staff

PUBLIC COUNSEL SECTION,
OFFICE OF THE ATTORNEY
GENERAL

WASHINGTON INDUSTRIAL
COMMITTEE FOR FAIR UTILITY RATES

By: Donald T. Trotter ^{BY SJW}
Donald T. Trotter ^{PER TELEPHONE AUTH 4-21-95}
Assistant Attorney General
Public Counsel Section

By: _____
Mark P. Trincherro
Of Attorneys for Washington Industrial
Committee for Fair Utility Rates

BONNEVILLE POWER
ADMINISTRATION

By: _____
Margaret A. Chang
Financial Analyst

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DATED this 20th day of April, 1995.

**PUGET SOUND POWER
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Christy A. Omohundro
Director Rates & Regulation

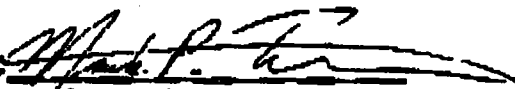
**STAFF OF THE WASHINGTON UTILITIES
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Sally G. Johnston
Assistant Attorney General
Counsel for Commission Staff

**PUBLIC COUNSEL SECTION,
OFFICE OF THE ATTORNEY
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Of Attorneys for Washington Industrial
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[BA951030.01B]

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DATED this 20th day of April, 1995.

**PUGET SOUND POWER
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Counsel for Commission Staff

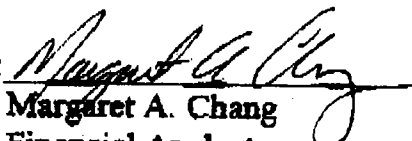
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