

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of

PUGET SOUND ENERGY

For Approval of its 2020 Power Cost
Adjustment Annual Report

DOCKET UE-20____

PETITION OF PUGET SOUND ENERGY
FOR APPROVAL OF ITS
2020 POWER COST ADJUSTMENT
ANNUAL REPORT

1. This Petition is brought by Puget Sound Energy (“PSE” or the “Company”).

PSE’s representative for purposes of this proceeding is:

Susan E. Free
Director of Revenue Requirement and Regulatory Compliance
Puget Sound Energy
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and its legal counsel for purposes of this proceeding is:

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

Petition of Puget Sound Energy
For Approval of its 2020 Power Cost
Adjustment Mechanism Report

I. BACKGROUND

3. In the Commission’s Twelfth Supplemental Order in Dockets UE-011570 and UG-011571 (“Twelfth Supplemental Order”), the Commission approved the parties’ Settlement Stipulation for Electric and Common Issues for PSE’s 2001 general rate case (“Stipulation”). Among other things, the Twelfth Supplemental Order authorized a Power Cost Adjustment Mechanism (“PCA Mechanism”). Exhibit A to the Stipulation, which was attached to the Twelfth Supplemental Order, sets forth details regarding the original PCA Mechanism, and is hereinafter referred to as the “2002 PCA Settlement.”

4. The 2002 PCA Settlement describes the PCA Mechanism as
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

2002 PCA Settlement, ¶ 2. The 2002 PCA Settlement set forth the various levels of costs and benefits sharing between the Company and its customers. *See id.*, ¶ 3.

5. In order to implement its sharing provisions, the 2002 PCA Settlement requires an annual true-up of actual power costs (versus the normalized level set in rates) and an accounting of sharing amounts for Commission review and approval. *See id.*, ¶ 4.

6. In March 2015, following a PCA Collaborative, PSE, Public Counsel, and WUTC Staff (collectively, “Settling Parties”) executed a settlement agreement that modified the original PCA Mechanism, including changing the deadline for filing PSE’s PCA Mechanism Report from March to April of each year (“2015 PCA Settlement”). The Commission approved the 2015 Settlement Agreement in Order 11, issued in PSE’s 2013 PCORC (Docket UE-130617). A copy of the 2015 Settlement Agreement approved in Order 11 to Docket UE-130617, along with its

Attachment A, which summarizes the changes and settlement terms to PSE's PCA mechanism, is attached to this petition as Exhibit A.

II. PSE'S 2019 PCA REPORT

7. In compliance with the 2015 PCA Settlement and Order 11 in Docket UE-130167, this Petition presents to the Commission PSE's Power Cost Adjustment Mechanism Annual Report ("PCA Annual Report") for the twelve-month period from January 1, 2019 through December 31, 2019 for the Commission's review and approval. The PCA Annual Report is being filed along with this Petition.¹ Also being filed with this Petition are the Prefiled Direct Testimonies of Susan E. Free, with supporting exhibits, and Paul K. Wetherbee, with supporting exhibits.

8. Accompanying work papers are also being provided to WUTC Staff, Public Counsel and Alliance of Western Energy Consumers with this filing. As described below, PSE requests that the Commission approve the PCA Annual Report as filed as requested by Ms. Free.

9. As detailed in the PCA Annual Report, the average variable power cost rate during 2019 was \$36.201 per Megawatt hour ("MWh"). During 2019, there were two variable baseline power cost rates in effect. From January 1, 2019 through April 30, 2019 the variable baseline power cost rate was \$32.895, which was approved in Docket UE -180282. Docket UE-180282 is PSE's proceeding that incorporated the impacts of the Tax Cuts and Jobs Act. From May 1, 2019 through December 31, 2019 the variable baseline power cost rate was \$33.034,

¹ See the Second and Third Exhibits to the Prefiled Direct Testimony of Susan E. Free, Exhs. SEF-3 and SEF-4. The need to file two versions of the PCA Annual Report is explained in the Prefiled Direct Testimony of Susan E. Free, Exh. SEF-1T.

which was approved in Docket UE -190223. Docket UE-190223 is PSE's proceeding that revised rates on Schedule 95 to reflect the loss of load and the resulting increase in unit costs associated with the Microsoft exit. In 2019 actual power costs were higher than the average of the baseline power cost rates in effect by \$67.2 million (after adjustment for Firm Wholesale). The amount of imbalance assigned to the Company was \$31.2 million, and \$36.0 million was assigned to customers.

10. The activity that occurred in 2019 resulted in a cumulative under-collection of \$84.9 million² (from inception of the PCA through December 31, 2019). PSE's share of this imbalance is \$45.4 million with the remaining \$39.5 million assigned to customers. Considering the impact of interest, the total balance assigned to customers is \$41.7 million. *See* page four of Exh. SEF-4. As described in the Prefiled Direct Testimony of Ms. Free, Exh. SEF-4 uses amounts for 2018 that are expected to be approved in PSE's 2018 PCA Annual Compliance Filing in Docket UE-190324. Should 2018 amounts be approved at a different level, PSE will refile the 2019 PCA Annual Report with the approved 2018 amounts and the refiled report would be the one requested for approval in this docket.


² Based on amounts expected to be approved in PSE's 2018 PCA Annual Compliance Filing in Docket UE-190324, as discussed in Exh. SEF-1T.

III. REQUESTED ACTION

11. PSE respectfully requests that, upon resolution of PSE's 2018 PCA Annual Compliance Filing, the Commission issue an order approving PSE's PCA Annual Report, as filed in this docket.

DATED: April 30, 2020.

PERKINS COIE LLP

By 
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