BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Docket UE-161123
Puget Sound Energy's
Schedule No. 451 Large Customer Retail Wheeling

BENCH REQUEST NO. 001

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Into what FERC account will PSE deposit the Transition Fee while such fee is being passed on to customers? Please identify the specific accounting entries (i.e., the accounts being debited and credited) from the time that PSE receives the Transition Fee until such fee is passed on to customers through Schedule 95.

Response:

Puget Sound Energy ("PSE") will pass back the Transition Fee through the Schedule 95 Power Cost Adjustment Clause. Within at least thirty (30) days of receipt of the Transition Fee, PSE will file the requested rate change with the Commission to allow for the immediate pass back of the funds to remaining customers, the accounting entries for which are summarized as follows.

Receipt of Transition Fee from Microsoft:
Upon receipt of the Transition Fee from Microsoft, PSE will record the following entry:

Dr. FERC Account 131 Cash	$23,685,000	
Cr. FERC Account 253 Other Deferred Credits		$23,685,000

Record receipt of Transition Fee from Microsoft and recognize liability to PSEs remaining customers.

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Recognition of Revenue Credited to Customers:
Subsequent to approval of rates by the Commission and receipt of the Transition Fee, PSE will begin passing back the Transition Fee to remaining customers through Schedule 95 (would include gross up for revenue sensitive items – a conversion factor of .954379 is used as an example).

Dr. FERC Account 442 - 444 Electric Operating Revenue	$24,817,000	
Cr. FERC Account 142 Customer Accounts Receivable		$24,817,000

To recognize Transition Fee passed back to Customers in Schedule 95 over the time period approved in rate filing.

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Amortization of Revenue Credited to Customers:
Over the rate period, PSE will recognize amortization based on the volumetric revenue in Schedule 95 multiplied by the conversion factor set in the rate. The FERC Account to which the amortization would be recorded will be based on whether PSE's Decoupling Mechanism continues and production fixed costs are allowed to be included in Decoupling.

If Decoupling continues, then the amortization of the pass back of the Transition Fee will be booked to the same location as the electric Decoupling amortization which is to FERC Account 456 Other Electric Revenue.

If Decoupling does not continue, then FERC Account 557 Other Power Supply Expenses will be in recognition of the fact that the Transition Fee is intended to compensate remaining customers for the increase in power costs that will occur as a result of Microsoft taking retail wheeling service under a special contract.

Whether the amortization is recognized in 456 or 557, neither amount would be included in the PCA or Decoupling mechanism accounting.

If Decoupling is continued

Dr. FERC Account 253 Other Deferred Credits	$23,685,000	
Cr. FERC Account 456 Other Electric Revenues		$23,685,000

To recognize amortization of the Transition Fee passed back to Customers in Schedule 95 over the time period approved in rate filing.

OR

If Decoupling is NOT continued

Dr. FERC Account 253 Other Deferred Credits	$23,685,000	
Cr. FERC Account 557 Other Power Supply Expenses		$23,685,000

To recognize amortization of the Transition Fee passed back to Customers in Schedule 95 over the time period approved in rate filing.

As stated in footnote 4 of the Prefiled Testimony of Jon A. Piliaris, Exh. JAP-8T, filed in support of the Settlement Stipulation and Agreement in WUTC Docket UE-161123, if a balance remains in the FERC 253 Other Deferred Credits account at the end of the rate period due to volumetric differences between the load used to set the Schedule 95 rate and the actual load experienced during the rate period, PSE will work with parties to find a mutually acceptable approach for handling the remaining balance. A relatively simple way of handling the remaining balance could be to credit this amount against future decoupling deferral balances related to fixed production costs, assuming PSE's decoupling is approved in Docket UE-170033. The remaining balance would then flow through PSE's electric rate Schedule 142.