**BEFORE THE**

**WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

|  |  |  |
| --- | --- | --- |
| In the Matter of the Petition of  PUGET SOUND ENERGY  For an Accounting Order Authorizing the Deferral of Fixed Production Costs Previously Recovered in  PSE’s Power Cost Adjustment Mechanism  And  To Modify Final Order 11 in Docket No. UE-130617 | )  ) ) ) ) ) ) | Docket No. UE-16\_\_\_\_  PETITION |

# I. INTRODUCTION

In accordance with WAC 480-07-370(b) and WAC 480-07-875(1), Puget Sound Energy ("PSE" or the "Company") respectfully petitions the Washington Utilities and Transportation Commission (“Commission”) for an order that authorizes the accounting and ratemaking treatment detailed in this Petition to defer fixed production related costs upon their removal from PSE’s Power Cost Adjustment mechanism (“PCA”) beginning January 1, 2017. The ability to file this accounting petition was first agreed to in item 4 on page 7 of the Settlement Stipulation (“PCA Settlement Stipulation”) approved in Final Order 11 in Docket No. UE-130617 (“Order 11”). In its notice of action dated March 17, 2016 (“Notice of Modification”), the Commission relieved PSE of its obligation under Order 07 in Docket Nos. UE-121697 and UG-121705 (Consolidated) and Dockets Nos. UE-130137 and UG-130138 (Consolidated) (“Order 07”) to file a general rate case by April 1, 2016, and instead, required the general rate case be filed no later than January 17, 2017. In the Joint Petition to Modify (“Modification Petition”) Order 07, joint parties agreed to support or not oppose amendment of PSE’s PCA Settlement Stipulation to extend the deferral period. Accordingly, in this petition, PSE is also requesting modification of Order 11 in Docket No. UE-130617 to extend the end of the deferral period authorized in that order from March 1, 2017 until rates in PSE’s next general rate case become effective.

PSE is engaged in the business of providing electric and gas service within the State of Washington as a public service company, and is subject to the regulatory authority of the Commission as to its retail rates, service, facilities and practices. Its full name and mailing address are:

Puget Sound Energy   
Attn: Katherine Barnard

Director, Revenue Requirements & Regulatory Compliance

P.O. Box 97034

Bellevue, Washington 98009-9734

Rules and statutes that may be at issue in this Petition include RCW 80.01.040, WAC 480-07-370(b) and WAC 480-07-875(1).

# II. BACKGROUND

As one of the outcomes of the Power Cost Only Rate Case Settlement Stipulation approved in Order 06 in Docket No. UE-130617, Settling Parties agreed to engage in a series of discussions and workshops that would address issues around PSE’s PCA mechanism. Parties to the collaborative were able to reach a settlement and on August 7, 2015, the Commission entered its Final Order, Order 11 in Docket No. UE-130617 approving the modifications agreed to in the PCA collaborative settlement that would take effect January 1, 2017. One of the modifications included the removal of the fixed production related costs (as re-designated in the PCA Settlement Stipulation) from the PCA mechanism. Going forward, the fixed costs would instead be included in the decoupling mechanism should the continuance of the decoupling mechanism be authorized in PSE’s next general rate case.

Initially, the date of January 1, 2017 was chosen for the implementation of the PCA modifications because it was only two months prior to the March 1, 2017 effective date for final GRC rates that would occur under the then effective Order 07. Because of this time gap between when the PCA modifications occurred and when a new baseline rate under the revised mechanism would go into effect, the PCA Settlement Stipulation allowed for PSE to file an accounting petition to defer revenue variances in Fixed Production Costs during the interim period between January 1, 2017 and when rates from the next general rate case go into effect. Specifically, Paragraph 15 of Order 11 states:

“Additionally, the Settlement estimates PSE's next general rate case will result in rates effective March 1, 2017. The Settlement provides that PSE may file, and the Settling Parties agree to support, an accounting petition deferring revenue variances in Fixed Production Costs between January 1, 2017, when Fixed Production Costs are removed from the PCA per this Settlement, and March 1, 2017, when rates from the general rate case become effective and Fixed Production Costs are placed in the decoupling mechanism, if PSE's decoupling program continues.”

The Modification Petition which resulted in the Notification of Modification addressed the treatment of fixed production related costs for the extended interim period in paragraph 8 h.:

“The Joint Petitioners agree to support, or not oppose, amendment of PSE’s Power Cost Adjustment Settlement in Docket No. UE-130617 to extend the deferral of the revenue variances until the new effective date of rates in PSE’s next general rate case.”

As a result of the Commission’s notice to delay PSE’s general rate case filing until January 17, 2017, the interim deferral period will be approximately twelve months instead of two months.

# III. FIXED PRODUCTION RELATED COST REVISIONS AND THE INTERIM PERIOD

Changes to PSE’s PCA Mechanism will take effect January 1, 2017. Items designated as variable in the PCA Settlement Stipulation will continue to flow through the PCA Mechanism and require no special treatment under the revised mechanism. Accordingly, costs designated as variable under the revised mechanism are not part of this petition. However, because the costs designated as fixed under the revised mechanism will be moving from PSE’s PCA Mechanism to its Decoupling Adjustment Mechanism[[1]](#footnote-1) prior to the next general rate case where realignment between the two mechanisms will occur, special treatment for the fixed costs is required and the need for this special treatment has resulted in the filing of this petition.   
 8. In PSE’s existing PCA mechanism, the fixed production costs are included in the imbalance calculation at the fixed rate year level of cost that was approved in the last rate proceeding regardless of load or price variances. Therefore, once fixed costs are removed from the PCA mechanism, they would not be subject to this intended rate recovery profile unless an interim solution is implemented until such time as they are included in PSE’s Decoupling Adjustment mechanism. Accordingly, this petition requests that the load variances that occur on the revenue that is recovering these fixed production costs be deferred until this issue is resolved in PSE’s next general rate case. This requested treatment mirrors the treatment these fixed production costs would have received if they had remained in PSE’s PCA mechanism.

# IV. REQUESTED TREATMENT

9. Attachment A depicts PCA Exhibit A-1 which breaks out the 2014 PCORC baseline rate into the fixed and variable components as approved in the PCA Settlement Stipulation[[2]](#footnote-2). Column II reflects the total pre-production factored fixed production costs of $ 520,859,510 that are the subject of this petition. The calculation of the allowed fixed costs to be compared against the fixed portion of the baseline rate revenue that is recovering those fixed costs will not change from how it was handled under PSE’s existing PCA mechanism. Test year fixed costs will continue to be grossed up by the production factor, where applicable[[3]](#footnote-3). One twelfth of the pre-production factored amount of $525,885,095 in Column IV, or $43,823,758 is the amount of monthly allowed fixed production costs. The imbalance will be calculated by subtracting from this allowed fixed amount the amount of revenue that was received to cover these allowed production fixed costs. The amount of revenue is determined by taking the fixed portion of the baseline rate that is currently in effect, $24.691, as shown on Line 36 of Attachment A, multiplied by the actual delivered load for each month of the deferral period. The second tab of Attachment A, called “PCA FC Deferral Example” provides an example of the imbalance calculation using a forecast of 2017 load. Depending on whether the actual load is higher than or lower than the equivalent monthly load used when setting the 2014 PCORC rates, the deferral entry will either be a debit or a credit to the deferral account. In the example, the negative imbalance represents a credit of $329,537 payable to customers.

# IV. PROPOSED ACCOUNTING AND RATEMAKING TREATMENT

10. For the fixed production related cost imbalance, the Company proposes to defer the amount each month of the deferral period which is calendar year 2017 as a regulatory asset or liability with the offsetting entry to FERC account 557 Other Power Supply Expenses. FERC 557 is the FERC account that is currently used for deferral entries for PSE’s PCA mechanism. The cumulative deferral amount in December 2017 will determine whether the total balance will be recorded as a regulatory asset in FERC 182.3 Other Regulatory Assets or as a regulatory liability in FERC 254 Other Regulatory Liabilities. There will be no interest accrual on the balance of the deferral account. The Company will request consideration for recovery of the imbalance at the time of the Company’s annual Schedule 142 rate filing. PSE would request the amount of the regulatory liability or asset be amortized in the manner consistent with the other decoupling deferrals, over the then-current decoupling period, May 1, 2018 through April 30, 2019.

# V. PRAYER FOR RELIEF

11. Based on the foregoing, PSE respectfully requests that the Commission issue an accounting order authorizing the accounting treatment proposed in this Petition to defer the revenue variances associated with the fixed production related costs once they are removed from the PCA mechanism on January 1, 2017 through December 31 2017, until rates for PSE’s next general rate case become effective.

12. Additionally, PSE respectfully requests that the Commission modify Order 11 and Appendix A to Order 11 in Docket No. UE-130617 as follows:

a. Paragraph 15 of Order 11 to read:

“15. Additionally, the Settlement estimates PSE’s next general rate case will result in rates effective March 1, 2017. The Settlement provides that PSE may file, and the Settling Parties agree to support, an accounting petition deferring revenue variances in Fixed Production Costs **~~between~~** **starting** January 1, 2017, when Fixed Production Costs are removed from the PCA per this Settlement, and **~~March 1, 2017,~~ ceasing** when rates from the general rate case become effective and Fixed Production Costs are placed in the decoupling mechanism, if PSE’s decoupling program continues.”

b. Item 4 on Page 7 of Appendix A to read:

“4. Implementation of changes to the PCA mechanism set forth in this agreement will occur on January 1, 2017. PSE may file, and the Settling Parties agree to support, an accounting petition to request deferral of revenue variances associated with the recovery of Fixed Production Costs to bridge the **~~two~~** **twelve** month period between implementation of the changes to the PCA mechanism on January 1, 2017 and the start of the rate year for PSE’s next general rate case (estimated to be **~~March~~** **January** 1, **~~2017~~** **2018**) where the continuation of the electric decoupling mechanism will be considered.”

DATED this 30th day of September, 2016.

**PUGET SOUND ENERGY**  
  
\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  
Katherine J. Barnard  
Director, Revenue Requirements & Regulatory Compliance

# VERIFICATION

STATE OF WASHINGTON )

) ss.

COUNTY OF KING )

Katherine J. Barnard, being first duly sworn, on oath deposes and says:

That she is Director of Revenue Requirements & Regulatory Compliance with Puget Sound Energy, that she has read the foregoing Petition of Puget Sound Energy for An Accounting Order and for a Modification Order, that she knows the contents thereof, and that she believes the same to be true to the best of her knowledge and belief.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  
Katherine Barnard

SUBSCRIBED and SWORN to before me this 30th day of September, 2016.

Print Name:   
Notary Public in and for the State of Washington, residing at   
My commission expires:

1. Provided PSE’s Decoupling Adjustment Mechanism is approved to continue in PSE’s 2017 general rate case. [↑](#footnote-ref-1)
2. As part of the Modification Petition, PSE agreed to make a limited update to its PCA baseline rate to be effective December 1, 2016. Accordingly, the new baseline rate will be in effect during the time frame covered by this petition. However, it is anticipated that the fixed production costs that are the subject of this petition will not be changing in this limited update. Therefore, it is appropriate to reference the baseline rate from the 2014 PCORC for this petition. [↑](#footnote-ref-2)
3. Return on transmission rate base and transmission depreciation on lines 11 and 24 respectively are not subject to the production factor. [↑](#footnote-ref-3)