

**BEFORE THE WASHINGTON STATE UTILITIES AND TRANSPORTATION
COMMISSION**

Amended Petition of

PUGET SOUND ENERGY, INC.

For an Order Authorizing the Use of the
Proceeds from the Sale of Renewable
Energy Credits and Carbon Financial
Instruments

DOCKET NO. UE-070725

REDACTED
PUBLIC COUNSEL'S ANSWER TO
PUGET SOUND ENERGY INC.'S
PETITION FOR RECONSIDERATION

I. INTRODUCTION

1. Pursuant to the Notice Allowing Answer to Petition for Reconsideration (served June 3, 2010) and WAC 480-07-850, the Public Counsel Section of the Washington State Attorney General's Office (Public Counsel) files this Answer to Puget Sound Energy Inc.'s (PSE) Petition for Reconsideration of the Final Order issued in this case. In this Answer, Public Counsel respectfully requests that the Commission deny PSE's Petition as to both issues raised; the Final Order is neither erroneous nor incomplete as to either issue.¹

II. REGULATORY LIABILITY ACCOUNT

2. PSE requests reconsideration of the Commission's determination that the regulatory

¹ See WAC 480-07-370(2) (providing that a party may seek reconsideration of an order where the order is "erroneous or incomplete"). See also *In the Matter of the Petition of Qwest Corporation*, Docket No. UT-073034, Order No. 10, ¶ 10.

receipt of REC revenues and return of revenues to customers through application to rate base. Ratepayers, not PSE, should receive the full benefit of the time-value of REC proceeds from the point when PSE receives the proceeds until they are deducted from rate base. *Not* applying interest to the regulatory liability account balance would unjustly enrich PSE by the time-value of the REC proceeds.

III. AMOUNT OF REC PROCEEDS TO BE RETAINED BY PSE

4. PSE's request for reconsideration of the Commission's determination that the Company may recover a premium on only the RECs sold to Southern California Edison (SCE) should also be denied.⁶ PSE argues that it should be able to recover a premium on not only the two million RECs sold to SCE, but also the one million sold to Pacific Gas & Electric (PG&E).⁷ PSE supports this position by arguing that the Final Order, specifically paragraphs 44 and 45, contains inconsistent statements as to whether the sale to PG&E included some premium.⁸ This is incorrect—at no time does the Final Order state that the price of PSE's sale to PG&E contained a premium. What the Final Order *does* state is that it is reasonable to infer a premium in the settlement price “paid by SCE,” but that the sale to PG&E was made “at *market price*.”⁹
5. Contrary to PSE's argument, paragraph 44 of the Final Order does not state that *all* REC sales included a premium. Instead, the Commission states only that the sales were made “in connection” to the settlement of the California Receivable litigation, a fact regarding the timing and circumstance of the sales that no party disputed. The Commission also states in this paragraph that the sale price was high enough “*to justify from the Company's perspective that*

⁶ Petition, ¶ 7.

⁷ Petition, ¶¶ 10 and 11.

⁸ Petition, ¶¶ 7-10.

⁹ Final Order, ¶ 45 and n.53 (emphasis added).

the sale price included some premium.”¹⁰ This statement, however, does *not adopt* the Company’s perspective, but rather only acknowledges how PSE could have formed such a perspective.

6. Paragraph 45 is consistent with paragraph 44. In paragraph 45 and the accompanying footnotes, the Commission lays out its finding that *only* PSE’s sales *to SCE* included a premium. The Commission clearly states: “we interpret the evidence at hand to mean that the price PSE agreed to accept *from SCE* represented the high end of the market at the time of the settlement plus a premium for relinquishment of claims.”¹¹ The Commission made clear that the sale to PG&E was made *at market price*, that is, without a premium. In the Final Order, the Commission explained that the preceding sales to SCE set a market price, that was roughly equal to the price later obtained by PSE from PG&E: “the price PSE obtained from SCE appears to have established a new ‘market price,’ at least in the short term, as reflected by the subsequent sale to PG&E.”¹²

IV. CONCLUSION

7. For the foregoing reasons, Public Counsel respectfully requests that PSE’s Petition for Reconsideration be denied as to both issues raised.
8. Dated this 15th day of June, 2010.

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¹⁰ Emphasis added.

¹¹ Emphasis added.

¹² Final Order, n.53.