

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY,

Respondent.

DOCKET UE-200980

JOINT NARRATIVE IN SUPPORT
OF SETTLEMENT STIPULATION
AND AGREEMENT

I. INTRODUCTION

1 This Joint Narrative in Support of the Settlement Stipulation and Agreement (“Narrative”) is submitted in accordance with WAC 480-07-740 by (i) Puget Sound Energy (“PSE”), (ii) the regulatory staff of the Washington Utilities and Transportation Commission (“Commission Staff”),¹ (iii) the Alliance of Western Energy Consumers (“AWEC”), and (iv) The Energy Project (collectively, “Settling Parties” and individually, “Settling Party”). The Public Counsel Unit of the Washington Office of the Attorney General (“Public Counsel”) neither joins nor opposes the Settlement.

2 This Narrative summarizes and supports the Settlement Stipulation and Agreement (“Settlement”). Testimony filed by each Settling Party further supports the Settlement. This Narrative and each Settling Party’s testimony do not modify any terms of the Settlement.

¹ In formal proceedings, such as this, the Commission’s regulatory staff participates like any other party, while the Commissioners make the decision. To assure fairness, the Commissioners, the presiding administrative law judge, and the Commissioners’ policy and accounting advisors do not discuss the merits of this proceeding with the regulatory staff, or any other party, without giving notice and opportunity for all parties to participate. *See* RCW 34.05.455.

II. SCOPE OF THE PROCEEDING

3 This docket concerns a power cost only rate case (“PCORC”) filed by PSE on
December 9, 2020. In its PCORC filing, PSE proposed to increase electric rates by
\$78.5 million on an annual basis, or an average increase of approximately 3.69 percent
across all customer classes. Along with the tariff revisions, PSE submitted prefiled direct
testimony and exhibits from several PSE witnesses supporting the tariff revisions. PSE
updated power costs on February 2, 2021, as authorized by the prehearing conference order,
and PSE filed supplemental testimony and exhibits supporting the power cost update. The
power cost update increased PSE’s proposed electric rate increase to \$88.0 million on an
annual basis, or an average increase of approximately 4.13 percent from current rates.

4 PSE filed its PCORC pursuant to a settlement agreement that was approved by the
Commission in Dockets UE-011570 and UG-011571, and which authorized PSE to file
periodic power cost updates, referred to as PCORCs. The PCORC is intended to true up all
power costs identified in the Power Cost Baseline Rate, as well as allow new resources into
the Power Cost Baseline Rate.² The PCORC process was reviewed by the Commission and
stakeholders in subsequent proceedings, and the terms of the PCORC have been modified
through those processes in 2009 and 2015.³

5 On December 16, 2020, the Commission suspended the operation of the as-filed
tariffs, commenced discovery, and set the matter for hearing in Order 01. The Commission

² *WUTC v. Puget Sound Energy, Inc.*, Dockets UE-011570 and UG-011571, Twelfth Supp. Order at Appendix A, Exhibit A, ¶ 8 (June 20, 2002).

³ *WUTC v. PSE*, Docket UE-072300, Order 13 (January 15, 2009) (extending procedural schedule to six months among other agreed changes); *WUTC v. PSE*, Docket UE-130617, Order 11 (August 7, 2015) (accepting settlement agreement which among other things, required PSE to wait six months after a PCORC final order to file a GRC).

convened a virtual prehearing conference in this proceeding on January 13, 2021. At the prehearing conference, the Commission granted interventions. The Commission issued a prehearing conference order on January 14, 2021, which set the procedural schedule.⁴

6 The parties to this proceeding engaged in discovery, participated in a workshop to review details of the case, and participated in a formal virtual settlement conference on March 2, 2021. Following the settlement conference, the parties continued settlement discussions through settlement-related calls and correspondence.

7 On March 12, 2021, the Settling Parties reached a settlement in principle for all issues currently pending before the Commission in this case. Public Counsel participated in settlement discussions but had not joined the settlement at that time and was considering whether to join the settlement. The Settling Parties provided notice of this settlement in principle to Administrative Law Judge Michael S. Howard. Subsequently, Public Counsel informed the Settling Parties and Administrative Law Judge Howard that it would neither join nor oppose the Settlement.

8 On March 15, 2021, the Commission suspended the current procedural deadlines, other than the public comment hearing set for April 20, 2021. The Commission preserved the hearing dates of April 22, 2021, and April 23, 2021, due to the possibility one party may not join the settlement. The Commission required the Settling Parties to file the settlement agreement and supporting documentation by April 2, 2021.

9 This Joint Narrative, along with the individual testimony supporting the Settlement filed by each Settling Party, constitutes supporting documentation for the Settlement as required by WAC 480-07-740(3).

⁴ See Order 03.

III. SUMMARY OF THE SETTLEMENT

10 The Settlement is a “full multiparty settlement” as the term is defined in WAC 480-07-730(3) because it is entered into by some, but not all, the parties and it resolves all issues raised in this docket.

11 The Settlement provides for an electric revenue increase of approximately \$65.3 million, or 3.07 percent. The Settling Parties agree that this amount will be updated at the compliance filing, when PSE updates its power costs to reflect the most current natural gas prices as well as the most current power and gas-for-power hedging positions. An update to power costs at the compliance filing is an explicit term of the Settlement.

12 The reduction in PSE’s revenue deficiency from \$88 million in its supplemental filing to approximately \$65.3 million results from several adjustments in this case that were agreed to by the Settling Parties and are discussed below:

- The Settling Parties agreed to a change to the treatment of the Green Direct program (Schedule 139) for purposes of this filing, which reduces the revenue deficiency by \$13.9 million and reduces the Energy Credit to Green Direct customers by \$3.7 million. The Settlement also sets forth the treatment of Green Direct load and the Green Direct resources for purposes of this case, with respect to the Variable PCA Baseline Rate, the Aurora model, the revenue deficiency calculation and rate spread, and future PCA tracking.
- The Settlement recognizes that a BPA transmission rate increase is to take effect in October 1, 2021, and the Settlement uses the average BPA rate increase from 2002 through 2019, and applies this rate increase effective October 1, 2021. This decreases the revenue deficiency in PSE’s supplemental filing by \$6.6 million.
- The Settlement adjusts two aspects of the treatment of Colstrip Units 3 and 4 to reduce the revenue deficiency in this case. First, as a compromise, the Settling Parties agreed to reduce the operations and maintenance expense for Colstrip Units 3 and 4, which reduces the revenue deficiency by \$1.1 million. Second, the Settling Parties agreed to remove the SmartBurn depreciation expense, which reduces the revenue deficiency by \$0.4 million.

- The Settling Parties reached a compromise in this case on how to treat CAISO⁵ Energy Imbalance Market (“EIM”) costs and benefits, and have agreed to a collaborative workshop, after this case, to address the estimation and treatment of EIM costs and benefits for rate making purposes going forward. With respect to the revenue deficiency in this case, the Settling Parties agreed to reduce the cost of market purchases in variable power costs by an agreed-to amount for EIM benefits of \$8.0 million and to include \$3.9 million for EIM costs in the fixed production costs in this case. The net effect of this adjustments is a reduction of revenue deficiency by \$4.4 million.

13 PSE presented several new resources in its PCORC filing. The Settling Parties, other than PSE, take no position and do not contest the prudence of PSE’s new and renewed resources presented within PSE’s filing.

14 In addition to the compromise on Green Direct that reduces the revenue deficiency in this case, the Settling Parties will work toward a path forward on a durable method for calculating the energy credit for Green Direct customers and a means to flow any impacts from changing the methodology for calculating the Green Direct credit through to non-Green Direct customers. If the Green Direct energy credit is further reduced prior to a general rate case filing, PSE will defer savings and flow back those savings to non-Green Direct customers at an appropriate time.

15 The Settling Parties accept PSE’s treatment of monetized Production Tax Credits (“PTC”) as consistent with the 2017 general rate case settlement. PSE used the monetized PTCs to offset the regulatory asset balance for Colstrip Units 1 and 2, and the excess \$31.4 million of monetized PTCs is included in rate base.

16 The Settling Parties agreed to participate in two collaboratives: The EIM collaborative, discussed above, and a collaborative workshop on hedging for power cost management and intra-company transactions with PSE’s natural gas business.

⁵ California Independent System Operator.

17 The Settling Parties agree that the funding for electric customer low income assistance under the permanent Home Energy Lifeline Program (HELP) section of PSE's Schedule 129 shall be increased by twice the percentage increase in the residential customer base rate approved by the Commission, with a minimum increase of \$1 million. The increase will be reflected in PSE's Schedule 129 filing, which will be made in August 2021 and become effective on October 1, 2021. Based on amounts included in this settlement before updating for power costs, this would equate to a 5.59 percent or \$1.2 million increase.

18 The Settling Parties agree that PSE will include in its next general rate case (or another proceeding in 2022) the issue of whether the PCORC should continue. PSE will not file another PCORC before this issue is litigated.

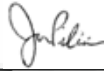
IV. CONCLUSION

19 In WAC 480-07-700, the Commission states its support for parties' informal efforts to resolve disputes without the need for contested hearings when doing so is lawful and consistent with the public interest. Pursuant to WAC 480-07-740, the Commission reviews settlement agreements to determine whether they comply with applicable legal requirements and whether approval of the agreements is consistent with the public interest.


20 The Settlement resolves all the issues in this docket and, as explained further in the individually-filed testimony, the Settling Parties all agree that their resolution complies with applicable legal requirements and is consistent with the public interest. The Settling Parties respectfully request that the Commission approve the Settlement in its entirety.

DATED this first day of April 2021.

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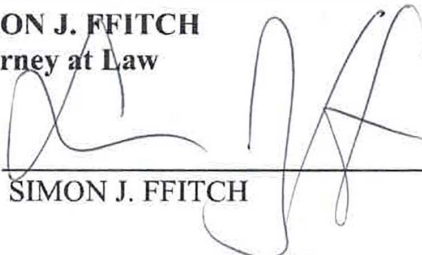
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