



STATE OF WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION
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July 19, 2013

**NOTICE OF OPPORTUNITY TO FILE ANSWER AND ESTABLISHING
PROCESS PENDING RECONSIDERATION
(By Friday, August 30, 2013)**

**NOTICE OF COMMISSION'S INTENTION TO ACT
(By Friday, September 20, 2013)**

Re: *In the Matter of the Petition of Puget Sound Energy, Inc. and NW Energy Coalition For an Order Authorizing PSE to Implement Electric and Natural Gas Decoupling Mechanisms and to Record Accounting Entries Associated with the Mechanisms, Dockets UE-121697 and UG-121705 (Consolidated)*

Washington Utilities and Transportation Commission v. Puget Sound Energy, Inc., Dockets UE-130137 and UG-130138 (Consolidated)

TO THE PARTIES:

The Commission entered and served on June 25, 2013, Order 07, its Final Order in these jointly considered dockets. On July 5, 2013, the Northwest Industrial Gas Users (NWIGU), Kroger Co., on behalf of its Fred Meyer Stores and Quality Food Centers divisions (Kroger), and Nucor Steel Seattle, Inc. (Nucor) each filed petitions for reconsideration. NWIGU urges the Commission to reconsider Order 07 so that it can address on the merits whether the Decoupling Mechanism should apply to non-residential customers that take service under PSE's Tariff Schedules 85, 85T, 87 and 87T. Nucor Steel requests that the Commission reconsider Order 07 with respect to its decisions to include Schedules 85, 85T, 87, and 87T in the revenue decoupling mechanism, and not to reduce PSE's return on equity (ROE) to reflect the reduction in risk attributable to the adoption of revenue decoupling. Kroger asks the Commission to reconsider its decision to include larger non-residential electric customers in the revenue decoupling mechanism

and its decision not to reduce PSE's ROE to reflect the reduction in risk attributable to the adoption of revenue decoupling.

In Order 07, the Commission expressed its concern over the presence of factors that contribute to the "significant heterogeneity in the non-residential customer class" and that, with respect to this class, "raise questions about the suitability of decoupling that relies exclusively on average revenue per customer."¹ The unique characteristics of the electric and natural gas non-residential customer classes suggest to the Commission that the revenue per customer approach to decoupling approved in Order 07 may not be ideal. That is, while it is a viable approach in the context of what the Commission describes as an "experiment in new and innovative ratemaking mechanisms,"² this approach may not prove to be the best and, hence, not an enduring, means to achieve the underlying goals of decoupling with respect to these customers. The parties should seriously discuss alternative rate designs. With diligent, good faith efforts it may be possible for PSE and other parties, including Commission Staff, to craft and propose alternatives that will better serve all interests, including the public interest, for the long term.

Considering the state of the record at the time it entered Order 07, the Commission determined that it:

[S]hould not at this time exclude from the decoupling mechanisms non-residential customers other than electric lighting and retail wheeling customers, and gas lighting, gas water heater rentals and special contracts.³

The Commission continued, however, by saying:

We strongly encourage customers such as Kroger and Nucor Steel, and trade organizations such as ICNU and NWIGU, to engage in meaningful dialogue with PSE, Staff and others who take an interest, and with the Commission, to monitor carefully how decoupling is working out in practice. It may be that there are alternatives for some, or all, non-residential customers that are better suited to meeting decoupling's goals than are the current decoupling mechanisms. The Commission remains open to hearing fully supported alternative proposals for fixed cost recovery from the non-residential class of customers, or subsets of the class.⁴

¹ Order 07 ¶ 127.

² *Id.* ¶ 189.

³ *Id.* ¶ 129.

⁴ *Id.*

The pending petitions for reconsideration open the possibility that this “meaningful dialogue” might occur sooner, rather than later. Such a dialogue could lead to an alternative approach, or alternative approaches, for some, or all, non-residential customers that are better suited to meeting decoupling’s goals than are the current decoupling mechanisms.

The Commission convened a procedural conference on July 15, 2013, to discuss with the parties whether it should, and how it might best procedurally, facilitate such efforts. Based on this discussion, the Commission determines it should establish procedures and a schedule to provide an adequate opportunity for the parties to conduct collaborative sessions to explore alternative approaches to achieving the underlying goals and purposes of decoupling for the non-residential class of customers. To facilitate this process, the Commission delegates to the Director of the Administrative Law Division, Judge Greg Kopta, the responsibility to serve as a third-party neutral, acting in the capacity of settlement judge or mediator, as appropriate to the parties’ needs. Judge Kopta will shortly schedule an opportunity to discuss with the parties how best to proceed.

With respect to Commission consideration of the petitions, RCW 34.05.470(3) provides with respect to a petition for reconsideration that:

The agency is deemed to have denied the petition for reconsideration if, within twenty days from the date the petition is filed, the agency does not either: (a) Dispose of the petition; or (b) serve the parties with a written notice specifying the date by which it will act on the petition.

The Commission wishes to provide parties the opportunity to engage in the dialogue discussed above, and several parties have requested an opportunity to file an answer to the pending petitions for reconsideration as allowed under WAC 480-07-850 (3). Accordingly, the Commission determines it should set a deadline for answers approximately six weeks from the date of this notice and allow an additional period of 21 days after answers are filed to dispose of the petitions by order. The Commission may alter the dates established, if appropriate, to allow additional time for collaborative efforts. The Commission expects the parties to keep it apprised of their progress.

THE COMMISSION GIVES NOTICE That answers to the pending petitions for reconsideration in this matter must be filed no later than August 30, 2013.

THE COMMISSION GIVES FURTHER NOTICE That it intends to take final action with respect to the pending petitions for reconsideration no later than

September 20, 2013, unless such date is revised by further notice in light of developments subsequent to the date of this order and notice.

DENNIS J. MOSS
Administrative Law Judge