

SERVICE DATE

DEC 16 1994

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Application of)
)
 PUGET SOUND POWER & LIGHT COMPANY)
)
 For Approval of an Incentive Plan)
 for Least Cost Planning and)
 Performance)
)
)
 WASHINGTON UTILITIES AND)
 TRANSPORTATION COMMISSION,)
)
 Complainant,)
)
 v.)
)
 PUGET SOUND POWER & LIGHT COMPANY,)
)
 Respondent.)
)

DOCKET NO. UE-910689

DOCKET NO. UE-940728

FOURTH SUPPLEMENTAL ORDER ON CLARIFICATION

NATURE OF PROCEEDING: This is a proceeding in which Puget Sound Power & Light Company requested a rate increase, and approval to recover incentive payments for least cost planning performance pursuant to Commission's order in Docket Nos. UE-901183-T and UE-901184-P.

PROCEDURAL STATUS: The Commission entered its Third Supplemental Order Rejecting Tariff Filing; Authorizing Refiling on September 27, 1994. On October 7, 1994, Puget and the Commission Staff each petitioned for clarification of the order.

On October 28, 1994, Puget filed an answer to the Commission Staff's petition, the Commission Staff filed an answer to Puget's petition, and Public Counsel filed an answer to both petitions.

COMMISSION: The Commission grants both petitions; the order will be clarified.

PARTIES: Puget Sound Power & Light Company ("Puget" or "company") was represented by James M. Van Nostrand, attorney, Bellevue. The Staff of the Washington Utilities and Transportation Commission ("Commission Staff") was represented by Sally G. Johnston, assistant attorney general, Olympia. Robert F. Manifold, assistant attorney general, Seattle, appeared as Public Counsel.

MEMORANDUM

This is a rate proceeding initiated by the request of Puget for a rate increase consistent with the Commission established Periodic Rate Adjustment Mechanism ("PRAM") for Puget in Docket Nos. UE-901183-T and UE-901184-P. Consolidated with the request by Puget for the recovery of the final portion of the demand side incentive approved in Docket UE-910689. The Commission issued its Third Supplemental Order Rejecting Tariff Filing; Authorizing Refiling, its final order, in the consolidated Docket Nos. UE-910689 and UE-940728, on September 27, 1994.

Puget petitioned for clarification on two issues. Puget's petition states that the order is silent on the issue of which shaping factors should be used for the purpose of booking deferrals during the PRAM 4 period, October 1, 1994 through September 30, 1995. Puget requests permission to use the same shaping factors that were used in the PRAM 2 and PRAM 3 periods during the PRAM 4 period. Puget also requests permission to continue to defer \$325,506 in expenditures related to the non residential energy code ("NREC") which were excluded from rate base in this proceeding until a subsequent determination is made whether these expenditures satisfy the total resource cost test.

The Commission Staff's motion for Clarification concerns the recovery of benefits associated with Puget's entitlement on the Third AC intertie. Staff questions whether the Commission's preferred solution, requiring the tracking as proposed by Mr. Moast and a true-up to actuals of the benefits associated with the third AC, is a final resolution of the issue or a one-time-only solution that will be revisited in PRAM 5.

This order will identify the issues presented in the petitions for clarification, will identify arguments presented for and against them, and will decide them.

I. ISSUES RAISED BY PUGET**A. Which Shaping Factors Should Be Used for Booking the PRAM 4 Deferrals?**

Puget requests permission to use the same shaping factors for the PRAM 4 period as it used in the PRAM 2 and 3 periods. Shaping factors are used for the calculation of deferred revenue on a monthly basis. The PRAM revenue requirement is calculated on an annual basis, but revenue is booked by Puget on a monthly basis. In order to book revenue on a monthly basis, Puget must distribute the estimated PRAM

revenues through the PRAM year. Shaping factors are used for this purpose. As a result, while shaping factors may impact the level of revenue deferred in a particular month, shaping factors have no impact on the total revenue booked during the entire PRAM year.

The Commission Staff does not oppose this request because the company's request to earn interest on PRAM deferrals was denied, making accurate timing of the deferrals less important. Public Counsel has no objection to the company's proposed clarification.

The Commission will clarify its order to specify that the company is allowed to use the same shaping factors in the PRAM 4 period that it used in the PRAM 2 and 3 periods. The Commission notes that it rejected the company's proposed interest accrual, and that the only effect of these shaping factors should be the division of revenue between months during the PRAM 4 period.

B. May Puget Continue to Defer the Costs of the Non-Residential Energy Code Pending Final Commission Review?

The Third Supplemental Order excluded \$325,506, including accrued AFUCE¹, related to Puget's participation in the Utility Code Group and the Commercial Energy Code from conservation rate base, pending a future review. Puget asks that the order be clarified to explicitly allow continued deferral of these costs until it is decided if they are to be included in rate base. Puget believes that the order does not require Puget to write off its expenditures, however, Puget notes that the Commission Staff's position regarding the ultimate recovery of these expenditures was not entirely clear. Puget refers to Ms. Kelly's testimony, where she proposed that these expenditures would not be deferred and included as a part of conservation rate base.

The Commission Staff's answer supports the continued deferral of these costs. It indicates that determination of the proper recovery of these items should be made in the Schedule 83 filing. The Commission Staff proposes that the final disposition of these costs, whether to rate base or expense, should be made in the PRAM 5 proceeding. Public Counsel takes no position on this issue.

The Commission will clarify its order to indicate that it intended that Puget be allowed to continue to defer these costs, including the AFUCE, until a final determination is made in a future proceeding.

¹ Allowance for Funds Used to Conserve Energy.

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II. ISSUE RAISED BY THE COMMISSION STAFF

A. Is the Commission's Decision Regarding the Third AC Intertie an Interim Solution?

The Commission Staff's Motion for Clarification concerns the recovery of benefits associated with Puget's entitlement on the Third AC intertie. Staff asks whether the Commission decision to adopt Mr. Moast's tracking recommendations and a "true-up" to actual benefits is a final decision on this issue, or whether it is a one-time-only solution which should be revisited in PRAM 5. The Commission Staff argues that the Commission treatment of full true-up shifts the risks of participation in the intertie to the ratepayers.

Public Counsel generally agrees with the Commission Staff's petition. It asks that Puget be instructed to file a proposal for a long-term solution in PRAM 5, that the PRAM 4 amounts be trued-up as the order states, and that the Commission indicate that the present treatment does not create any inference regarding how the intertie will be treated in future PRAM reviews.

The company agrees that it will be appropriate to address this issue in a future proceeding. It is, however, uncertain whether sufficient information will be available by PRAM 5. The company also indicates that it has a problem complying with the ordered "actual true-up," and asks the Commission to convene the parties and direct them to develop a procedure for complying with the Third Supplemental Order. It notes that Mr. Moast, whose testimony proposed the tracking system, did not propose the "true-up".

The solution as adopted in this proceeding is an interim solution. The information available in this Docket was not sufficient to allow a final decision on this matter. The Commission expects the parties to address this issue in the PRAM 5 proceeding or, if information is still unavailable, during the general rate case scheduled to be filed in the fall of 1995.

It was Public Counsel's proposal in oral argument that a "true-up" to actual costs should be made; the Commission adopted Public Counsel's proposal. We expect the parties to work together on the measurement of this "true-up" to actual, and hope to avoid debate on this issue in PRAM 5.

ORDER

1. Puget Sound Power & Light Company's Petition for Clarification is granted. The company may use the same shaping factors for PRAM 4 deferrals that it used in PRAMs 2 and 3. The company may continue to defer the NREC costs involving AFUCE until a decision is made in a future proceeding as to the proper treatment.

2. The Commission Staff Motion for Clarification is granted. The Commission decision regarding the Third AC intertie benefits is an interim solution. The parties should work together to determine how the Public Counsel "true-up" to actual costs will be accomplished.

DATED at Olympia, Washington, and effective this 16th day of December 1994.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION


SHARON L. NELSON, Chairman


RICHARD HEMSTAD, Commissioner