

BEFORE THE WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION

In the Matter of:

Request by Puget Sound Energy, Inc., for
Approval of an Agreement between the
Bonneville Power Administration and the
Company, and Associated Tariff Revisions

DOCKET NO. UE-010815

ORDER APPROVING AGREEMENT,
AND GRANTING TARIFF REVISIONS
ON LESS THAN STATUTORY NOTICE

BACKGROUND

- 1 The Bonneville Power Administration ("BPA") 2002 Wholesale Power Rate Case, BPA Docket No. WP-02 (the "BPA Rate Case") is a federal proceeding within the purview of RCW 80.01.075. Pursuant to such authority, the Commission is authorized to participate and is participating in the BPA Rate Case as a party to the proceeding.
- 2 On December 21, 1998, the Administrator of the BPA issued a Power Subscription Strategy (the "Subscription Strategy") and accompanying Record of Decision. In April 2000, BPA issued a Supplemental Record of Decision, which provided for Residential Exchange Settlement Benefits ("RES Benefits") and allocated those benefits among Pacific Northwest investor-owned utilities. On October 4, 2000, BPA issued a Record of Decision with respect to Residential Exchange Program Settlement Agreements With Pacific Northwest Investor-Owned Utilities. In furtherance of the foregoing BPA decisions, BPA and Puget Sound Energy, Inc., ("PSE") have conditionally agreed to a proposed Amended Settlement Agreement, Contract No. 01PB-10885 (including the Firm Power Block Sales Agreement, Contract No. 01PB-10886) (collectively, the "PSE-BPA Agreement") (Attachment A). A final decision on the BPA Rate Case is pending.
- 3 The Commission is authorized, pursuant to RCW 80.01.070, to issue joint or concurrent orders in connection with the foregoing BPA decisions.

FINDINGS

- 4 On December 21, 1998, the Administrator of BPA issued the Subscription Strategy and accompanying Record of Decision. BPA's Subscription Strategy provided a framework for the BPA Rate Case. The Subscription Strategy also proposed settlements of the residential exchange program with Pacific Northwest investor-owned utilities.

- 5 In April 2000, BPA issued a Supplemental Record of Decision, which increased the level of available RES Benefits and allocated RES Benefits among Pacific Northwest investor-owned utilities. The Commission, along with the Idaho Public Utilities Commission, the Montana Public Service Commission and the Public Utility Commission of Oregon, submitted a joint recommendation on the proposed allocation of RES Benefits.
- 6 On October 4, 2000, BPA issued a Record of Decision with respect to Residential Exchange Program Settlement Agreements With Pacific Northwest Investor-Owned Utilities. BPA's proposed Residential Exchange Settlement ("RES Settlement") provides RES Benefits to Pacific Northwest investor-owned utilities based on 1,900 aMW for the FY2002-2006 period and 2,200 aMW for the FY2007-2011 period.
- 7 On February 23, 2001, the Commission and certain other parties to the BPA Rate Case, including PSE, agreed to and signed a Partial Stipulation and Settlement Agreement (Attachment B). The Partial Stipulation and Settlement Agreement included an agreed-upon dollar amount for the financial portion of the RES Settlement. Pursuant to the Partial Stipulation and Settlement Agreement, the Commission and other parties provided testimony in the BPA Rate Case in support of the Partial Stipulation and Settlement Agreement.
- 8 BPA and PSE have negotiated the PSE-BPA Agreement to implement the Residential Exchange Program in accordance with applicable law. In so doing, BPA and PSE desire to settle certain outstanding issues regarding their respective rights and obligations arising under the Pacific Northwest Electric Power Planning and Conservation Act (the "Regional Act") for the Residential Exchange Program for the term of the PSE-BPA Agreement. The PSE-BPA Agreement would reduce PSE's first-year power allocation and monetize the power portion of the RES Settlement in a manner which would average those benefits over the five-year rate period, thus helping to reduce BPA's projected first-year wholesale power rate increases. The PSE-BPA Agreement will combine the financial portion of the RES Settlement as set forth in the Partial Stipulation and Settlement Agreement with an agreed monetization of the power portion of the RES Settlement over a five-year period (October 1, 2001, through September 30, 2006).
- 9 On June 4, 2001, PSE filed a copy of the PSE-BPA Agreement requesting Commission approval thereof. In order to implement the PSE-BPA Agreement, PSE also filed revisions to Schedules 7, 8, 10, 11, 12, 29, 35, 56, 59 and 307, a new Schedule 194 and a revised Sheet 2-a, Index to Rate Schedules. The revised and proposed Schedules will pass benefits arising under the PSE-BPA Agreement through to eligible customers, as required by the Regional Act. PSE also requested that such tariffs be allowed to go into effect on less than statutory notice, as authorized by WAC 480-80-240.
- 10 PSE's existing contract with BPA providing for the pass-through of benefits currently to eligible customers from the Residential Exchange Program expires on June 30, 2001. Moreover, the settlement to be effected by the PSE-BPA Agreement, and the provision of benefits thereunder to PSE's eligible customers, and the support such PSE-BPA Agreement will provide for the stability of BPA benefits in the region, is

contingent on Commission action on or before June 15, 2001. As such, time is of the essence in this matter.

- 11 PSE, Staff and Public Counsel agree as follows: (i) an issue exists among them concerning the transfer of the current residential exchange credit (i.e., 1.085 cents/kWh) under Schedule 94 to general rates pursuant to Section III.A.3.d of the Stipulation that was approved and adopted in the Commission's Fourteenth Supplemental Order in Docket No. UE-960195, dated February 5, 1997 (the "Stipulation"); and (ii) nothing of procedure or substance in the instant docket shall predetermine, nor shall it prejudice any party as to, any issue of procedure or substance that may exist in any proceeding with respect to Section III.A.3.d of the Stipulation (including, but not limited to, the ability of a party to file a claim to seek and obtain relief for noncompliance with Section III.A.3.d of the Stipulation that relates back to a date on or after July 1, 2001).
- 12 PSE, Staff and Public Counsel also agree that given the unique circumstances of this case, the Commission's consideration and approval of this PSE-BPA Agreement does not constitute precedent for preapproval of subsequent power supply acquisitions.

CONCLUSIONS

- 13 When the Commission approved the Partial Stipulation and Settlement Agreement on February 15, 2001, the Commission was joined in such action by the Idaho Public Utilities Commission, the Montana Public Service Commission and the Public Utility Commission of Oregon. The RES Settlement presents issues of significance to the region, and cooperation among interested parties serves the public interest. Such cooperation includes efforts underway between BPA and its customers to secure agreements with BPA to reduce load and thereby reduce upward pressure on BPA's rates.
- 14 Commission approval of the PSE-BPA Agreement, which is a proposed amended settlement consistent with the Partial Stipulation, is in the public interest. The PSE-BPA Agreement is an appropriate response to BPA's desire to reduce the first-year request from its customers for BPA power by 5% to 10%. The PSE-BPA Agreement will provide benefits to PSE's residential and small-farm customers. The PSE-BPA Agreement is also an important and further step toward maintaining economic stability in the region. PSE, Public Counsel and Commission Staff are commended for their efforts in ensuring reasonable benefits for residential and small-farm customers from BPA.
- 15 For the foregoing reasons, prompt implementation of the PSE-BPA Agreement, in accordance with its terms, is also in the public interest. Proposed revisions to Schedules 7, 8, 10, 11, 12, 29, 35, 56, 59 and 307 and proposed Schedule 194 are appropriate mechanisms to implement the PSE-BPA Agreement.

ORDER

- 16 This matter arises under unique circumstances. The Commission's consideration of this PSE-BPA Agreement and approval thereof is not precedent for "pre-approval" of

subsequent power supply acquisitions. Having heretofore approved the Partial Stipulation and Settlement Agreement, pursuant to RCW 80.01.070 the Commission now approves the PSE-BPA Agreement, which is a proposed amended settlement consistent with the Partial Stipulation, which by its terms will become effective on June 15, 2001, and performance thereunder shall commence on July 1, 2001.

17 The Commission further orders that Schedules 7, 8, 10, 11, 12, 29, 35, 56, 59 and 307, as revised, and proposed Schedule 194, as revised, are approved as filed and, for good cause shown, shall take effect July 1, 2001 on less than statutory notice.

18 This Order does not predetermine, nor does it prejudice any party from arguing in any proceeding, whether or how the terms of the Commission's Fourteenth Supplemental Order in Docket No. UE-960195, dated February 5, 1997, have been fulfilled, or as of what effective date any relief, if warranted, should be granted. In that respect, the parties have agreed that any party may file a claim to seek and obtain such relief that relates back to a date as early as July 1, 2001.

Dated at Olympia, Washington, and effective this ____ day of _____, 2001.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

MARILYN SHOWALTER, Chairman

RICHARD HEMSTAD, Commissioner