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January 29, 2013

Chairman Jeffrey Goltz
Commissioner Phil Jones
Washington Utilities and Transportation Commission
PO Box 47250
1300 S Evergreen Park Drive SW
Olympia, WA 98504-7250

Re: Puget Sound Energy Schedule 95A Filing
Docket No. UE-122001

Dear Commissioners:

The Industrial Customers of Northwest Utilities (“ICNU”) submits these comments regarding Puget Sound Energy’s (“PSE”) proposed revisions to Schedule 95A. ICNU urges the Washington Utilities and Transportation Commission (the “Commission”) to suspend PSE’s filing, and set the matter for an investigation and hearing. As it would promote administrative efficiencies and address all power costs issues together, ICNU recommends that the Commission address issues related to the Schedule 95A filing in PSE’s next general or power cost only rate case.

PSE has proposed revisions to its Schedule 95A Federal incentive tracker tariff. PSE has proposed to incorporate the effects of the Treasury Grant related to the Lower Snake River wind generation facility, and to make an amortization adjustment for the remaining balance of the Treasury Grant. PSE has proposed to change the amortization schedule from a ten year period to the life of the project, which PSE states that Wild Horse has twenty-one remaining years and Lower Snake River has twenty-four remaining years.

The Commission Staff has prepared a report recommending that the Commission suspend PSE’s Schedule 95A filing and set the matter for hearing. Staff opposes PSE’s proposal and recommends discontinuing the practice of using Schedule 95A to pass back the Treasury Grant to customers in the form of rate credits. Instead, Staff recommends rate base treatment of all the remaining Treasury Grant amounts as a direct rate base offset to the capital costs of the Lower Snake River and Wild Horse wind generation facilities. Staff also analyzed the possibility of keeping the Schedule 95A credit and passing back the amounts under the current 10-year schedule or the life of the projects. Staff supports its recommendation on the grounds that: 1) it would reduce administrative burden; 2) there have been changes to the American

Recovery and Reinvestment Act; 3) it would reduce the cost of the plant in the long run; and 4) it matches the grant life with the wind facilities' lives.

ICNU agrees with Staff that PSE's Schedule 95A filing should not be approved, but that it instead should be suspended and set for a hearing. ICNU recommends that the appropriate ratemaking and regulatory treatment related to the Treasury Grants should be considered in light of PSE's other power costs. Therefore, the Commission should consolidate this filing with PSE's next general or power cost only rate proceeding.

If the Commission, however, is inclined to address PSE's filing on the merits, then ICNU recommends that the Commission approve Schedule 95A, but maintain the existing 10-year amortization of the Treasury Grant. ICNU opposes both PSE's recommendation to increase the amortization period and Staff's proposal for rate base treatment, because they would reduce the amounts that would be passed back to ratepayers in the near term. Both PSE's and Staff's recommendations would result in matching the life of the Treasury Grants with the life of the Lower Snake River and Wild Horse wind generation facilities. ICNU opposes this change, as it would be inconsistent with the purpose of the American Recovery and Reinvestment Act, which was to provide immediate economic stimulus to improve the moribund economy. ICNU also does not believe that Staff's approach would result in significant administrative efficiencies. Once an approved methodology and amortization is adopted, the review of Schedule 95A compliance filings should not be burdensome.

The Commission should keep in mind that PSE acquired and built its expensive new wind generation resources in advance of need, which has imposed significant costs on ratepayers. While the Commission has found that PSE's decisions were prudent, the Commission should take every opportunity to minimize and mitigate the rate impact associated with the early construction of these facilities. Passing the Treasury Grants back directly to ratepayers under a 10-year amortization schedule will best protect ratepayers from the high costs of early acquisition of these wind generation facilities.

ICNU appreciates the opportunity to comment on PSE's proposed revisions to Schedule 95A, and recommends that the Commission suspend the filing. Neither PSE nor Staff's recommendation should be adopted at an open meeting, but the parties should have an opportunity to more fully review and investigate the proposals and to potentially develop alternative recommendations.

Sincerely yours,

/s/ Irion A. Sanger

Irion A. Sanger

cc: Sheree Carson
Tom Schooley
EJ Keating
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