

ATTACHMENT B

Staff and Public Counsel General Assumptions **Supporting the Proposal**

- Proposal recognizes that PSE has made filings before FERC recommending that wholesale price caps be applied on a uniform basis to the entire Western region market. PSE's recommendation before FERC is, in part, based on "fundamental fairness and the desirability of avoiding unnecessary market distortions within the substantially integrated California and Pacific Northwest market ...". Staff and Public Counsel believe that the index used to determine certain Schedule 48/Special Contract rates may have been unduly affected by market distortions.
- Proposal's goal is to meet Schedule 48/Special Contract customers immediate needs for some certainty and relief from unanticipated and extreme Mid-C Index spikes caused by potential market distortions while at the same time preserving revenue opportunity for PSE under rates that are fair, just, reasonable, and sufficient.
- This proposal anticipates the filing of "buy/sell" tariffs by PSE in order to provide the customers with a timely alternative to the rate cap proposal. Staff and Public Counsel recognize that any tariff requires review and approval by the Commission, and that there may be controversial aspects to a buy/sell proposal that will require examination by other parties and by the Commission.
- The proposed soft rate cap amendment is based on the likelihood that Schedule 48/Special Contract rates may not be "fair, just, and reasonable" under certain market conditions. Staff and Public Counsel believe that the index used to determine Schedule 48/Special Contract rates may not appropriately represent the wholesale energy market in the region and may be influenced by market distortions.
- Staff and Public Counsel believe the proposed rate cap is reasonable and appropriate under PSE's merger rate plan. We view the recent Mid-C Index levels as being unanticipated by any party and well outside any parameters inherent in analyzing or supporting the merger rate plan. Staff and Public Counsel are not taking any issue with revenues or costs outside the periods in which the rate cap would be implemented.
- Staff and Public Counsel believe that the rate cap proposal will not result in potential cost shifts to other customers.
- The proposal is meant to be in effect temporarily, pending review of the existing Schedule 48 and/or customer movement to any Commission approved "buy/sell"

tariffs, or movement to any other tariff deemed appropriate by the Commission. No refunds or surcharges are proposed.

- Proposed rate cap level and margin are based on information and data request responses reviewed to date. Review of additional data request responses, both received and pending, may alter the proposed levels.
- Consistent with their designations as "non-core" customers by the Commission in its order approving Schedule 48, this proposal assumes these customers are "last on the bus" relative to other retail customers when it comes to the availability and pricing of energy provided by PSE when determining the appropriate cost to serve, but do have standing as customers compared with off-system operations.
- Staff and Public Counsel are not recommending that these non-core customers be allowed to return to existing tariff rates at their respective embedded costs. Any such action would require significant modification of existing schedules and rates which we believe could only be carried out within a general rate case context.