

**BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of)	DOCKET UE-090476
)	
PUGET SOUND ENERGY, INC.,)	ORDER 01
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)	
)	ORDER APPROVING POWER COST
For Approval of its March 2009 Power)	ADJUSTMENT MECHANISM
Cost Adjustment Mechanism Report)	ANNUAL REPORT
.....)	

BACKGROUND

- 1 On March 31, 2009, Puget Sound Energy, Inc. (PSE or Company), filed with the Washington Utilities and Transportation Commission (Commission) a petition requesting review and approval of its Power Cost Adjustment Mechanism Report - PCA Period 7 (PCA Report). PSE filed the PCA Report consistent with the Commission’s Twelfth Supplemental Order approving a settlement in Dockets UE-011570 and UG-011571, in which the Commission approved a power cost adjustment (PCA) mechanism for PSE.
- 2 PSE’s PCA mechanism accounts for differences in the Company’s modified actual power costs relative to a power cost baseline and provides for a sharing of power costs between the Company and ratepayers.¹ The Commission authorized a change in the annual PCA period to a calendar year beginning January 2007, and established that the annual PCA true-up filings were due by the end of each March for the prior PCA calendar year.²
- 3 The Period 7 PCA Report covers the calendar year ending December 31, 2008. Since the inception of the PCA mechanism on July 1, 2002, PSE deferred a total of \$1,804,703 in under-recovered power costs as of December 31, 2007. During PCA Period 7, there was

¹ *WUTC v. Puget Sound Energy, Inc.*, Dockets UE-011570 and UG-011571, Settlement Stipulation, Exhibit A, ¶ 2 (June 4, 2004), *approved by WUTC v. Puget Sound Energy, Inc.*, Dockets UE-011570 and UG-011571, 12th Supp. Order: Rejecting Tariff Filing; Approving and Adopting Settlement Stipulation Subject to Modifications, Clarifications, and Conditions; Authorizing and Requiring Compliance Filing (June 20, 2002).

² *WUTC v. Puget Sound Energy, Inc.*, Dockets UE-011570 and UG-011571, 16th Supp. Order Amending 12th Supp. Order, ¶ 4 (November 21, 2005).

no addition or offset to this amount related to sharing with customers of an under-or over-recovery, leaving the deferred balance at December 31, 2008, unchanged. Adding accrued interest of \$1,321,713 to this deferred amount results in a cumulative customer responsibility of \$3,126,416 at the end of 2008. The level of this deferral balance does not warrant a rate change. Under the PCA mechanism, surcharges can be triggered when the balance of the deferral account is approximately \$30 million.

- 4 The Commission Staff has reviewed PSE's PCA Period 7 report and verified that the deferral balance set forth in PSE's PCA Period 7 report is accurate and in accordance with the PCA settlement and the Commission's Orders in Dockets UE-011570 and UG-011571.
- 5 The Commission Staff does not challenge the prudence of PSE's management of its power costs during PCA Period 7. However, Commission Staff notes that the PCA Report may be affected by the Commission's decision on related issues in the pending general rate case in Dockets UE-090704 and UG-090705 (*consolidated*), that may require revisions. No interested party submitted comments or issues related to the report.

FINDINGS AND CONCLUSIONS

- 6 (1) The Washington Utilities and Transportation Commission is an agency of the State of Washington vested by statute with the authority to regulate the rates, rules, regulations, practices, accounts, securities, transfers of property, and affiliated interests of public service companies, including electric companies. *RCW 80.01.040, RCW 80.04, RCW 80.08, RCW 80.12, RCW 80.16 and RCW 80.28.*
- 7 (2) PSE is an electric company and a public service company subject to Commission jurisdiction.
- 8 (3) WAC 480-07-370(1)(b) allows companies to file petitions, including that for which PSE seeks approval.
- 9 (4) This matter came before the Commission at its regularly scheduled meeting on December 23, 2009.

- 10 (5) After reviewing the petition PSE filed in Docket UE-090476 on March 31, 2009, and giving due consideration to all relevant matters and for good cause shown, the Commission finds that the petition seeking approval of the PCA Period 7 report should be granted, subject to report revisions as noted above.

ORDER

THE COMMISSION ORDERS:

- 11 (1) The Commission grants the petition of Puget Sound Energy, Inc., requesting approval of its Power Cost Adjustment Mechanism Report for the Twelve Months Ended December 31, 2008 - PCA Period 7, subject to report revisions as noted above.
- 12 (2) This Order shall in no way affect the authority of this Commission over rates, services, accounts, valuations, estimates, or determination of costs on any matters that may come before it. Nor shall this Order be construed as acquiescence in any estimate or determination of costs, or any valuation of property claimed or asserted.
- 13 (3) The Commission retains jurisdiction over the subject matter of this proceeding and Puget Sound Energy, Inc., to effectuate the provisions of this Order.

The Commissioners, having determined this order to be consistent with the public interest, directed the Secretary to enter this Order.

DATED at Olympia, Washington, and effective December 23, 2009.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Executive Director and Secretary