

**BEFORE THE**

**WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of )  
)  
PUGET SOUND ENERGY, INC. )  
)  
For an Accounting Order Authorizing ) Docket No. UE-130583  
Accounting Treatment Related to Payments )  
for Major Maintenance Activities )  
\_\_\_\_\_)  
)  
WASHINGTON UTILITIES AND )  
TRANSPORTATION COMMISSION, )  
)  
)  
) Docket No. UE-130617  
v. )  
)  
PUGET SOUND ENERGY, INC. ) ANSWER OF PUGET SOUND  
) ENERGY, INC. TO PETITION FOR  
) ACCOUNTING ORDER OF THE  
) INDUSTRIAL CUSTOMERS OF  
\_\_\_\_\_) NORTHWEST UTILITIES  
)  
In the Matter of the Application of )  
)  
PUGET SOUND ENERGY, INC. )  
)  
For an Accounting Order Authorizing )  
Accounting the Sale of the Water Rights and ) Docket No. UE-131099  
Associated Assets of the Electron )  
Hydroelectric Project in Accordance with )  
WAC 480-143 and RCW 80.12. )  
\_\_\_\_\_)  
)  
In the Matter of the Application of )  
)  
PUGET SOUND ENERGY, INC )  
)  
For an Order Authorizing the Sale of )  
Interests in the Development Assets ) Docket No. UE-131230  
Required for the Construction and Operation )  
of Phase II of the Lower Snake River Wind )  
Facility )  
\_\_\_\_\_)

## I. INTRODUCTION

1 Pursuant to WAC 480-07-370(1)(c), Puget Sound Energy, Inc. (“PSE” or the  
“Company”) files this answer to the Petition For Accounting Order filed by the Industrial  
Customers of Northwest Utilities (“ICNU”). In general, PSE denies that an accounting order  
should be issued by the Washington Utilities and Transportation Commission (“Commission”) as  
requested by ICNU, for the reasons set forth herein.

## II. ANSWER TO PETITION

2 Answering paragraph 1 of ICNU’s petition, PSE denies that the Commission  
should issue an accounting order as requested by ICNU.

3 Answering paragraph 2 of ICNU’s petition, PSE admits the facts contained  
therein with respect to the identity of ICNU and contact information.

4 Paragraph 3 of ICNU’s petition cites legal statutes to which no answer is required.

5 Answering paragraph 4 of ICNU’s petition, PSE admits the Commission issued  
the 2013 PCORC Order on October 23, 2013, approving and adopting an all-party settlement  
agreement with a \$10,481,843 reduction to PSE’s revenue requirement. All parties to the  
settlement testified that the settlement stipulation would result in rates that are fair, just,  
reasonable and sufficient. ICNU testified that the settlement stipulation represents a true  
compromise in positions. The Commission’s order and the all-party settlement agreement speak  
for themselves. PSE admits that new rates became effective on November 1, 2013.

6 Answering paragraph 5 of ICNU’s petition, PSE admits that the Commission  
approved PCORC filings and a power cost adjustment mechanism (“PCA”) in 2002. The  
Commission order, settlement stipulation and exhibits in that case speak for themselves.

7                    Answering paragraph 6 of ICNU’s petition, PSE admits that the power cost baseline is embedded within PSE rates subject to review in any PCORC proceeding, including the 2013 PCORC. PSE admits that the rate of return is derived from the Company’s return on equity (“ROE”). The remainder of paragraph 6 contains legal argument and citations to which no answer is required.

8                    Answering paragraph 7 of ICNU’s petition, PSE admits that on June 25, 2013 the Commission entered a Final Order in PSE’s consolidated expedited rate filing (“ERF”), rate plan, and decoupling cases, in which it approved the ERF, rate plan, and a decoupling mechanism for PSE and that ICNU and Public Counsel challenged this decision in Thurston County Superior Court. PSE further admits that the Commission set PSE’s rates using the Company’s previously authorized ROE of 9.8%, but denies the remainder of paragraph 8.

9                    Answering paragraph 8 of ICNU’s petition, PSE admits that on July 25, 2014, the court entered an order affirming in part and reversing in part Order 07. The court’s letter ruling and order speak for themselves.

10                   Answering paragraph 9 of ICNU’s petition, PSE admits that ICNU filed a Petition for Accounting Order on July 30, 2014, and that the Commission issued notices and suspended the deadlines for responses to ICNU’s Petition. The Commission’s notices speak for themselves. PSE denies the remainder of the paragraph, including ICNU’s mischaracterization of the Commission’s notice.

11                   Answering paragraph 10 of ICNU’s Petition, PSE lacks sufficient information to form a conclusion as to what ICNU’s petition seeks to do, but PSE denies that ICNU’s Petition will effectuate the court order. PSE further denies that the rates are unlawful as ICNU alleges.

The remainder of paragraph 10 contains a proposal by ICNU to which no answer is required. To the extent an answer is required, PSE denies the same.

12            Answering paragraph 11, PSE denies that the rates negotiated by the parties to the 2013 PCORC and approved by the Commission are illegal. PSE further denies that the return on equity used in the PCORC has been found illegal by the court. PSE denies that refunds or deferral are appropriate and denies the remainder of the allegations and conclusory assumptions made by ICNU in paragraph 11. ICNU misreads the language of the court's order. ICNU was a party to the 2013 PCORC settlement and agreed to the rates that the Commission approved in that settlement agreement.

13            Paragraph 12 contains legal conclusions and proposals by ICNU to which no answer is required. To the extent an answer is required, PSE denies that refunds are appropriate.

14            Answering paragraph 13 of ICNU's petition, PSE denies the allegations in this paragraph and ICNU's interpretation of the court's order as reflected in paragraph 13 of ICNU's petition. PSE denies that the rates negotiated by the parties to the 2013 PCORC and approved by the Commission are illegal.

15            Answering paragraph 14 of ICNU's petition, PSE denies that the Commission should order an immediate refund to customers. PSE further denies that the rates agreed to by ICNU and all other parties in the 2013 PCORC are unlawful as ICNU alleges. PSE further denies ICNU's interpretation of the court's order as reflected in paragraph 14 of ICNU's petition.

16            Answering paragraph 15, PSE denies the same. ICNU was a party to the settlement that approved the rates and terms in the 2013 PCORC and consolidated dockets, including the prudence of the resources in that case.

17 Paragraph 16 contains a proposal by ICNU to which no answer is required. To the extent an answer is required, PSE denies that the deferred accounting proposed by ICNU is appropriate. ICNU misreads the language of the court’s order.

**III. AFFIRMATIVE DEFENSES AND RELIEF REQUESTED**

18 ICNU entered into a multi-party settlement approving the rates set in the 2013 PCORC and agreeing to the prudence of resources in that case. All parties to the settlement stipulation, including ICNU, testified that the settlement stipulation would result in rates that are fair, just, reasonable and sufficient. ICNU testified that the settlement stipulation represents a true compromise in positions. ICNU entered into this settlement after it filed a petition for judicial review in the ERF and Decoupling dockets. ICNU is estopped from challenging the rates and terms that it agreed to in the 2013 PCORC settlement.

19 The Commission should reject ICNU’s proposal for a deferral and refund. The court did not determine that the return on equity or cost of capital currently in place was set at the wrong rate. Rather, the court stated that “[t]he Commission has particular expertise in understanding the relevant evidence, determining which evidence and models are credible, and determining what ‘fair, reasonable, and sufficient’ means.”<sup>1</sup> The court expressly stated that it “does not attempt to override the Commission’s expertise on such matters, but focuses on the procedural requirements.”<sup>2</sup> The court expressed concern that the Commission did not require PSE to present a sophisticated model or complex presentation or evidence regarding its current situation and from that determine its cost of capital for the multi-year rate plan.<sup>3</sup> Consistent with the court’s limited function on judicial review, the court did not predecide how the Commission should remedy procedural errors or what the substantive outcome of the remand proceeding

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<sup>1</sup> Letter Decision p. 4.

<sup>2</sup> *Id.*

<sup>3</sup> *Id.*

should be. *See* RCW 34.05.574(1). The court remanded the case to the Commission to take action consistent with the court's order.

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If the Commission were to order deferral as ICNU requests, it must similarly order deferral for all riders, trackers and other mechanisms that pass back benefits to customers such as Treasury Grants and Renewable Energy Credits.

Respectfully submitted this 28th day of August 2014

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