

BEFORE THE WASHINGTON STATE  
UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Petition of

PUGET SOUND ENERGY, INC.,

For Approval of 2003 Power Cost  
Adjustment Mechanism Report

DOCKET NO. UE-031389

JOINT MOTION OF  
COMMISSION STAFF, PUBLIC  
COUNSEL AND PUGET  
SOUND ENERGY FOR  
CLARIFICATION OF ORDER  
NO. 04 ACCEPTING AND  
ADOPTING SETTLEMENT;  
APPROVING REPORT

1 Pursuant to WAC 480-07-835, the Commission Staff, Public Counsel and Puget Sound Energy, Inc. (collectively, the "Participating Parties") move for clarification of the Commission's Order No. 04, Order Accepting and Adopting Settlement; Approving Report, issued on January 14, 2004. The motion requests clarification of Order No. 04 in two areas and correction of one minor technical error.

**THE PCA MECHANISM DOES NOT NECESSARILY  
TERMINATE ON JUNE 30, 2006**

2 In Order No. 04, the Commission appears to believe that the Purchased Cost Adjustment ("PCA") mechanism itself ends on its own terms on June 30, 2006. The

Commission stated that:

Pursuant to the order in Docket No. UE-011570, the Company's PCA mechanism accounts for differences between PSE's modified actual power costs and a power cost baseline. This mechanism is approved through June 30, 2006, and allows a sharing of costs and benefits that are graduated over four levels of power cost variances.

Order No. 04 at ¶ 14. The Commission also stated that "the proposed methodology would bar from consideration in the Power Cost Adjustment any money spent outside the PCA period, from July 1, 2002, through June 30, 2006." Order No. 04 at ¶ 11.

3           The June 30, 2006 date, however, is not a termination date for the PCA mechanism itself. The June 30, 2006 date refers only to termination of the overall sharing cap included in the PCA, which is a mechanism that would:

account for a sharing of costs and benefits that are graduated over four levels of power cost variances, *with an overall cap of \$40 million (+/-) over the four year period July 1, 2002 through June 30, 2006.* (Emphasis added.)

Order No. 04, Appendix A, Partial Settlement Stipulation at ¶ 5 citing the PCA Settlement at ¶ 2. *See also* Docket No. UE-011570, Twelfth Supplemental Order, Appendix A, Exhibit A (PCA Settlement) to Settlement Stipulation at ¶ B.3. bullet 5: "The cap is removed at end of the fourth year (June 30, 2006) and any deferred balances associated with the cap are set for refund or collection at that time."

4           Thus, the Commission should issue an order clarifying that the June 30, 2006 date refers only to termination of the overall sharing cap. The PCA mechanism itself

remains in place, with or without amendments, for as long as the Commission finds the mechanism to be just, reasonable, and in the public interest.

**PRUDENCE RELATED TO TENASKA AND ENCOGEN  
HAS NOT BEEN RESOLVED; IT WILL BE RESOLVED IN  
DOCKET NO. UE-031725**

5           The Commission notes correctly that the Participating Parties were unable to agree in this docket to issues related to fuel costs for the Tenaska and Encogen/Cabot natural gas-fired cogeneration projects. Although PSE does not agree that there should be any disallowance of such costs, the Participating Parties have agreed to address those fuel cost issues in the pending Power Cost Only Rate Case in Docket No. UE-031725. Order No. 04 at ¶ 9.

6           The Commission, however, states that “No party challenges the prudence of energy transactions that were subject to review in this docket.” Order No. 04 at ¶ 23. *See also* Order No. 04 at ¶ 27: “No party challenged the prudence of any transaction subject to review in this docket.”

7           The Commission also accepted the Company’s PCA Annual Report for the twelve months ended June 30, 2003, but it did so without any express statement that the Report may be amended depending upon the resolution of Tenaska and Encogen/Cabot issues in Docket No. UE-031725. Order No. 04 at ¶ 31.

8

Thus, Order No. 04 may be unclear as to whether fuel costs regarding the Tenaska and Encogen/Cabot projects remain subject to a prudence review in Docket No. UE-031725. The Commission should issue an order clarifying that such a prudence review will, in fact, occur in that docket. The Commission should also clarify that the result of that prudence review may impact the level of excess net power costs included in the Company's 2003 PCA Report. That amount now stands at \$25.26 million. Order No. 04 at ¶ 12.

**TECHNICAL CORRECTION**

9

The first sentence of paragraph 12 of Order No. 04 states that the agreed changes result in "a reduction of \$2.89 million from the amount identified in PSE's filed Report." The correct figure for the reduction is \$2.91 million. (See the sum of the adjustments shown in Exhibit B to the Partial Settlement Stipulation.)

DATED This \_\_\_ day of January, 2004.

Respectfully submitted,

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