

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of)	DOCKETS UE-121697
)	and UG-121705 (<i>consolidated</i>)
PUGET SOUND ENERGY, INC., and)	
NW ENERGY COALITION)	
)	ORDER 08
For an Order Authorizing PSE to)	
Implement Electric and Natural Gas)	
Decoupling Mechanisms and to Record)	REOPENING RECORD
Accounting Entries Associated with the)	
Mechanisms)	
.....)	

MEMORANDUM

- 1 Puget Sound Energy, Inc. (PSE) and the Northwest Energy Coalition (NVEC), collectively referred to as the “Joint Parties,” filed a petition on October 25, 2012, seeking approval of an electric and a natural gas decoupling mechanism and authority to record accounting entries associated with the mechanisms. The Washington Utilities and Transportation Commission (Commission) entered and served in these dockets on June 25, 2013, Order 07, granting the Joint Parties’ petition.

- 2 Although the Commission determined in Order 07 to include non-residential electric and natural gas customers in the decoupling mechanism, the Commission encouraged the parties to explore alternatives to decoupling for non-residential customers:

The Commission determines that we should not at this time exclude from the decoupling mechanisms non-residential customers other than electric lighting and retail wheeling customers, and gas lighting, gas water heater rentals and special contracts. However, we strongly encourage customers such as Kroger and Nucor Steel, and trade organizations such as ICNU and NWIGU, to engage in meaningful dialogue with PSE, Staff and others who take an interest, and with the

Commission, to monitor carefully how decoupling is working out in practice. It may be that there are alternatives for some, or all, non-residential customers that are better suited to meeting decoupling's goals than are the current decoupling mechanisms. The Commission remains open to hearing fully supported alternative proposals for fixed cost recovery from the non-residential class of customers, or subsets of the class.¹

- 3 On July 5, 2013, the Northwest Industrial Gas Users (NWIGU), Kroger Co., on behalf of its Fred Meyer Stores and Quality Food Centers divisions (Kroger), and Nucor Steel Seattle, Inc. (Nucor) filed their respective petitions for reconsideration. NWIGU urges the Commission to reconsider Order 07 so that it can address on the merits whether the Decoupling Mechanism should apply to non-residential customers that take service under PSE's Tariff Schedules 85, 85T, 87 and 87T. Nucor Steel requests that the Commission reconsider Order 07 with respect to its decisions to include Schedules 85, 85T, 87, and 87T in the revenue decoupling mechanism and not to reduce PSE's return on equity (ROE) to reflect the reduction in risk attributable to the adoption of revenue decoupling. Kroger asks the Commission to reconsider its decision to include larger non-residential electric customers in the revenue decoupling mechanism and its decision not to reduce PSE's return on equity (ROE) to reflect the reduction in risk attributable to the adoption of revenue decoupling.
- 4 The Commission issued a Notice of Procedural Conference on July 12, 2013. In that notice the Commission stated that:

The pending petitions for reconsideration open the possibility that this "meaningful dialogue" might occur sooner, rather than later, possibly leading to an alternative approach, or alternative approaches, for some, or all, non-residential customers that are better suited to meeting decoupling's goals than are the current decoupling mechanisms. The Commission wishes to discuss with the parties on the record whether it should, and how it might best procedurally, facilitate such efforts. The Commission will convene a procedural conference for this purpose.

¹ Order 07, ¶129.

- 5 The Commission convened the procedural conference on July 15, 2013. Based on discussions at the procedural conference, the Commission established a schedule to provide an opportunity for the parties to conduct collaborative sessions to explore alternative approaches to achieving the underlying goals and purposes of decoupling for the non-residential class of customers.
- 6 The parties met in person and telephonically to discuss alternative approaches to achieving the underlying goals and purposes of decoupling for the non-residential class of customers on August 5, August 19, September 30, October 7, October 14, and October 17. In addition to these scheduled meetings, the parties corresponded informally by email, telephone calls, and face-to-face meetings to further discuss alternative approaches.
- 7 As a result of these collaborations, the parties reached agreements on alternative approaches to achieving the underlying goals and purposes of decoupling that they propose as means to resolve the pending petitions for reconsideration. On November 1, 2013, PSE, NWEC, and Staff, joined as appropriate by Kroger, NWIGU, and Nucor Steel filed their responses to the pending petitions for reconsideration. Albeit styled as a Joint Response to Petition for Reconsideration, the two filings are in the nature of multiparty settlement agreements. The proposed settlements are accompanied by prefiled testimony and exhibits.
- 8 On November 8, 2013, Public Counsel and ICNU filed separate Comments concerning the proposed settlements. Public Counsel states that it “was not able to reach agreement with the Joint Parties on the proposals set forth in the Joint Responses” and “cannot not support the proposed alternatives to decoupling for certain non-residential customers at this time.” ICNU states in the conclusion to its Comments that:

[I]f the Commission accepts the Gas and Electric Joint Responses, it should also exempt industrial electric customers on Schedules 40 and 49 from the current decoupling mechanism in order to further incentivize collaboration in developing an alternative proposal. Alternatively, the Commission should reject the Gas and Electric Joint

Responses and consider a more comprehensive approach that includes industrial electric customers in an alternative decoupling mechanism.

The parties joining in the electric and the natural gas settlements (“Joint Parties”) filed a Reply to the comments on November 15, 2013. ICNU filed for leave to file a Response to the Reply, accompanied by its proposed Response on November 20, 2013.

- 9 The Commission finds it is in the public interest to reopen the record in these dockets on its own motion to receive the Joint Responses along with the prefiled testimony and exhibits that accompanied the respective filings. In addition, the Commission will receive into the record the Comments filed by Public Counsel and INCU, the Reply filed by the Joint Parties, and ICNU’s Response to the Reply. Having reviewed these materials, it appears that the Commission can enter a Final Order disposing of the pending petitions for reconsideration, considering both the two proposals by which the Joint Parties would resolve them and the opposition to these proposals, on the basis of the papers filed unless it determines in response to a motion or its own motion that additional process is necessary for full disclosure of all relevant facts and issues.²

ORDER

- 10 Considering the foregoing discussion, the Commission orders that the record in this consolidated proceeding is reopened for the limited purposes described in the body of this Order. The Commission orders further that this matter will be resolved on the basis of the papers filed, subject to any subsequent order determining that additional process is necessary for full disclosure of all relevant facts and issues.

Dated at Olympia, Washington, and effective November 22, 2013.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

² See RCW 34.05.449(2).

DENNIS J. MOSS
Administrative Law Judge