

BEFORE THE WASHINGTON STATE
UTILITIES & TRANSPORTATION COMMISSION

In the Matter of the Petition of
PUGET SOUND ENERGY, INC.

DOCKET UE-130583 (*Consolidated*)

For an Accounting Order Authorizing
Accounting Treatment Related to
Payments for Major Maintenance
Activities

.....
WASHINGTON UTILITIES AND
TRANSPORTATION
COMMISSION,

DOCKET UE-130617 (*Consolidated*)

Complainant,

v.

PUGET SOUND ENERGY, INC.

Respondent.

DOCKET UE-131099 (*Consolidated*)

.....
In the Matter of the Petition of
PUGET SOUND ENERGY, Inc.

For an Order Authorizing the Sale of
the Water Rights and Associated
Assets of the Electron Hydroelectric
Project in Accordance with WAC 480-
143 and RCW 80.12

.....
In the Matter of the Petition of
PUGET SOUND ENERGY, INC.

DOCKET UE-131230

For an Order Authorizing the Sale of
Interests in the Development Assets
Required for the Construction and
Operation of Phase II of the Lower
Snake River Wind Facility

SETTLING PARTIES' JOINT
TESTIMONY IN SUPPORT OF PCA
MODIFICATION SETTLEMENT

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I. INTRODUCTION

Q: Please state your names, titles, and who you represent in this matter?

A: Our names, titles, and representation are as follows:

- Jason Ball, Regulatory Analyst for Commission Staff (Staff);
- Katherine J. Barnard, Revenue Requirements and Regulatory Compliance for Puget Sound Energy, Inc. (PSE or the Company);
- Stefanie A. Johnson, Regulatory Analyst for the Office of Public Counsel (Public Counsel);

Q: Mr. Ball, please describe your education, relevant experience, and other professional qualifications.

A: I graduated from New Mexico State University in 2010 with a Bachelor of Arts dual-major in Economics and Government. In 2013, I graduated with honors from New Mexico State University with a Masters of Economics specializing in Public Utility Policy and Regulation. I testified on power supply and load forecasting in Avista Corporation's general rate case Docket UE-140188. I filed joint testimony in Puget Sound Energy's (PSE) power cost only rate case in Docket UE-141141. I also filed testimony in PacifiCorp's general rate case Docket UE-140762 on overall policy, revenue requirement, inflation factors, and the Merwin Fish Collector accounting deferral. I am the lead analyst for matters relating to the Bonneville Power Administration's Residential Exchange Program, for customers of Avista, PSE, and PacifiCorp.

Q: Ms. Barnard, have you provided information pertaining to your educational background and professional experience?

1 A: Yes. My qualifications are provided in Exhibit No. KJB-2.

2 **Q. Ms. Johnson, please state your qualifications and experience.**

3 A. I am employed as a Regulatory Analyst with the Public Counsel Division of the
4 Attorney General's Office. I have a B.A. in Political Studies and History from
5 Whitworth College, and a Master of Public Administration degree from the Evans
6 School of Public Affairs at the University of Washington. Since joining Public
7 Counsel in December 2005, I have worked on a wide range of energy and
8 telecommunication issues and cases, testified before the Commission as part of
9 settlement panels in numerous dockets, and have presented before this
10 Commission at Open Meetings on various issues.

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1 **Q: What is the purpose of this testimony?**

2 **A:** As part of the 2013 power cost only rate case (PCORC) all-party Settlement
3 Stipulation (2013 PCORC Settlement), the parties¹ to the docket agreed “to
4 participate in a collaborative process per WAC 480-07-720 to address PCA and
5 PCORC-related issues.² Beginning in November 2013, the parties began a series
6 of collaborative meetings regarding the power cost adjustment mechanism (PCA).
7 The parties have spent many hours analyzing and discussing the structure and
8 operation of the current PCA mechanism, as well as various options for possible
9 modification.

10 **Q: Has an agreement been reached?**

11 **A:** Yes, a multi-party agreement was reached. Staff, Public Counsel, and PSE
12 (Settling Parties) agreed on proposed changes to the PCA mechanism. ICNU,
13 who also participated in the collaborative discussions, did not join in the
14 settlement.

15 On March 27, 2015, the Settling Parties filed the following documents
16 with the Commission:

- 17 1. Settlement Stipulation (PCA Modification Settlement)
18 The Settlement Stipulation states the terms of the PCA
19 Modification Settlement agreed to between the parties.
20
21 2. Attachment A to Settlement Stipulation
22 Attachment A (Summary of Power Cost Adjustment
23 Settlement Terms) incorporates the agreed upon

¹ Puget Sound Energy, Inc., (PSE), the Staff of the Washington Utilities and Transportation Commission (Staff), the Public Counsel Division of the Attorney General’s Office (Public Counsel) and the Industrial Customers of Northwest Utilities (ICNU).

² Docket UE-130617, Order 06, Final Order Approving and Adopting Settlement Agreement , Appendix A, ¶ 25.

1 modifications into the original PCA settlement
2 document.³

- 3
4 3. Exhibits A and B to Attachment A
5 These are examples of the exhibits to be used in future
6 PCA filings per PCA Modification Settlement, ¶ 3.
7

8 **Q: Are the Settling Parties sponsoring any exhibits with this testimony?**

9 A: Yes. Attached as Appendix 1 is a red-lined version of Attachment A to the
10 Settlement Stipulation (PCA Modification Settlement) listed above. This
11 document makes redline changes to the original PCA settlement⁴ to indicate the
12 changes agreed to in the PCA Modification Settlement filed with the Commission
13 on March 27, 2015.

14 **II. THE SCOPE OF THE UNDERLYING DISPUTE**

15 **Q: Please briefly describe the existing PCA mechanism.**

16 A: PSE's PCA is the product of a settlement in PSE's 2001 general rate case,
17 Docket UE-011570 (2001 PSE GRC). In June 2002, the Commission approved
18 the parties' Settlement Stipulation for Electric and Common Issues in that docket,
19 including the original PCA settlement creating the mechanism.⁵ The PCA
20 established an annual accounting process for a sharing of modified actual power
21 costs relative to a power cost baseline between PSE and its customers.⁶ The PCA
22 distinguishes between power costs and all other costs included in general rates
23 and allows PSE to file for rate changes to update all of PSE's power costs

³ *WUTC v. PSE*, Docket UE-011570, Twelfth Supplemental Order, Appendix A, Exhibit A. The PCA Settlement agreement is included in this docket as Exhibit No.KJB-3.

⁴ *Id.*

⁵ *Id.*

⁶ *See* Exhibit No.KJB-3 at 1. The PCA had an overall cap on PSE's share of power cost variances of \$40 million (+/-) over the four year period July 1, 2002 through June 30, 2006, which is now expired.

1 identified in the Power Cost Rate.⁷ The PCA Exhibit A included a table
2 identifying the costs that could be adjusted through the PCA⁸

3 **Q: Have there been changes to the PCA since the original PCA Exhibit A was**
4 **approved by the Commission?**

5 A: Yes. Several changes have been made to the PCA since the original PCA Exhibit
6 A was approved by the Commission, including:

- 7 • revising the accounting period for the PCA accounting process to a calendar
8 year;⁹
- 9 • eliminating Schedule E;¹⁰
- 10 • including interest costs and commitment fees associated with electric hedging
11 activities in the Power Cost Rate;¹¹
- 12 • computing rate spread based on the peak credit methodology in the
13 Company's most recent general rate case proceeding rather than the peak
14 credit methodology used in the 2001 GRC;¹²
- 15 • extending the expected procedural schedule for a PCORC from five to six
16 months;¹³

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⁷ *Id.* at 2.

⁸ *Id.* at 4. The Power Cost Rate is comprised of Variable Rate Components and Fixed Rate Components.

⁹ Docket UE-050870.

¹⁰ Docket UE-060266.

¹¹ Docket UE-060266.

¹² Docket UE-070565.

¹³ Docket UE-072300.

- 1 • limiting the filing of power cost updates to one per PCORC, with an
2 additional update allowed as part of the compliance filing if the Commission
3 determines the update is necessary due to increased gas costs and orders that
4 such update be made as part of the compliance filing;¹⁴
- 5 • prohibiting the overlap of PCORCs and general rate cases, except for requests
6 for interim rate relief;¹⁵
- 7 • shortening data request response time from ten to five business days at the
8 outset of a PCORC proceeding.¹⁶
- 9 • removing property taxes from the mechanism as a result of the approval and
10 implementation of a Property Tax Tracker.¹⁷

11 **Q: Please describe the collaborative process.**

12 A: The Parties met numerous times over a year long period. PSE provided responses
13 to multiple data requests in order for the Parties to have adequate data to conduct
14 a detailed review of the existing PCA mechanism. Meetings and working
15 sessions were held on 16 different occasions. The proposed settlement is a
16 product of those efforts.

17

¹⁴ *Id.*

¹⁵ *Id.*

¹⁶ *Id.*

¹⁷ Docket UE-130137.

1 **III. THE PCA MODIFICATION SETTLEMENT**

2 **Q: Please describe the scope of the PCA Modification Settlement and its**
3 **principal aspects.**

4 A: The proposed PCA Modification Settlement modifies PSE's existing PCA
5 mechanism and is the product of the year-long collaborative process to address
6 concerns of various parties regarding the mechanics of the original PCA
7 mechanism. The text of the proposed PCA Modification Settlement is largely
8 self-explanatory, therefore, we do not repeat each detail here; however, key
9 modifications include:

- 10 • Removal of fixed production costs from the PCA imbalance calculation.
- 11 • Adjustment of the dead-bands and sharing bands for under- and over-recovery
12 of allowed costs:¹⁸
- 13 ○ Narrow the deadband from \$20 million to \$17 million to provide earlier
14 sharing of both costs and benefits;
- 15 ○ Adjust the first sharing band (\$17 million to \$40 million) such that
16 customers will receive 65 percent of the benefits of power cost over-
17 recoveries rather than the 50/50 sharing that currently occurs in the first
18 sharing band; and
- 19 ○ Eliminate the third sharing band, thus limiting customers' sharing of
20 under- or over-recoveries over \$40 million to 90 percent.

¹⁸ The existing PCA labeled the bands as Deadband and Second, Third and Fourth Sharing Bands. The modifications in this Settlement label the bands as Deadband, First and Second Sharing Bands.

- 1 • The threshold for determining the timing of rate refunds or surcharges is
 2 reduced to \$20 million from the existing \$30 million cumulative deferred
 3 balances.
- 4 • Continuation of the existing PCORC filing provisions, which allow for a full
 5 update to power costs (both variable and fixed production costs) in a PCORC.
- 6 • A streamlining and clarification of the exhibits required for power costs in a
 7 PCORC or GRC filing and those required in the annual PCA compliance
 8 filings. The table below provides a summary of the changes in the required
 9 exhibits:

Exhibit	Description	PCORC/GRC Filing	Annual Filing
A-1	Baseline Rate	Yes	Yes
A-2	Transmission Rate Base	Remove	N/A
A-3	Colstrip Fixed Costs	Remove	N/A
A-4	Power Costs	Remove	N/A
A-5	Production Adjustment	Remove	N/A
B	PCA Imbalance Calculation including Sharing Bands & Interest	N/A	Yes
C	Application of \$40 Million Cap	N/A	Expired
D	Regulatory Assets/Liabilities	Remove	N/A
E	Contract Adjustments	N/A	Removed ¹⁹
F	Colstrip Availability Adjustment	N/A	Remove
G	New Resource Adjustment	N/A	Remove

10

11 **Q: What is the proposed timing of the changes to the mechanism?**

12 A: The parties propose that the changes be effective January 1, 2017, which
 13 coincides with the start of a PCA year and is anticipated to be close to the

14

¹⁹ *Washington Utilities & Transportation Commission v. Puget Sound Energy, Inc.*, Dockets UE-060266/UG-060267, Order 08, ¶¶ 28-33.

1 effective date for final rates in PSE's next general rate case.

2 **Q: Are there additional components of the settlement stipulation?**

3 A: Yes. There were several additional key components to this settlement which are
4 described briefly below, and discussed in further detail by Ms. Barnard, Mr. Ball,
5 and Ms. Johnson in their individual testimonies included later in this document.

- 6 • **Five-year moratorium for changes to the PCA Mechanism:** The Settling
7 Parties agree to a five-year moratorium on further changes to the PCA
8 mechanism, effective from the start of the modified PCA mechanism, January
9 1, 2017. During the moratorium, the requirement to file a GRC following a
10 PCORC filing will be removed.
- 11 • **PCORC filing moratorium** – During the five-year moratorium, discussed
12 above, the settlement provides for a limited stay-out period by PSE of six
13 months following the rate effective date of any PCORC filing. This is not
14 considered to be a permanent change to the PCA Mechanism, but PSE has
15 agreed to such a stay out during the five-year moratorium period discussed
16 above.
- 17 • **Cost categories** – The settlement recognizes that certain costs will no longer
18 be included in the PCA imbalance calculation but they will still be updated
19 through a PCORC filing. To continue with the PCORC updates without
20 unduly burdening others and the Commission, the Settling Parties agree to
21 separately identify costs using three categories: 1) variable production costs
22 (recovered and tracked through the PCA imbalance calculation), 2) fixed
23 production-related costs (that will be included in the electric decoupling

1 mechanism if the mechanism continues, and 3) delivery costs (all other costs
2 including those currently in the decoupling plan).

- 3 • **Cost of service** - The original PCA Mechanism stated specifically that
4 changes in the power cost rate would utilize the Peak Credit Methodology. In
5 light of the recent rate spread/rate design settlement agreement that was
6 initiated under this docket, and the related upcoming generic proceeding, the
7 parties have agreed that the PCA mechanism and the PCORC will recover
8 costs based on the prevailing cost-of-service methodology at the time of their
9 initial filing. This language change allows for any outcome in the generic
10 proceeding to be seamlessly integrated into the updated mechanism, and if no
11 change is made, to retain the status quo.

- 12 • **Decoupling:** Parties are not bound to any position with respect to the
13 continuation of decoupling or the treatment of fixed production costs within
14 the decoupling mechanism in PSE's next general rate case. However, if the
15 electric decoupling mechanism continues for PSE after the review of
16 decoupling in PSE's next general rate case, the electric decoupling mechanism
17 will include fixed production costs that were formerly tracked in the PCA
18 mechanism identified in Attachment A to the PCA Modification Settlement.

19 **IV. THE SETTLEMENT SATISFIES THE PARTIES' INTERESTS AND**
20 **THE PUBLIC INTEREST**

21 **Q: Why does the Settlement Stipulation satisfy the public interest?**

22 **A:** The restructuring of the sharing bands fairly balances the interests of PSE and its
23 customers. Customers benefit because of the asymmetrical design of the first

1 sharing band; they will receive a higher share of over-recoveries of power costs
2 above the dead band (65 percent versus 50 percent of under-recoveries).

3 Additionally, their overall responsibility for power cost under-recoveries beyond
4 \$40 million has been reduced from 95 to 90 percent. The narrowing of the
5 deadband from \$20 million to \$17 million provides customers quicker access to
6 their higher share of over-recoveries, but provides PSE the benefit of receiving
7 customer sharing of costs sooner when there are under recoveries of power costs.

8 **Q: Ms. Johnson, why does the Settlement Stipulation satisfy the interests of**
9 **Public Counsel?**

10 A: Public Counsel believes the proposed changes to the PCA sufficiently address
11 many of the issues raised in the Direct Testimony of Mr. Sebastian Coppola, on
12 behalf of Public Counsel, filed in the earlier stages of this docket.²⁰ Specifically,
13 important elements of this settlement remove fixed production costs from the
14 PCA, adjust the mechanism to account for asymmetry in risk between customers
15 and the company, adjust the trigger threshold and sharing bands, and simplify the
16 mechanism and its related filings. Moreover, these agreed changes were reached
17 after an extensive collaboration process which took place over the course of more
18 than a year. Considerable time and effort was committed to these discussions,
19 and Public Counsel believes that this proposal best reflects proper regulatory
20 treatment of variable costs and risks in a manner that has been tailored to the
21 Company's specific operation and circumstances at this time.²¹

²⁰ See, Direct Testimony of Sebastian Coppola, Exhibit No. SC-1T.

²¹ Public Counsel also agrees with the testimony of Mr. Ball, on behalf of Staff.

1 **Q: Please discuss the elements of this settlement important to Public Counsel.**

2 A: As mentioned above, there are a few select elements of the settlement that address
3 Mr. Coppola's concerns that Public Counsel believes are essential to this
4 agreement. These are discussed below.

- 5 • Removal of Fixed Costs. No specific element of the proposed PCA can be
6 judged in isolation. However, Public Counsel is very pleased that, on the
7 whole, this settlement works to simplify an unnecessarily complex
8 mechanism. The removal of fixed costs, as well as the proposed changes to
9 the exhibits filed in a PCA, PCORC, or GRC filing will make it easier for
10 Public Counsel, Staff, and other interveners to review PSE's power costs.
- 11 • Sharing Bands. The asymmetry introduced in the first sharing band is an
12 essential component of this revised mechanism. This asymmetry is
13 particularly important because mechanisms such as the PCA naturally shift
14 risk from the Company to customers, who obviously do not wield any control
15 over costs, and serves to encourage cost control on the part of PSE.
16 Additionally, the reduction of the deadband from \$20 million to \$17 million
17 further justifies enhanced customer benefits in the first sharing band in
18 situations where the company has collected more revenue than needed to
19 cover its power costs.
- 20 • Adjustment of the trigger mechanism. One purpose of the PCA is to prevent
21 rate volatility. The trigger serves a useful purpose to this end by avoiding
22 overly frequent surcharges or refunds, however, it needs to be appropriately
23 calibrated in order to fully perform its correct function. Public Counsel

1 believes an appropriate calibration allows customers to periodically benefit
2 when refund amounts build up to a significant level, understanding that the
3 company will benefit if a significant surcharge obligation builds up. The
4 current mechanism, set at \$30 million, had never triggered a refund or a
5 surcharge. This proposed change reduces the trigger to \$20 million. Even at
6 this reduced level, the current mechanism would have only triggered a
7 surcharge or refund once in its history, so it does not reintroduce concerns
8 about frequent rate changes.

- 9 • Decoupling. One critical element of this agreement is the provision stating
10 that parties are “not bound to any position with respect to the continuation of
11 decoupling or the treatment of fixed production costs within the decoupling
12 mechanism in PSE’s next general rate case.” Moreover, “nothing in this
13 Settlement binds any party to any position with regard to treatment of costs in
14 an automatic escalation factor mechanism (such as a K-factor) or in a multi-
15 year rate plan.” Public Counsel believes proper regulatory treatment of the
16 fixed production costs is outside of the PCA, which should be limited to
17 variable costs alone. Public Counsel has both recommended and agreed to
18 full decoupling mechanisms for this company and others in recent dockets.
19 We believe that looking at these fixed production charges in the full scope of
20 the consideration of the continuation of the Company’s decoupling
21 mechanism in the next GRC is the appropriate means of approaching this
22 issue. Furthermore, it was essential to Public Counsel that this agreement not

1 limit parties' ability to advocate for any position on the K-factor, which will
2 undergo a close look in the upcoming GRC.

3 **Q: Mr. Ball, please summarize why Staff supports the settlement?**

4 A: Staff supports this settlement because it is in the public interest. Staff is pleased
5 to see this collaborative achieve a multi-party agreement that simplifies and
6 updates PSE's Power Cost Adjustment (PCA) mechanism. Not only does the
7 removal of fixed costs from the PCA reduce the complexity of the mechanism
8 itself, but it achieves broader consistency with the principled policy goals of a
9 power cost adjustment mechanism. Further, by updating the sharing mechanisms
10 to recognize asymmetry in power cost recovery the PCA will provide clearer and
11 more reasonable cost control incentives to the Company. As a whole, the
12 Settlement makes changes to the way costs are recovered and through what
13 apparatus – it does not allow or disallow any additional costs. This Settlement
14 aligns variable costs with appropriate variable recovery mechanisms and leads to
15 an outcome that is better balanced and more equitable. For all these reasons, Staff
16 recommends the Commission accept this Settlement.

17 **Q: Please outline the analysis Staff undertook in reviewing and ultimately**
18 **supporting this Settlement.**

19 A: The overall policy of the Settlement and the changes that it implements to the
20 PCA are, in Staff's opinion, matters of power cost recovery design principles and
21 simplification. Below is a list of the different components of this Settlement and
22 a brief discussion of Staff's analysis for each:

- 1 • Removed Fixed Production-Related Costs - The current mechanism includes
2 fixed production-related costs (such as hydro and other production operations
3 and maintenance) that have very little to no annual variability (as in the case
4 of the amortization of regulatory assets). The purpose of a properly designed
5 PCAM is to “protect the companies against extreme variations in power costs
6 caused by . . . circumstances that are beyond the companies’ ability to
7 foresee and control.”²² The Settlement’s removal of fixed production-related
8 costs achieves this purpose.

9 Normally, fixed costs are recovered through general rates and subject to
10 variations in load with no true-up (except via other mechanisms such as
11 decoupling). However, when fixed costs are included in an energy recovery
12 mechanism, they are subject to true-up for load variations. This has an
13 impact on cost sharing and may push other variable costs, which the
14 Company may have some control over, into a higher sharing band or
15 conversely contain the variable costs within the dead band. In either case,
16 this alters the incentives for the Company to control its costs whenever
17 possible.

- 18 • Sharing Bands – the Settlement proposal modifies the existing sharing bands
19 and aligns the PCA with the Commission’s policies on PCAM’s.

20 Additionally, asymmetry in power costs is directly outlined in the report
21 PSE filed in compliance with Order 12 in Docket UE-072300. In that report
22

²² *WUTC v. Puget Sound Energy, Inc.*, Dockets UE-060266 & UG-060267 (*consolidated*), Order 08 (January 5, 2007) at ¶¶ 20-21.

1 PSE concluded that:

2 “In contrast to the symmetrical nature of the PCA bands, this study
 3 demonstrates that the power cost imbalance, when viewed as a whole, is
 4 asymmetric, with a higher likelihood for the occurrence of over-recovery
 5 of power costs.”²³

6 This Settlement implements asymmetric sharing bands in a manner consistent
 7 with both the report and the Commission’s language in Order 08 in Docket UE-
 8 065146:

9 “Each company’s individual circumstances must be considered and must
 10 inform the development of a PCAM . . . An optimally designed PCAM
 11 would recognize the inequality between upside and downside risk in its
 12 design of deadbands and sharing bands”²⁴

13 This settlement recognizes the asymmetric risk of power costs for a utility
 14 operating primarily in a hydro-rich region like the Northwest and provides an
 15 appropriately tailored outcome. Additionally, the adjustment to the level of the
 16 dead band from \$20 million to \$17 million helps mitigate the shifts in the risk
 17 between ratepayers and the Company from altering the sharing bands.

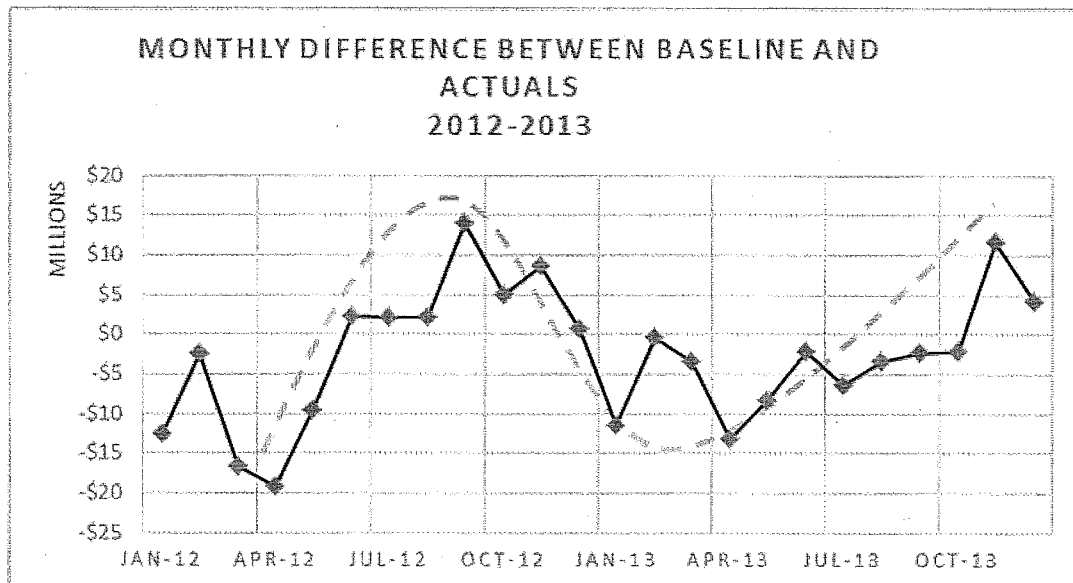
Risk/Cost Shift Analysis for first \$40 Million

Change in responsibility for:	PSE	Ratepayer	Results of Efficacy Report
Power Cost Over-Recovery	\$(4,950,000)	\$4,950,000	Higher Probability
Power Cost Under-Recovery	\$1,500,000	\$(1,500,000)	Lower Probability

²³ Study of the Efficacy of the PCA Sharing Bands filed in Compliance with Order 12 in Dockets UE-072300 and UG-072301 (consolidated) at p. 8.

²⁴ WUTC v. Pacific Power & Light Company, Inc., UE-061546 and UE-060817, Order 08 (June 21, 2007) at ¶¶ 83.

- 1 • Stay-Out period – This provision provides a necessary time limitation
2 between changes to the baseline power cost rate. Infrequent revisions of the
3 baseline allow cost-sharing bands to operate as intended. It is necessary for
4 the natural cyclical fluctuations in variable power costs to occur without
5 tampering – otherwise the purpose the PCA and its sharing bands is lost. The
6 primary goal for power cost adjustment mechanisms is to provide protection
7 from extreme deviations in power costs, not to insulate the company from
8 normal variations.²⁵ As illustrated below, monthly and yearly power costs
9 tend to follow a cyclical trend that, on a deferral basis, will counter act each



10 other by the end of the cycle.

11 As this trend shows, the cyclical nature of power costs allows and directly
12 incentivizes the Company to achieve cost saving measures during the PCA
13 reporting period so long as the baseline rate is not affected.

²⁵ *WUTC v. Puget Sound Energy, Inc.*, Dockets UE-060266 & UG-060267 (consolidated), Order 08 (January 5, 2007) at ¶¶ 20.

- 1 • Decoupling – The provisions of this Settlement allow each party the
2 flexibility to argue principles and policies in the Company’s next GRC.
3 What is not at issue is the fact that PSE must be allowed to recover its fixed
4 production-related costs.
- 5 • Separation and identification of cost categories – The purpose behind this
6 Section of the Settlement is to avoid unnecessary confusion in future PCORC
7 filings, and further, to allow all the terms of this Settlement to be executed in
8 PSE’s next GRC with minimal complication. The removal of fixed costs
9 from the imbalance mechanism means that overall it is a revenue-neutral
10 filing. However, fixed production-related costs must be recovered in some
11 form; additionally, this settlement does not seek to eliminate PSE’s ability to
12 update fixed production-related costs through a PCORC. It is therefore
13 necessary to provide a method that clearly identifies these costs as separate
14 from other costs currently included in general rates or other mechanisms.
15 Separate identification allows future rate changes in PCORC filings to go
16 ahead relatively unimpeded. The Total Revenue Requirement Table in
17 Attachment A to the PCA Collaborative Settlement Agreement provides an
18 important and useful breakdown between these costs.

19 As demonstrated above, the individual and overall terms of the settlement
20 result in a more equitable and reasonable power cost adjustment that benefits both
21 ratepayers and the Company. For the reasons described above, Staff supports the
22 Settlement as being the in the public interest.

1 **Q: Ms. Barnard, why does the Settlement Stipulation satisfy the interests of**
2 **PSE?**

3 A: PSE believes the current PCA Mechanism has been working as intended, as is
4 evidenced by the fact that since its inception approximately 12 years ago, the
5 over-recovery and under-recovery deferrals in the PCA Mechanisms have largely
6 balanced. However, PSE recognizes there are differing approaches and
7 perspectives as to how a power cost adjustment mechanism can operate. PSE
8 agreed to enter into a collaborative discussion to explore whether there were
9 changes that could be made to the existing PCA Mechanism that would address
10 concerns raised by other parties while still providing comparable protections and
11 benefits to PSE and its customers. PSE supports the agreement to avoid further
12 litigation and believes that the proposed changes when viewed in their entirety are
13 a reasonable outcome to the collaborative. The Company recognizes that the
14 original mechanism was created through a settlement process and believes there is
15 value to making modifications through a similar process versus litigation where
16 there would be further uncertainty of outcomes. From PSE's perspective, one of
17 the key elements is the five-year moratorium to further changes to the PCA
18 mechanism, including the continuation of the existing Power Cost Only Rate
19 Case, which is essentially unchanged. Although the proposed modifications
20 include removing fixed production costs from the balancing mechanism, the
21 settlement provides for differences in revenue recovery associated with the fixed
22 costs to be including in the decoupling mechanism, should the Commission

1 approve continuation of the decoupling mechanism in PSE's next general rate
2 case.

3 **Q: Why does the company support the asymmetrical sharing proposal?**

4 A: The company views the proposed asymmetrical sharing within the first sharing
5 band as part of the give and take of reaching a settlement in this collaborative;
6 however, PSE has not changed its historical view that both the direction and the
7 magnitude of asymmetry will change overtime. PSE has, in numerous cases,
8 demonstrated that although there may be asymmetry in the over- or under-
9 recovery of power costs, primarily within the deadband, the direction of the
10 asymmetry changes over time and how the distribution of the imbalances is
11 skewed will vary depending upon the underlying variables that change frequently.
12 Most recently, in the 2011 General Rate Case (UE-111048 & UE-111049), PSE
13 witness Salman Aladin addressed this issue and demonstrated that both the
14 direction and the magnitude of the skew will vary over time--sometimes showing
15 a higher likelihood of over recovery of power costs and sometimes showing a
16 higher likelihood of under recovery of power costs--based on factors that impact
17 the overall portfolio, such as market prices, market conditions, asset mix, load,
18 and hydro conditions. Because of this unpredictability, PSE has advocated in the
19 past and still believes that specific asymmetry should not be built into the sharing
20 bands. However, PSE believes the concessions made for asymmetry in the
21 sharing percentage in the first sharing band is reasonable based on other changes
22 to the mechanism that were agreed to by the Settling Parties, such as narrowing of
23 the dead bands.

DOCKETS UE-130583, UE-130617, UE-131099, UE-131230
SETTLING PARTIES' JOINT TESTIMONY IN
SUPPORT OF PCA MODIFICATION SETTLEMENT

1 **Q:** **Does this conclude the testimony of the Settling Parties?**

2 **A:** Yes,

APPENDIX 1

Attachment A to
Settlement Stipulation

Effective January 1, 2017

Exhibit A to
Settlement Stipulation

~~*PSE GENERAL RATE CASE
DOCKET NOS. UE 011570 and UG 011571*~~

SETTLEMENT TERMS FOR THE

**SUMMARY OF POWER COST ADJUSTMENT (PCA) MECHANISM
(PCA) SETTLEMENT TERMS**

A. ~~Executing Parties~~

~~1. The following parties have participated in the Power Cost Adjustment mechanism (PCA) collaborative in Docket Nos. UE 011570 and UG 011571, and have reached consensus on the terms of settlement with respect to such issues, as set forth in this Agreement: Puget Sound Energy, Inc. ("PSE" or the "Company"); the Staff of the Washington Utilities and Transportation Commission; the Public Counsel Section of the Attorney General's Office; Intervenor the Kroger Co.; Intervenor AT&T Wireless Services, Inc.; Intervenor NW Energy Coalition and Natural Resources Defense Council; Federal Executive Agencies; and Intervenor Cogeneration Coalition of Washington (hereinafter referred to collectively as "Executing Parties").~~

B

A. OVERVIEW OF PCA

~~2.1. The proposed PCA is a mechanism that would account~~accounts for differences in PSE's modified actual power costs relative to a power cost baseline. This mechanism ~~would account~~provides for a sharing of costs and benefits that are graduated over ~~four~~three levels of power cost variances, with an overall cap of \$40 million (+/-) over the four year period July 1, 2002 through June 30, 2006. If the cap is exceeded, costs and benefits in excess of \$40 million would be shared at a different level of sharing. The factors influencing the variability of power costs included in the ~~proposal~~mechanism are primarily weather or market related. PSE will be allowed to file for rate increases to implement limited power supply cost increases related to new resources, discussed later.

~~3.2. Sharing proposal~~**Bands:**

- a. ~~First Dead Band (dead band):~~ \$20-\$17 million (+/-) annually, 100% of costs and benefits to Company.
- b. ~~Second~~ First Sharing Band: \$20-\$40 million (+/-) annually,
- i. Costs (under-recovered) will be shared 50% of costs and benefits to Company; 50% of costs and benefits to Customers.
 - ii. Benefits (over-recovered) will be shared 35% to the Company; 65% to Customers
- ~~b.c. Third~~ Second Sharing Band: Over \$40-\$120 million (+/-) annually, 10% of costs and benefits to Company; 90% of costs and benefits to Customers.
- ~~Fourth Sharing Band: Greater than \$120 million (+/-) annually, 5% of costs and benefits to Company; 95% of costs and benefits to Customers.~~
 - ~~Overall Cap For Four Year Period July 1, 2002 through June 30, 2006: As a separate limit, the Company's share of power costs/benefits will not exceed a \$40 million (+/-) cumulative net balance, as calculated per the sharing bands discussed above. If this cap is exceeded, sharing thereafter is adjusted to 99% of costs and benefits to Customers and 1% of costs and benefits to Company. 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.~~
- ~~e.d.~~ Deferral and Interest: The customer's share of the power cost variability will be deferred as described below, and the balance will accrue monthly interest at the interest rate calculated in accordance with WAC 480-90-233(4). Amounts will be deferred consistent with recovery under the provisions of SFAS 71 of Accounting Standards Codification 980.

4.3. Timing of surcharges or credits:

- a. The sharing amounts will be accounted for, on an annual basis. ~~The first 12 month, with a PCA period will be the period beginning July 1, 2002 and ending June 30, 2003. Subsequent PCA periods will be 12 month period beginning on July 1 of~~ January 1 through December 31 for each year¹. The surcharging of deferrals can be triggered by the Company when the balance of the deferral account is approximately \$3020 million. The Company shall make a filing to refund deferrals when the balance in the deferral account is a credit of \$3020 million or more.
- b. To address financial needs and to provide Customers a price signal to reduce energy consumption, a surcharge can be triggered when the Company determines that, for any upcoming 12 month period, the projected increase in the deferral balance for increased power costs will exceed \$3020 million. The surcharge will be implemented through a special filing subject to Commission approval detailing the events giving rise to the projected cost variance.
- c. In ~~August~~ April of 2003 ~~and each year thereafter~~, the Company shall file an annual report detailing the power costs included in the deferral calculation, in a form satisfactory to the Commission, for Commission review and approval ~~by~~ September 30 of that year. The Commission shall have an opportunity to review the prudence of the power costs included in the deferred calculation, and costs determined to be imprudent can be disallowed at that time. Staff and other interested parties will have the opportunity to participate in the prudence review process. The Company will also provide the Commission with a quarterly report of the deferral calculation in a form satisfactory to the Commission.
- d. Unless otherwise determined by the Commission, surcharges or credits will be collected or refunded, as the case may be, over a one year period. If for any reason the PCA shall cease to exist, any balances in the deferred accounts not previously reviewed will be reviewed and set for refund or surcharge to customers at that time.

~~C.~~ Elements of B. ELEMENTS OF PCA

5.4. Power Cost Baseline Rate: In order to focus on the component of the Company's rates to be ~~adjusted by~~ included in a PCA, it is necessary to distinguish between power costs and all other costs in general rates. ~~This Total PSE costs will single out the divided, or separately identified,~~ into three categories: 1) Variable Production Costs

¹ PCA moved to calendar year per docket UE-050870

(tracked through the ~~relative~~ PCA imbalance calculation), 2) Fixed Production Costs (that will be included in PSE's electric decoupling mechanism if the mechanism continues), and 3) Delivery Costs (currently included in PSE's decoupling plan). The Power Cost Baseline Rate is the combination of Variable Production Costs and Fixed Production Costs. The following table indicates the portion of the Company's rate to be adjusted by the proposed PCA mechanism and in the periodic "Power Cost Only Rate Case" review. ~~The purpose is for the PCA, and any Power Cost Only case, to measure the cost of power delivered to PSE's system, and to measure the change in this overall cost. The following table illustrates the proposed distinctions among costs in the Company's rates.;~~

Total Revenue Requirement Table

Total Rate TOTAL REVENUE REQUIREMENT		
Power Cost Baseline Rate¹ (see Exhibit A)		Non-power Costs
Variable Rate Component Production Costs²	Fixed Rate Component Production Costs	Delivery Costs
<ul style="list-style-type: none"> •Fuel <u>Other revenues, FERC accounts 547 and costs associated with fuel 501;</u> •Purchase & Interchange, (purchase power contracts not to exceed general rate case or PCA resource case cost level), FERC account 555; •Purchases/Sales of Non-Core Gas, FERC Account 456.0; •Hedging Gains or Losses on Fuel and Power Purchases and Sales and related Brokerage Fees; •Sales to Others, FERC Account 447; •Wheeling costs, FERC Account 565; <li style="padding-left: 40px;">Transmission income associated with specific lines •Amortization of Specific Production regulatory assets or liabilities [*] amortization 	<p>Following items to be recovered at the last general rate case or PCA resource case revenue levels:</p> <ul style="list-style-type: none"> •Return on Fixed Production Plant and specific Transmission^{**} Return on Ratebase (7.30% Transmission³ Assets, at the current authorized net of tax) rate of return; •Return on Production-related Regulatory Assets and Liabilities at the current authorized net of tax rate of return; •Depreciation expense for Production Plant and specific Transmission Depreciation Transmission³ Assets; •Hydro and other Production Plant and specific Transmission Property Taxes Production plant and specific Transmission O&M Other O&M (including Payroll OH/taxes); •Other Power Supply Expenses, FERC 557 (including Payroll OH/taxes); ^{**} •Property Insurance associated with Production Plant; 	<ul style="list-style-type: none"> •Transmission (other than what has been included in PCA fixed rate Fixed Production Costs component) Distribution; •All other operating accounts not included in the Power Cost Rate-Baseline Rate Variable Production Costs or Fixed Production Costs; •Line of Credit costs associated with Hedging program (included as a cost of capital item in next GRC).

¹ References in table correspond to FERC accounts to be itemized in the Exhibits. For example, "Other Power Supply Expenses" corresponds to FERC Account 557.

² Modifying the above table due to changes in account numbering by FERC or the addition of new production resources will not be subject to the 5-year moratorium. Inclusion of any other accounts will be decided in a General Rate Case, PCORC, or PCA compliance filing.

<p>amortized to Accts.: 501, 547, 555 and 565. Inclusion of any other variable regulatory assets or liabilities will be decided in a future GRC or PCORC. Inclusion of any other variable regulatory assets or liabilities will be decided in a future GRC or PCORC; return (7.30% net of tax) at current PCA rate year level</p> <p>Adjustment for availability of Colstrip:</p> <ul style="list-style-type: none"> •Acct. 408.1—Montana Electric Energy Taxes; •Commission Approved Equity Adder associated with Coal Transition PPA. 	<p>•Amortization of Regulatory Assets and Liabilities (Except amounts amortized to Accts.: 501, 547, 555 and 565);</p> <p>•**_Specific Transmission³— Colstrip 1&2 line, Colstrip 3&4 line, Third AC, Northern Intertie. <u>expense and revenues:</u></p> <ol style="list-style-type: none"> 1. <u>Transmission Expense—500 kV;</u> 2. <u>Acct. 456.1—Transmission Revenue</u> 	
<p>*Regulatory Assets—Tenaska, Encogen (Cabot Oil buy out), Bonneville Exchange Power</p>	<p>**Specific Transmission—Colstrip 1&2 line, Colstrip 3&4 line, Third AC, Northern Intertie,</p>	

6. ~~Adjustment for Availability of Colstrip:~~ A Colstrip adjustment will be measured against a weighted equivalent availability factor. If the actual availability factor (weighted by PSE ownership times unit capacity) for the four plants at Colstrip falls below a 70% equivalent availability factor a reduction will be made to the allowable revenue requirement for Colstrip. The calculation will be calculated by subtracting the actual weighted equivalent availability factor from 75%. This difference will be divided by 75% and the resulting percentage will be multiplied times the fixed costs (such fixed costs being more particularly described in Exhibit A) associated with Colstrip. The revenue requirement associated with this portion of these fixed costs will be removed from the allowable costs in the PCA.

3 Specific Transmission refers to: Colstrip 1&2 line, Colstrip 3&4 line, Third AC, & Northern Intertie.

~~7.5.~~ **New Resources:** ~~New resources with a term of less than or equal to two years will be included in the allowable PCA costs. The prudence of these new resources with a term less than or equal to two years will be determined in the Commission's review of the annual PCA report. New~~ The prudence of new resources with a term greater than two years may be included in the PCA allowable cost at the lesser of the actual cost or the average embedded cost in the PCA (including transmission into PSE's Puget Sound system) as a bridge mechanism, until the then future costs of these new resources can be reviewed in a Power Cost Only Rate review Case or general rate proceeding.

~~8.6.~~ **Power Cost Only Rate Review: Case (PCORC)**

~~In addition to the yearly adjustment for power cost variances, there would be in Variable Production Costs, PSE may file a periodic proceeding specific to power costs that would true up the Power Cost Rate to all power costs identified in the Power Cost Baseline Rate, as well as allow new resources into the Power Cost Baseline Rate. The Company can also initiate a power cost only proceeding to add new resources to the Power Cost Rate. In either case, the Company would submit a Power Cost Only Rate PCORC filing proposing such changes.~~ This filing shall include testimony and exhibits that include the following:

- ~~a.~~ a. Current or updated ~~least cost~~ integrated resource plan
- ~~b.~~ b. Description of the need for additional resources (as applicable)
- ~~c.~~ c. Evaluation of alternatives under various scenarios (as applicable)
- ~~d.~~ d. Adjustments to the Fixed Rate Production Cost Component
- ~~e.~~ e. Adjustments to the Variable Rate Production Cost Component
- ~~f.~~ f. A calculation of proforma production cost schedules that ~~are consistent~~ are consistent with this docket, including power supply and other adjustments impacting then current production costs.

~~9. — If, during the first three (3) years after new rates have gone into effect (i.e., the three year period commencing July 1, 2002 and ending July 1, 2005) the Commission shall approve a cumulative increase to general rates in excess of 5%, and such cumulative increase in excess of 5% is the result of rate increases sought by the Company and approved by the Commission in one or more such Power Cost Only reviews, then within three (3) months of the date such cumulative rate increase in excess of 5% shall take effect, the Company shall file a general rate case.~~

~~10.7. — Further, if at any time after July 1, 2005 the Company shall file for a Power Cost Only review~~ If the Company shall file for a PCORC, and such filing shall result in an

increase to general rates then in effect, the Company shall, within three (3) months of the effective date of any rate increase resulting from such ~~Power Cost Only~~ review ~~PCORC~~, file a general rate case. Not more than one general rate case filing in any 12 month period shall be required to comply with this requirement. Except for requests for interim rate relief, PSE is prohibited from overlapping PCORC and general rate case filings. Additionally, PSE is limited to filing one power cost update per PCORC, with an additional update allowed as part of the compliance filing if the Commission determines the update is necessary due to increased gas costs and orders that such update be made as part of the compliance filing⁵.

~~11.8.~~ One objective of a new resource proceeding is to have the new Power Cost Baseline Rate in effect by the time the new resource would go into service. Upon receipt of ~~such a~~ filing, hearings would be scheduled to review the appropriateness of adjusting the Power Cost Rate ~~and/or adding new resource costs to the Power Cost Rate.~~ Baseline Rate. These hearings would consider only power supply costs included within the Power Cost Baseline Rate. It is contemplated that this review would be completed within ~~four~~ five months.⁶ Data request response time during the review period will be five days.⁷ Within 30 days following the ~~four~~ five month review, the Commission would issue an order determining the appropriateness of all power costs ~~to be included in the Power Cost~~ Baseline Rate and the prudence of any new resource (with a term greater than two years) acquisition.

~~DC.~~ **PCA Mechanism** (~~procedures~~ MECHANISM (PROCEDURES))

~~12.9.~~ Exhibit A-1 details an example of PSE's presentation of the power costs, on a test year level (as defined in the revenue requirement settlement in Docket No. UE-011570141141) identified in the Total Revenue Requirement Table. The purpose of this exhibit is to calculate the Power Cost Baseline Rate which is defined as the sum of both the Fixed Rate Components and Variable Rate Components Production Costs and Fixed Production Costs, divided by the test year delivered load (MWh).—The remaining Executing Parties agree to PSE's presentation shown in Exhibit A and will verify in due course the accuracy of the specific numbers in that exhibit.

~~13.10.~~ Exhibit B, which is based on the Company's presentation of test year costs ~~and is subject to verification by the remaining Executing Parties as described above,~~ is an explanation and example of the calculation used in the PCA to determine the amount of power cost that will be subject to the sharing mechanism. This exhibit calculates the amount subject to sharing by subtracting the Baseline Power Variable Production

⁵ See Docket UE-072300 (Order 13).

⁶ See Docket UE-072300 (Order 13).

⁷ See Docket UE-072300 (Order 13).

~~Costs from the Allowed Power~~ allowed total Variable Production Costs (rate year) for the PCA period. ~~Baseline Power~~ Variable Production Costs are defined as the Variable Production Cost component of the Power Cost Baseline Rate times multiplied by the actual delivered load in the PCA period. ~~The allowed power costs include: return on fixed production and transmission ratebase, return on variable (regulatory asset) ratebase, other Fixed Rate Components and actual cost of variable rate components included in the specified FERC accounts. The allowed power costs are adjusted for:~~

- ~~• existing (Docket No. UE 921262) prudence adjustment of Tenaska and March Point Phase 2~~
- ~~• regulatory asset ratebase and amortization will be adjusted to the amounts to be included for the appropriate PCA period (Exhibit D)~~
- ~~• purchase power contracts will be adjusted to the amounts allowed in either the settlement Docket No. UE-011570 or the most recent Power Cost Rate Case (Exhibit E)~~
- ~~• Colstrip availability adjustment if applicable (Exhibit F)~~
- ~~• New resource pricing adjustment if applicable (Exhibit G)~~

~~14. Exhibit C is an example that demonstrates the sharing and application of the \$40 million cap.~~

11. Adjustments of Costs Outside of the PCA Period: Power cost adjustments or true-ups for prior periods that fall within the PCA period are included as recoverable power costs through the Variable Production Costs component.

a. Adjustments for Previous PCA Periods:

- i. Adjustments for previous PCA period(s) that are equal to or less than \$1 million (debit or credit) will flow through the current months PCA calculation.
- ii. Adjustments or true-ups greater than \$1 million (debit or credit) that relate to prior PCA period(s) will flow through a recalculation of the previous PCA period(s) for regulatory purposes. Any changes to the customer deferrals from the prior PCA period(s) will be indicated in a reconciliation schedule for deferrals by PCA period(s).

b. Exceptions to Adjustments for Previous Periods:

- i. *Company Accounting Errors:* If an error has been made in regard to accounting for power cost transactions, except for Colstrip fuel costs and to the extent that the Company should have known at the time of the transaction,

the Company will reflect the appropriate adjustment to the PCA period(s) and adjust the deferral for the PCA period(s) accordingly.

ii. Mid-Columbia Power Costs: Since it is difficult to determine the months impacted by any annual true-ups under PSE's Mid-Columbia contracts, any annual true-ups for PSE's costs under its Mid-Columbia contracts will be considered a Variable Production Cost and included in the same PCA period(s) for which they are booked to power costs.

iii. Colstrip Fuel Costs: Any adjustments, true-ups, or corrections made for Colstrip inventory valuation for prior period will be considered a Variable Production Cost and included in the same PCA period(s) for which they are booked to power costs.

c. Adjustments for Costs Recorded after Termination of PCA Mechanism: Power cost adjustments posted in the month following the termination of the PCA Mechanism relating to the PCA period(s) will be included in power costs for the month of the final PCA calculation and the deferral will be adjusted subject to the exceptions in item B.

~~15-12.~~ Unless otherwise ordered by the Commission, changes in rates attributable to PCA adjustments for the Variable Rate Component shall be charged on a cents/kWh basis, and changes in rates attributable to adjustments to the ~~Power Cost Rate~~ power costs as a result of a ~~power cost only review~~ PCORC shall be charged based upon the ~~peak credit~~ Company's most recent approved Cost-of-Service methodology ~~utilized as agreed to in computing the rate spread methodology in this proceeding~~ Docket UE-141368 or as subsequently modified pursuant to that agreement. No party is deemed to have approved or accepted these methodologies for any other purpose or precedent. Wholesale customers will be allocated power costs and power revenues at the end of a PCA year in the same relationship as done in the rate allocation from ~~this docket~~ the Company's most recent approved Cost-of-Service methodology ~~proceeding as agreed to in Docket UE-141368 or subsequently modified pursuant to that agreement.~~

~~E. Least Cost Planning/Decoupling~~

D. DECOUPLING

13. Parties are not bound to any position with respect to the continuation of decoupling or the treatment of fixed production costs within the decoupling mechanism in PSE's next general rate case. However, if the electric decoupling mechanism continues for PSE after the review of decoupling in PSE's next general rate case, the electric decoupling mechanism will include the Fixed Production Costs as defined in Section B above that were formerly tracked in the PCA imbalance calculation. Nothing in this agreement binds any party to any position with regard to treatment of costs in an automatic escalation factor mechanism (such as a K-factor) or in a multiyear rate plan.

16. ~~One of Puget Sound Energy's important responsibilities involves electric-resource portfolio development, a responsibility addressed in the Company's least cost plans prepared pursuant to WAC 480-100-238. This includes, among other things, assembling a mix of demand and supply side resources that promotes the societal benefits of reliable least cost electricity supplies. The parties agree that PSE's least-cost planning process provides an appropriate forum to address the evaluation of PSE's portfolio development, including consideration of rewards and/or penalties tied to PSE's overall long-term performance in portfolio development. The parties recommend that the Commission address these issues as soon as possible in Puget's least-cost planning process, pursuant to WAC 480-100-238, with opportunities for public comment prior to final determination.~~

17. ~~Nothing in this settlement precludes any party from raising in an appropriate future Commission proceeding issues surrounding the decoupling of distribution fixed cost recovery from retail sales volumes. The parties have reached no consensus on what constitutes an "appropriate proceeding" for this purpose, and reserve the right to oppose any effort to raise such issues.~~

E. TEMPORARY PROVISIONS

14. The parties agree to a five-year moratorium for changes to the PCA mechanism, from the implementation date of this agreement, January 1, 2017.

15. PSE's ability to file a PCORC will not change, including the continued use of the PCORC to update Fixed Production Costs referenced in Section C above. However, for the five year moratorium, PSE will agree to a limited stay-out period after the filing of any PCORC during that five-year period. Specifically, PSE agrees to not file a general rate case or a PCORC within six months of the date new rates go into effect for any PCORC filing. Additionally, the requirement to file a general rate case within 3 months of the completion of a PCORC, as outlined in Section 7 is suspended during this five-year moratorium.

F. Miscellaneous Provisions

18. **Binding on Parties:** The Executing Parties agree to support the terms and conditions of this Agreement, as described above. The Executing Parties understand that this Agreement is subject to Commission approval.

19. **Integrated Terms of Settlement:** The Executing Parties have negotiated this Agreement as an integrated document. Accordingly, the Executing Parties agree to recommend that the Commission adopt this Agreement in its entirety.

20. **Negotiated Agreement:** This Agreement represents a fully negotiated agreement. Each Executing Party has been afforded the opportunity, which it has exercised, to

~~review the terms of the Agreement. Each Party has been afforded the opportunity, which it has exercised, to consult with legal counsel of its choice concerning such terms and their implications. The Agreement shall not be construed for or against any Executing Party based on the principle that ambiguities are construed against the drafter.~~

21. ~~**Execution:** This Agreement may be executed by the Executing Parties in several counterparts, through original and/or facsimile signature, and as executed shall constitute one agreement.~~

DATED this 4th day of June, 2002.

~~PUGET SOUND ENERGY, INC.~~

~~WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION
STAFF~~

By _____

By _____

Kimberly Harris
Vice President of Regulatory Affairs

By _____

By _____

Robert Cedarbaum
Shannon Smith
Assistant Attorneys General

~~PUBLIC COUNSEL SECTION, OFFICE
OF THE ATTORNEY GENERAL OF
THE STATE OF WASHINGTON~~

~~AT&T WIRELESS SERVICES, INC.~~

By _____

By _____

Simon ffitich
Assistant Attorney General
Public Counsel Section Chief

By _____

Its _____

~~COGENERATION COALITION OF
WASHINGTON~~

~~KROGER CO.~~

By _____

By _____

____ Donald Brookhyser
____ Attorney for Cogeneration
____ Coalition of Washington

____ Michael L. Kurtz
____ Attorney for Kroger Co.

**NW ENERGY COALITION and
NATURAL RESOURCES DEFENSE
COUNCIL**

By _____
____ Danielle Dixon
____ Policy Associate, NW Energy Coalition