

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

**Docket Nos. UE-011570 and UG-011571
Puget Sound Energy, Inc.'s General Rate Case
To Recover Increased Electric and Gas Costs**

WUTC BENCH DATA REQUEST NO. 1

WUTC BENCH DATA REQUEST NO. 1:

1. Section 3.3 of the Stipulation establishes a Service Revision Date as the date the King County Settlement Agreement was filed with the Commission (*i.e.*, April 19, 2002).
 - 1.1. If the Commission approves this settlement, would this provision effect a change to the rate PSE charges King County prior to the date of the Commission order?
 - 1.2. If there would be an impact on the rates and charges, what would be the dollar impact on the rates and charges to King County relative to what King County would be required to pay for the same service under the existing Special Contract?
 - 1.3. In your opinion, does this have implications in terms of any prohibition against setting or charging retroactive rates, or granting "an unlawful rebate in violation of RCW 80.28.080," as asserted by Staff in its comments?

Response:

1.1. As written, this provision would effect a change to the rate PSE charges King County back to the date of filing -- April 19, 2002 -- which is prior to the date of the Commission order. PSE defers to King County on this question as the effective date is King County's issue rather than PSE's. In order to settle claims set forth in the King County Settlement and build a good working relationship, PSE will abide by the King County Settlement regardless of whether the Service Revision Date is the filing date or the date of the Commission's order if the Commission approves it without other material change.

1.2. King County has to pay an additional \$10,000 to \$15,000 per day for electric service under the Special Contract rather than Schedule 49, depending upon its energy usage on that given day. This difference is largely attributable to the difference in the energy rates under the existing Special Contract (\$110 per MWh) and under Schedule 49 (about \$33-35 per MWh). Assuming an average difference per day of \$11,942 (see *below*), the difference in effective dates amounts to \$167,188 [14 days * \$11,942]. Assuming an average difference per day of \$14,434 based on March 2002 (higher energy) usage data (see *below*), the difference in effective dates amounts to \$202,076 [14 days * \$14,434].

Using King County's billing data from March 2002 (the most recent data available), the differences between the rates and charges under the existing Special Contract and service under Schedule 49 can be demonstrated as follows:

Total energy usage:	5,245,769 kWh	
Peak Demand:	13,792 kVA	
Service under Special Contract:		
Customer Charge	\$6.46	
Distribution Charge	31,032.	
Ancillary Services Charge	12,328.	
DSM Charge	5,444.	
Schedule 120 Charge	1,254.	
Reservation Charge	51,100.	
Energy Charge	577,035.	
<hr/> TOTAL	<hr/> \$678,198	
cost per kWh		\$0.129
Service under Schedule 49:		
Demand Charge	\$37,100.	
Energy Charge	192,383.	
Schedule 120	1,254.	
<hr/> TOTAL	<hr/> \$230,738.	
cost per kWh		\$0.044
Difference (per kWh) between Special Contract and Schedule 49		\$0.085
Difference per day assuming daily usage in March 2002 (169,218 kW)		\$14,434.
Difference per day assuming average daily usage for the last 12 months (140,500 kW)		\$11,942.

1.3. PSE defers to King County on this question as the effective date is King County's issue rather than PSE's. King County has a good faith argument related to the Commission's authority on this issue. In order to settle claims set forth in the King County Settlement and build a good working relationship, PSE will abide by the King County Settlement regardless of whether the Service Revision Date is the filing date or the date of the Commission's order if the Commission approves it without other material change.

WITNESSES: Sue McLain/Karl Karzmar

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2. Section 4.2 of the Stipulation refers to "the application of environmental laws, energy facilities siting requirements, OATT provisions regarding system upgrades, or applicable regulatory requirements." Environmental laws, energy facilities siting requirements, and OATT provisions regarding system upgrades appear to be matters wholly outside the Commission's jurisdiction. The phrase "applicable regulatory requirements" is inherently vague, and may or may not be intended to refer to matters within the Commission's jurisdiction. What is the meaning and purpose of this provision in Section 4.2 of the Stipulation?

Response:

2. The quoted terms ("the application of environmental laws, energy facilities siting requirements, OATT provisions regarding system upgrades, or applicable regulatory requirements") were part of the Stipulation of Settlement and Schedules 448 and 449, and approved by the Commission in Commission Docket No. UE-001952. See *Eleventh Supplemental Order Approving and Adopting Settlement Agreement, Subject to Conditions; Dismissing Proceedings; and Granting Other Relief, Air Liquide v. Puget Sound Energy*, Consolidated Docket No. UE-001952 *et al.* (April 5, 2001). The quoted terms were developed and included in the earlier Stipulation of Settlement for the same purpose they are included in the King County Settlement. See Sections 7.8 and 8.8 of the Stipulation of Settlement in Docket No. UE-001952; and Section 3.1 of PSE's Schedules 448 and 449.

Both the UE-001952 and proposed King County settlements contemplate that PSE's customers may develop self-generation. The identical statements in the UE-001952 Settlement, Schedule 448, 449, and the King County Settlement are a clear indication that parties do not intend by contract or rate schedule to change or alter in any way the application of the applicable laws and requirements necessary to build and operate such self-generation. The parties to these settlements did not intend to limit or broaden the Commission's jurisdiction over matters related to self-generation. Rather, the parties simply want to preserve the status quo by making clear that they do not intend to alter "the application of environmental laws, energy facilities siting requirements, OATT provisions regarding system upgrades, or applicable regulatory requirements" related to the development of self-generation.

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WUTC BENCH DATA REQUEST NO. 3

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3. Section 4.3 of the Stipulation includes the statement that "[t]his commitment does not shift any greater cost responsibility to PSE for any expenses of supporting King County's self-generation than set forth in Schedule 80."
 - 3.1. Please explain the meaning and relevance of this statement.
 - 3.2. Does the commitment shift any cost responsibility to PSE's other customers?
 - 3.3. If the commitment shifts any cost responsibility to PSE's other customers, please state the amount.
 - 3.4. Does any provision of the Stipulation potentially shift cost to PSE or to any other PSE customers?
 - 3.5. If the answer to subsection 3.4, above, is yes, state the amount.

Response:

- 3.1. The quoted statement was included by PSE to ensure that, notwithstanding its obligations under Section 4.3 to cooperate with King County and accommodate its self-generation plans, PSE was not committing any financial or other resources that it would provide to any other customer developing self-generation. King County will bear the costs of interconnection, engineering, metering, and other costs imposed on PSE due to King County's self-generation projects in the same way any other customer will bear such costs under Schedule 80.
- 3.2. No. PSE's commitments in Section 4.3 do not shift any cost responsibility to PSE's other customers.
- 3.3. Not applicable.
- 3.4. No.
- 3.5. Not applicable.

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WUTC BENCH DATA REQUEST NO. 4

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4. What are the immediate and prospective rate and revenue effects, or implications for future rates and revenues, of the proposed return of King County to Schedule 49, vis-à-vis other customers served under Schedule 49 or under other schedules?

Response:

4. In the near term, PSE will receive significantly less revenues from King County once it has returned to service under Schedule 49. As detailed in PSE's Response to WUTC Bench Request No. 1.2, this difference is largely attributable to the difference in the energy rates under the existing Special Contract (\$110 per MWh) and under Schedule 49 (about \$33-35 per MWh).

This change of service, however, has been anticipated because it is an express term of King County's current Special Contract. King County entered into its current Special Contract with PSE on May 24, 2001 for the limited term to last until the end of PSE's next general rate case at which time it was contemplated that King County could elect to return to core service or use self-generation. See *In the Matter of the Application of PUGET SOUND ENERGY, INC., For Authority To Implement a Special Contract for Electric Service with King County, a Political Subdivision of the State of Washington, Order Approving Special Contract on Less Than Statutory Notice*, WUTC Docket No. UE-010772 (May 30, 2001). The existing Special Contract provides: "The County may thereafter elect to purchase electric service from PSE based upon applicable core electric service tariff appropriate for the electric load characteristics of the County at the time of termination." Because it was anticipated, there will be no long-term revenue effects resulting from this change in service.

This decrease in revenues from King County will have no short-term or long-term rate effects on other customers served under Schedule 49 or under other schedules. PSE has entered into a stipulation with Commission Staff to ensure that no other customers will be affected by the King County Settlement. See Attachment A to Comments of Commission Staff In Support of King County Settlement with Conditions, filed on April 26, 2002.

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WUTC BENCH DATA REQUEST NO. 5

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5. The anticipation that King County will self-generate appears to be a central justification for the change in service from the currently effective Special Contract to Schedule 49.
- 5.1. Why does this expectation justify a return to core service when self-generation means that King County will again leave core service under another Special Contract? (Section 4.3, lines 12-13)?
- 5.2. Conversely, if self-generation is a central justification for King County's return to core service, how is this condition met if King County never implements the anticipated self-generation?

Response:

5.1 The anticipation that King County will self-generate is not a central justification for the change in service from the currently effective Special Contract to Schedule 49. As quoted in PSE's Response to WUTC Bench Request No. 4, the expectation that King County could elect to return to core service or operate self-generation was created and memorialized in Section 8 of the King County's Special Contract, approved by the Commission in May 2001. The existing Special Contract was considered to be a transitional contract until the end of PSE's next rate case or the operation of self-generation. The end of the rate case is now relatively near, but King County's self-generation is still two to three years away. Under the Special Contract, PSE is obligated to allow King County to return to core service at the end of its general rate case if King County so elects.

The King County Settlement seeks to facilitate the end of the general rate case, manage King County's return to core service under Schedule 49, and document both parties' continuing obligations regarding King County's development of self-generation.

5.2 Self-generation is not a central justification for King County's return to core service.

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WUTC BENCH DATA REQUEST NO. 6

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6. Section 4.4 of the Stipulation appears to set a ceiling on March to October billing demand of 10 MVa initially, with a potential adjustment to 9 MVa in the future.
 - 6.1. Please state whether this is, in fact, the parties' intent.
 - 6.2. What was King County's actual highest 30-minute demand recorded between 8:00 a.m. and 12:00 noon and between 5:00 p.m. and 8:00 p.m. during the peak seasons, November through February, for 2001, 2000, 1999, 1998, and 1997?
 - 6.3. If King County had been a Schedule 49 customer during any of the years 1998 through 2002, would its March through October Billing Demand have been determined on the basis of King County's actual highest 30-minute demand recorded between 8:00 a.m. and 12:00 noon and between 5:00 p.m. and 8:00 p.m. during the peak seasons, November through February for the preceding year?
 - 6.4. If the response to subsection 6.3, above, is "no" for any of the years in question, what would have been the basis under Schedule 49 for determining King County's March through October Billing Demand and what would King County's Billing Demand have been using the applicable criterion under Schedule 49?
 - 6.5. What, in your view, are the implications of this provision of Section 4.4 of the Stipulation vis-à-vis the requirements of RCW 80.28.080?
 - 6.6. Explain the purpose of the Billing Demand alternatives under Schedule 49.
 - 6.7. With reference to your response to subsection 6.6, above, how is that purpose satisfied by the proposed cap on King County's Billing Demand?

Response:

6.1. Section 4.4 of the Stipulation does not set a ceiling on March to October billing demand of 10 MVa initially, with a potential adjustment to 9 MVa in the future. Rather, Section 4.4 imposes a temporary limitation on only one of three factors used in calculating billing demand under Schedule 49.

Under Schedule 49, the billing demand the March through October period is the higher of three numbers: (1) actual peak demand during that month, (2) 4.4 MVa, or (3) the highest peak demand recorded during the previous months of Peak Season

(November through February). The 10 MVA, then 9MVA, limitation is only imposed on (3). A few examples will illustrate this distinction.

(a) If, in April 2003, King County has a peak load of 14 MVA and the previous peak demand during the Peak Season was 12 MVA, King County will pay according to its billing demand of 14 MVA.

(b) If, in April 2003, King County has a peak load of 8 MVA and the previous peak demand during the Peak Season was 12 MVA, King County will pay according to a billing demand of 10 MVA because the previous peak demand during the Peak Season is capped at 10 MVA.

Without the cap on the peak demand during the previous Peak Season, Schedule 49 could, in effect, set King County's billing demand during March through October to be set at the peak of the previous winter rainfall event. If, in November 2002, King County has a peak load of 19 MVA for a single 30 minute period during that month, King County's billing demand for the months of March 2003 to October 2003 would be set at not less than 19 MVA due to the demand ratchet, unless even higher peaks were achieved. This effect is unique to King County; no other Schedule 49 customer has a load with such spikes.

6.2. Attached Table 6.2 shows the requested data back to December 2000 in columns (b) and (c). PSE does not have metering data previous to December 2000 in electronic form and may not have such previous metering data in any form.

6.3. See column (e) attached Table 6.2. To determine the answer to the question, compare the monthly value in Monthly Peak in column (d) with the Peak Season 30 Minute Demand figures in columns (b) and (c) for the previous November through February period.

6.4. Under Schedule 49, the billing demand for the March through October period is the higher of three numbers: (1) actual peak demand during that month, (2) 4.4 MVA, or (3) the highest peak demand recorded during the previous months of Peak Season (November through February). In June 2001, King County's monthly peak (10,705 KVA) surpassed the highest peak demand recorded during the previous months of Peak Season (November through February) (10,576 KVA). Consequently, under Schedule 49, the monthly peak would be used as the billing demand for that month because it was the largest of the three factors compared to determine the billing demand in March through October.

6.5. The Commission should determine that the application of Schedule 49 to King County's unique circumstances as provided in the King County Settlement Section 4.4 is fair, just, reasonable and sufficient. King County has a very unique load with rare, sharp peaks that differ significantly from all other Schedule 49 customers. No other schedule 49 customer even comes close to the size and fluctuation of King County's load. Accordingly, the proposed limited interpretation of the King County's winter peak

load during March through October should be considered a reasonable application of Schedule 49 to very unique circumstances.

6.6 As currently written, the Billing Demand under Schedule 49 for the March through October period is the higher of three numbers: (1) actual peak demand during that month, (2) 4.4 MVA, or (3) the highest peak demand recorded during the previous months of Peak Season (November through February). Schedule 49 was first effective in April 1972 and contained the same type of billing demand provisions, except it had a minimum of 4000 kW rather than 4,400 kVA and the peak time was only between 4:30 and 7:30 pm. In November 1974, the peak period was increased to 5 to 8 pm was added and in March 1982, Schedule 49's 4000 kW was change to 4400 kVA. In March 1989, and additional peak period of 8 am to 12 Noon.

The purpose of including a ratchet for billing demand purposes is to ensure that PSE recovers the generation and transmission costs associated with the facilities used to serve high voltage customers and that those costs are not shifted to other customer rate classes. A ratchet mechanism helps ensure that annual capacity costs are fully recovered through monthly demand charges. Absent a ratchet, a customer with high winter loads and low summer loads would not be paying its fair share of costs. The ratchet is based upon winter months as a result of PSE's historic profile as a winter peaking utility. The exclusion of the non-peak hours is in recognition that these hours have not been peak hours of demand for the generation and transmission system.

6.7 King County's load is different from all other Schedule 49 customer loads. King County's load is directly affected by rainfall. During months of March through October, King County's peak load has averaged about 9.9 MVA for the past years (1999, 2000, and 2001). During the months of November through February, however, heavy rainfall causes King County's peak load spikes to reach temporary (lasting only a few hours) peaks of 13 MVA, 14 MVA, and, on occasion, in November 2001, 19 MVA. Consequently, the yearly average peak load during the past three years is 10.9 MVA. Except for these relatively rare rainfall events which last only a few hours, King County has a very high load factor.

If Schedule 49 is strictly applied to King County's load without a demand ratchet accommodation, King County would likely pay a billing demand for 9 months of the year based upon a once a year atypical peak that lasts for only a few hours. In order to settle claims set forth in the King County Settlement and build a good working relationship, PSE is willing to recognize these unique circumstances and make a temporary accommodation that will have no material affect on any other customers because King County is developing self-generation so that PSE will no longer be as exposed to the peaks on King County's load. If King County fails to construct and operate self-generation within the next three years, Schedule 49's billing demand as written will be strictly enforced.

Ultimately, the temporary accommodation of King County's unique circumstances does not contravene the intended purpose of including a ratchet for billing demand purposes.

Given King County's load and the limited load spike events, PSE is comfortable that it recovers the generation and transmission costs associated with the facilities used to serve King County and that those costs are not shifted to other customer rate classes. As described in PSE's Response to Bench Request No. 1.2, PSE recognizes that King County has paid significantly more for electric service under the Special Contract than if King County would have been billed under Schedule 49 with or without the demand ratchet accommodation.

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WUTC BENCH DATA REQUEST NO. 7

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7. Provide a list of all Schedule 49 customers and state their respective March through October Billing Demands for each of the years 1998 through 2002. State the basis upon which each Billing Demand amount was established under Schedule 49.

Response:

7. See attached Table 7 which has been marked "CONFIDENTIAL" and subject to the terms of the protective order in WUTC Docket Nos. UE-011570 and UG-011571. This item is being submitted under separate cover.

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WUTC BENCH DATA REQUEST NO. 1-7.

“CONFIDENTIAL” Table of Contents

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7	Schedule 49 Customer Load Peak Data