

## **Washington Commission Trims Puget Sound Energy Rate Increase**

On December 5, 2017, the Washington Utilities and Transportation Commission (“Commission”) issued its final order in Puget Sound Energy’s (“PSE”) 2017 general rate case. Davison Van Cleve represented the Industrial Customers of Northwest Utilities (“ICNU”) in the proceeding. The final order reduced PSE’s requested rate increase from 4.1% to just under 1%, with most of PSE’s largest customers receiving a smaller than average increase.

Most issues in the case were resolved via stipulation. This included resolution of issues surrounding the costs to retire units 1 and 2 of the Colstrip Generating Station, which must cease operations by July of 2022. The stipulation also reduced PSE’s return on equity from 9.8% to 9.5%, and resolved most other revenue requirement issues, as well as a number of rate spread issues.

Among the issues reserved for litigation were PSE’s decoupling program and its proposal to implement an “Electric Cost Recovery Mechanism” (“ECRM”). The ECRM would have provided PSE with financial incentives to replace aging distribution infrastructure. On the decoupling program, the Commission agreed with ICNU that PSE’s largest customers should be exempted from this program, due in part to their small number, varied usage between customers, and their ability to pursue their own conservation programs. The Commission also sided with ICNU in rejecting PSE’s ECRM, finding that PSE had not demonstrated that its current capital budgeting process was insufficient without the ECRM.