

Deal gives 8.4 percent hike to PSE

Agreement faces approval of state panel

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Puget Sound Energy has negotiated an 8.4 percent electric rate hike, which would raise the average household's monthly bill about \$7.65.

The tentative deal, which still needs the approval of the Washington Utilities and Transportation Commission, was worked out in negotiations between PSE and representatives of its ratepayers. Among them were the public counsel section of the Washington Attorney General's Office, industrial and commercial power users and The Energy Project, which represents lower-income households. The utilities commission's staff also approved the deal.

"This is a reasonable compromise that will soften the impact to family budgets," said Simon Ffitch, chief of the attorney general's public counsel office, in a statement.

The increase, amounting to \$130 million a year in additional revenue for the Bellevue-based power company, is still far above the \$4.3 million that Ffitch had said could be justified when he

THE DEAL

Here's a quick comparison of Puget Sound Energy's original rate hike request, and what the company has agreed to accept:

Basic monthly charge:

Asked for \$9, settling for \$7; (now \$6.02).

Total monthly impact, average household: Asked for 12 percent increase, settling for 8.25 percent, or \$7.65 per month.

Annual revenue increase:

Asked for \$165 million, settled for \$130 million

Effective date: Nov. 1, if Washington Utilities and Transportation Commission approves.

Who's affected: All of Whatcom County except Blaine and Sumas.

filed his formal opposition to the company's proposal in May 2008, five months after the company made its original rate hike proposal to the utilities commission.

Ffitch was unavailable for additional comment Monday, Aug. 25. He was attending utilities commission hearings on the proposed sale of PSE to an international consortium of private equity investors. Ffitch

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continues to oppose that sale, although the utilities commission staff and some groups representing ratepayers have now endorsed it.

The negotiated rate deal includes other features:

► PSE will contribute \$15 million per year to programs that assist low-income people, including rate relief and subsidies for home weatherization. That is a \$5 million a year increase.

► Customers who report power outages of more than 120 hours will be entitled to a \$50 credit.

► PSE could face a penalty of as much as \$15 million if it fails to meet service quality benchmarks, up from \$10 million per year.

► The profit margin for company shareholders was reduced to 10.15 percent from the current 10.4 percent level. The company had requested 10.8 percent.

In a statement, PSE said about \$74 million of the additional annual revenue is needed to recover its power-related expenses, while the rest will be devoted to capi-

tal investments, operation and maintenance.

"The revenues that would be provided by this settlement solely relate to recovering costs and providing the financial resources (PSE) needs to ensure safe and reliable service to a growing region," said Eric Markell, company executive vice president and chief financial officer.

PSE spokeswoman Dorothy Bracken said she could not speculate on how closely utilities commissioners will scrutinize the negotiated rate deal when they review it at a session beginning Sept. 2, but the ingredients for approval appear to be in place.

"Consensus has been reached on what those rates should be," Bracken said.

One issue still remains for the commission to resolve: the mechanism that allows PSE and other utilities to quickly pass along higher power supply costs to customers.

PSE's industrial customers have joined Ffitch in asking for the elimination of those types of rate increases, suggesting that they be included in the general rate increase process so that they can get more in-depth analysis.

"These types of cases are part of the reason why customers feel like there is a never-ending cycle of (PSE) rate hikes," Ffitch said.

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