

Agenda Date: March 28, 2019
Item Numbers: A1 and A2

Dockets: UE-190166 and UE-190176
Company Name: Puget Sound Energy

Staff: Jing Liu, Regulatory Analyst
Dave Gomez, Assistant Power Supply Manager, Energy Regulation

Recommendation

Issue an order granting Puget Sound Energy's requests for less than statutory notice and allowing the tariff revisions filed in Dockets UE-190166 and UE-190176 to become effective April 1, 2019, by operation of law.

Background

On March 8 and March 15, 2019, Puget Sound Energy, (PSE or company) filed with the Washington Utilities and Transportation Commission (commission) two less than statutory notices to request revisions to multiple schedules under its currently effective Tariff WN U-60:

- Schedule 120 Electricity Conservation Service Rider, Original Sheet No. 120-A.1
- Schedule 140 Property Tax Tracker, 6th Revision of Sheet No. 140-B
- Schedule 141 Expedited Rate Filing Adjustment, 3rd Revision of Sheet No. 141-D
- Schedule 142 Revenue Decoupling Adjustment Mechanism
 - 5th Revision of Sheet No. 142-E
 - 5th Revision of Sheet No. 142-F
 - 5th Revision of Sheet No. 142-G
 - 5th Revision of Sheet No. 142-H
- Schedule 129 Low Income Program
 - 2nd Revision of Sheet No. 129-A.1
 - 14th Revision of Sheet No. 129-C

The purpose of the filings is to implement the terms of the Microsoft Special Contract (Special Contract) and prepare for Microsoft's anticipated departure from Schedule 40 on April 1, 2019. The Special Contract was approved by the commission in a separate Docket, UE-161123 (Order 06).¹

PSE has requested, and commission staff (staff) supports, less than statutory notices so that the tariff revisions go into effect the same date Microsoft will begin taking service under the Special Contract, April 1, 2019.

¹ *WUTC v. Puget Sound Energy*, Docket UE-161123, Order 06 (July 13, 2017).

Discussion

Starting April 1, 2019, Microsoft will independently purchase electric power but will continue to receive distribution services from PSE. Microsoft currently accounts for approximately 70 percent of the total Schedule 40 sale volumes and 2 percent of PSE's total retail firm sale volumes. As a result of Microsoft's departure, PSE will need to make adjustments to revenue from other retail customers to recover its authorized power cost.

The settlement, approved by Order 06, includes provisions the company and Microsoft need to satisfy when Microsoft begins taking service under the Special Contract.² Staff reviewed the provisions in Order 06 and confirms they have been met or will be met shortly after the conclusion of Microsoft's first month under its Special Contract.

1. Schedule 142 Decoupling Mechanism

The proposed revision to Schedule 142 updates the Monthly Allowed Fixed Power Cost Revenue under the decoupling mechanism. Upon Microsoft's departure as a retail customer, PSE will no longer receive power supply-related revenue from Microsoft, including both fixed and variable power cost revenue. The fixed power cost revenue is approximately \$10 million and PSE will need to recover the \$10 million revenue from all other retail customers. This approach is consistent with the multiparty settlement agreement that the commission approved in PSE's 2017 General Rate Case (GRC).³

The company's proposal does not increase base tariff rates for decoupled customers. There is only an increase in the allowed revenue for the fixed power cost revenue decoupling mechanism. The increase in allowed revenue will flow through the decoupling deferral and be recovered starting May 1, 2020, through the decoupling true-up tariff revision. For non-decoupled customer groups such as Schedules 5, 46, 49, and 50-59, PSE proposes to increase the rates in a subsequent filing of Schedule 95 with an expected effective date of May 1, 2019.

Staff agrees with the company's approach because the \$10 million change in allocated fixed power cost represents 0.5 percent of the company's total revenue. Changing base rates for all schedules for a relatively small amount is administratively burdensome. Using the decoupling mechanism achieves the same outcome without the administrative complications.

Staff also agrees with postponing the rate increase to non-decoupled customers to May 1, 2019. PSE plans to file the rate revisions to Schedule 95 (Power Cost Adjustment) to increase variable power baseline rates for all retail customers, effective May 1, 2019. Combining the effects of two rate changes on Schedule 95 will streamline the process.

² UE-161123, Order 06, ¶ 9.

³ Dockets UE-170033 and UG-170034, Order 08, Appendix B at 26, ¶ 98 (December 5, 2017).

2. Schedule 140 Property Tax Tracker

The tariff revision adds clarity that Microsoft will pay the same rates on Schedule 140 as the other Schedule 40 customers until the conclusion of PSE's next GRC. Staff agrees with the company's approach. Without a proper cost of service study, it would be difficult to identify the exact property tax allocable to Microsoft as a Special Contract customer. PSE would also have to recalculate the property tax rates for all other retail customers. Given that Schedule 140 trues up the property tax paid for the prior years, it is appropriate to maintain the current rate for Microsoft until the conclusion of PSE's next GRC.

3. Schedule 120 Electricity Conservation Service Rider

The settlement agreement approved in Order 06 provides that the payment Microsoft makes to PSE under Schedule 120 will be calculated as if Microsoft continued to take service under Schedule 40, based on power delivered.⁴ The company's revision to Schedule 120 in UE-190176 complies with the settlement terms.

4. Schedule 129 Low Income Program

The settlement agreement provides that Microsoft's Schedule 129 (HELP program) payment will be fixed at the current rate of \$0.000614 per delivered kWh. This rate will remain fixed for the 20-year term of the Special Contract, and will continue for any additional renewed contract term.⁵ PSE's revision reflects the settlement terms.⁶

5. Schedule 141 Expedited Rate Filing (ERF) Adjustment

PSE clarifies on this revised tariff that ERF rates on Schedule 141 are consistent among all voltages for special contracts. Staff supports this clarification.

6. Schedule 95, Power Cost Adjustment (PCA) Baseline Rate and the Transition Fee

The company will revise the variable power cost baseline rates on Schedule 95 with an expected effective date of May 1, 2019. The company will also seek to increase the volumetric rates for non-decoupled customers to reflect these customers' fair share of fixed production cost with the same expected effective date of May 1, 2019.

⁴ Docket UE-161123, Order 06, Appendix A at 8, ¶ 15 (July 13, 2017).

⁵ *Id.* at 8, ¶ 16 (July 13, 2017).

⁶ Settlement Agreement in UE-161123 also requires Microsoft to make an additional payment of \$0.000307 per delivered kWh over the life of the Special Contract to expand energy efficiency services and renewable energy technology to directly benefit eligible low income customers in PSE's service territory. This additional surcharge for low income support is not included in the two LSNs but will be a component of the Special Contract rates.

PSE will need to file revisions to Schedule 95 in the future to return the Microsoft's \$23.7 million Transition Fee payment.⁷ Under the terms of the settlement agreement approved in Order 06, PSE will distribute the Transition Fee, on a dollar-for-dollar basis, to its bundled retail electric customers over a 12-month period.⁸ PSE anticipates to receive the payment around May 31, 2019.

Conclusion

Staff has reviewed the tariff revisions filed in Dockets UE-190166 and UE-190176 and believes they are consistent with the terms of the settlement agreement approved by the commission in Order 06 in Docket UE-161123.

Recommendation

Issue an order granting Puget Sound Energy's requests for less than statutory notice and allow the tariff revisions filed in Dockets UE-190166 and UE-190176 to become effective April 1, 2019, by operation of law

⁷ Docket UE-161123, Order 06, Appendix A at 3, ¶ 10.

⁸ *Id.*