

II. SUMMARY OF PETITION

5 When ruling on PSE’s accounting petition filed in UE-190991¹ regarding the deferral and use of LDs received as part of the Green Direct service, the Commission authorized deferred accounting treatment, but reserved any decision related to the use of the funds until such time as the PPAs were in service and the final amount of the LDs were known, at which time PSE would be allowed to bring forward a proposal for the Commission consideration². The final LD amounts are known, and while the PPAs are not in service, in order to effectively pass-back the LDs at the commencement of the Green Direct program, PSE is bringing forward its proposal for the use of LDs through this petition and requesting the Commission’s approval.

III. BACKGROUND

6 On November 27, 2019, PSE filed an accounting petition requesting an order authorizing the use of deferred accounting for liquidated damages received as part of the Green Direct service and use of these proceeds for other costs not currently being recovered through the Schedule 139 tariff schedule. This petition proceeded under UE-190991 and was eventually consolidated with PSE’s general rate case (UE-190529/UG-190530). On July 8, 2020, the Commission ruled on the consolidated dockets and, with regards to PSE’s accounting petition under UE-190991, stated:

“As such, the Company and its Green Direct customers are best situated to determine how the LD funds should be allocated consistent with applicable statutes. To that end, we encourage PSE to work collaboratively with its Green Direct customers to determine how to best use the LDs in compliance with statutory requirements.

¹ A parallel accounting petition for gas under Docket No. UG190992 was accidentally docketed. As the LDs in this petition are related to electric only, PSE requested at the time of filing that the docket be closed, but it remains pending on the Commission website.

² See ¶454 in Final Order No. 08 in UE-190529, et al.

We also determine that we need not reach the question of how the LDs should be applied at this juncture, other than to reiterate the requirement that they only be used to benefit program participants. Because these costs will be deferred, there is no reason to make any determination regarding their application until such time as they have ceased accruing and the final amounts are known. Accordingly, we authorize deferred accounting treatment, but reserve any decision related to the use of the funds until such time as the PPAs are in service and the final amount of the LDs is known. At that time, PSE may bring forward a proposal for the Commission's consideration.³

7 As the result of a Letter Agreement between PSE and Skookumchuck Wind Energy Project, LLC that was signed June 30, 2020, the total amount of LDs available under the contract totaling XXXXXXXX is now known and has been received. Additionally, the Skookumchuck project is anticipated to be online by early November 2020. Accordingly, PSE has worked with the Green Direct service stakeholders to determine how best to use the LDs. It was determined that the best use of the LDs was to first use them to purchase pre-program Renewable Energy Credits ("RECs") to satisfy 2019 and 2020 (until project commercial operation date) compliance for Green Direct customers. The amount of RECs used to offset the LDs is \$2.6 million, which has resulted in net LDs of XXXXXXXX available for additional uses. PSE and its Green Direct customers agreed that the remainder of the net proceeds should be used to offset the cost of the Skookumchuck Power Purchase Agreement ("PPA"), and in turn lower the Schedule 139 Resource Option Charges to Green Direct customers. While the Skookumchuck PPA is not yet in service, any updates to Green Direct customer rates must be made prior to this date as new rates necessitate new agreements with participating Schedule 139 customers, which will take some time to finalize prior to the online date of the project. On September 17, 2020, PSE filed a tariff revision under UE-200817 to

³ See ¶453-454 in Final Order No. 08 in UE-190529, et al.

effectuate the changes to the Schedule 139 tariff schedule to pass back the LDs as requested within this petition.

8 Although the Commission ordered that the determination for how the deferred LDs would be applied would be made after the PPA was in service, PSE must seek a determination prior to that in order to be prepared to bill participants once the service starts. Per the service agreement, customers will begin being billed once the PPA reaches commercial operation⁴. Therefore, PSE needed to get approval of the rates which include the net LDs in advance of commercial operation in order to get updated service agreements signed and in place prior to billing. Notably, whatever approval the Commission provides for either the tariffed rates or the accounting petition which is tied to the tariff rates, will not have a practical effect until the PPA is in commercial operation.

IV. PROPOSED ACCOUNTING & RATE MAKING TREATMENT

9 PSE requests an order that authorizes PSE to offset the deferred liquidated damages by \$2.6 million of REC purchases made for the benefit of Green Direct customers. PSE further requests that it be allowed to use the remaining **XXXXXXXX** (“net LDs”) to offset the cost of the PPA to Green Direct customers and reduce the Schedule 139 Resource Option Charges as agreed to with Green Direct customers and included in the tariff revision within UE-200817.

10 The proposed accounting treatment is to amortize the deferred net LDs, in FERC 254 “Other Regulatory Liabilities”, following their pass back to the participants in the Schedule 139 rates until the regulatory liability is fully relieved. The amortization entries will be to debit the regulatory liability and credit 456 Other Electric Revenues. Because the LDs have been tied to the Skookumchuck PPA in developing the Schedule 139 rates, the amortization will follow the

⁴ Schedule 139 Attachment A – Service Agreement (Paragraph 6 Term).

rates in which the LDs are included. To the extent that the liquidated damages are not fully passed back due to the product not being fully subscribed over the full 20 year term of the Skookumchuck PPA, the residual balance of LDs will continue to follow the treatment of the Skookumchuck PPA. To the extent that the Skookumchuck PPA is allowed for recovery by non-participating customers, the remaining LDs will be provided in the same manner as the PPA cost to non-participating customers. To the extent that the Skookumchuck PPA is not allowed for recovery by non-participating customers, the remaining LDs will follow the same treatment of the underlying PPA.

V. REQUEST FOR RELIEF

11 For the reasons discussed above, PSE respectfully requests that the Commission issue an Order approving the use of liquidated damages received related to Schedule 139, as set forth in this Petition.

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Puget Sound Energy

By /s/ Susan E. Free
Susan E. Free
Director of Revenue Requirements and
Regulatory Compliance
Puget Sound Energy / PO Box 97034, EST-07W
Bellevue, WA 98009-9734
425-462-2105 / susan.free@pse.com