

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of)	DOCKET UE-131276
)	
PUGET SOUND ENERGY,)	ORDER 01
)	
Petitioner,)	
)	
For An Accounting Order Authorizing)	
the Deferral of the Net Proceeds from)	
the sale of Biogas and Environmental)	
Attributes and its Associated Accounting)	ORDER GRANTING ACCOUNTING
Treatment)	PETITION
.....)	

BACKGROUND

- 1 On July 8, 2013, Puget Sound Energy, (PSE or Company) filed with the Washington Utilities and Transportation Commission (Commission) a petition seeking an Accounting Order under WAC 480-07-370(1)(b) authorizing PSE to defer and pass through to customers proceeds from the sale of biogas through the creation of a Biogas Tracker. The biogas originates at King County’s Cedar Hills Landfill.¹ Since 2011, the Company has not used the gas to generate electricity. Instead, PSE sold the biogas to third party customers. PSE presently accounts for biogas purchases and sales through its power costs, while net proceeds from the sale of the environmental attributes have been deferred until an appropriate mechanism for a rebate or surcharge could be created.
- 2 PSE’s originally proposed Biogas Tracker would return to or recover from customers the proceeds of the sale of any environmental attributes less the costs associated with selling those assets.² Costs could include broker commissions, attorney fees, royalty payments or other third party costs associated with the transaction. The revenues and costs associated with the purchase and sale of the physical gas would also be included in the net amount rebated or surcharged to customers.

¹ PSE’s original intent in purchasing this gas in 2009 and 2010 was to burn it at its Mint Farm generation plant.

² Environmental attributes may be Renewable Energy Credits (REC’s) or Renewable Identification Numbers (RIN’s). A REC is a tradable certificate of proof of at least one megawatt-hour of an eligible renewable resource such as wind. Utilities in Washington State can use REC’s to meet Renewable Portfolio Standards as defined in RCW 19.285, or sell them to other utilities. A RIN is a serial number assigned to a batch of biofuel for the purpose of tracking its production, use, and trading as required by the United States Environmental Protection Agency’s (EPA) Renewable Fuel Standard (RFS) implemented according to the Energy Policy Act of 2005. One dekatherm of biogas is equal to 11.727 RINs.

3 Commission Staff reviewed the Company's filing and determined that the transaction is more in the nature of a private, unregulated business venture because PSE is purchasing the biogas for the purpose of selling it to third parties, rather than using it to generate the electricity it provides to its customers. Staff concluded that the uncertainties associated with the purchase and sale of the biogas, along with the RIN and REC markets for such sales, are risks that PSE ratepayers should not bear. Staff determined that the purchase and sale of biogas was not consistent with a regulated activity necessary in providing service to PSE ratepayers.

4 After discussions with Staff, PSE filed a revised petition (Current Petition) on November 20, 2013. The Current Petition requests that net proceeds from the sale of the environmental attributes of biogas purchased through October 31, 2013, be passed on to customers over a one year period under the Schedule 137 REC tracker.^{3,4} The Company will adjust next year's Schedule 137 rate to include any difference between the actual and estimated proceeds for the RIN's to be sold. After October 31, 2013, all revenues and expenses associated with the purchase and sale of biogas and the associated environmental attributes will be reflected as a PSE below-the-line item (i.e., not included in the revenues and expenses considered when setting electric customer rates) and excluded from regulatory treatment. PSE will include workpapers supporting the net proceeds from sales of biogas environmental attributes in the Company's Schedule 137 REC Tracker filing. Staff believes the Current Petition is reasonable and in the public interest and should be granted.

DISCUSSION

5 The Commission concurs with Staff's recommendation. The Current Petition reasonably provides PSE ratepayers with the net proceeds associated with the sale of biogas and its environmental attributes through October 31, 2013. Because the Company is not acquiring biogas to generate electricity, PSE also appropriately will shield electric service ratepayers from the essentially private business risk and opportunities associated with biogas. The Current Petition, therefore, is in the public interest and should be granted.

³ Net proceeds include interest based on PSE's after-tax rate of return, grossed up for Federal Income Taxes for that period.

⁴ The purchase price of the biogas was included in power costs through October 31, 2013. The cost of the biogas was excluded from power cost in the latest power cost only rate case in Docket UE-130617, effective November 1, 2013.

FINDINGS AND CONCLUSIONS

- 6 (1) The Washington Utilities and Transportation Commission is an agency of the State of Washington vested by statute with the authority to regulate the rates, rules, regulations, practices, and accounts of public service companies, including electric companies.
- 7 (2) PSE is an electric company and a public service company subject to Commission jurisdiction.
- 8 (3) The petition PSE filed in this docket on November 20, 2013, would require the Company to return to customers the net proceeds from the purchase and sale of biogas through October 31, 2013, in the Schedule 137 REC Tracker. That petition further provides that all revenues and expenses associated with purchases and sales of biogas after October 31, 2013, will not be included in regulated rates and must be recorded as below-the-line items.
- 9 (4) This matter came before the Commission at its regularly scheduled meeting on November 27, 2013.
- 10 (5) The Current Petition properly provides ratepayer benefits for PSE's past biogas sales and separates those customers from the economic risks and outcomes of current and future biogas sales. The Current Petition thus establishes rates, terms, and conditions that are fair, just, reasonable, and sufficient and should be approved.

ORDER

THE COMMISSION ORDERS:

- 11 (1) Puget Sound Energy's request to include the net proceeds from the sale of environmental attributes associated with biogas in its Schedule 137 REC Tracker for return to ratepayers through October 31, 2013, and thereafter to account for all revenues and expenses associated with biogas as below-the-line items is granted.
- 12 (2) This authorization is conditioned as follows:

- (a) Puget Sound Energy supports the net dollar amount of biogas sales included in the Schedule 137 REC Tracker with satisfactory work papers.
 - (b) Puget Sound Energy accurately accounts for all revenues and expenses associated with the sale of biogas after October 31, 2013, as below-the-line items.
- 13 (3) The Commission retains jurisdiction over the subject matter and Puget Sound Energy to effectuate the provisions of this Order.

The Commissioners, having determined this Order to be consistent with the public interest, directed the Secretary to enter this Order.

DATED at Olympia, Washington, and effective November 27, 2013.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

STEVEN V. KING, Executive Director and Secretary