



Puget Sound Energy, Inc.
P.O. Box 97034
Bellevue, WA 98009-9734

February 11, 2016

Mr. Steven V. King
Executive Director and Secretary
Washington Utilities and Transportation Commission
P.O. Box 47250
Olympia, Washington 98504-7250

**RE: Advice No. 2016-04
Electric Tariff Filing – Filed Electronically**

Dear Mr. King:

Pursuant to RCW 80.28.060 and Chapter 480-80 WAC, please find enclosed for filing the following proposed revisions to the WN U-60, Tariff G for electric service of Puget Sound Energy (“PSE”).

- 2nd Revision of Sheet No. 449-A - Schedule 449 – Retail Wheeling Service (continued)
- 2nd Revision of Sheet No. 449-C - Schedule 449 – Retail Wheeling Service (continued)
- 2nd Revision of Sheet No. 449-E - Schedule 449 – Retail Wheeling Service (continued)
- 2nd Revision of Sheet No. 449-F - Schedule 449 – Retail Wheeling Service (continued)
- 2nd Revision of Sheet No. 449-G - Schedule 449 – Retail Wheeling Service (continued)
- 2nd Revision of Sheet No. 449-H - Schedule 449 – Retail Wheeling Service (continued)
- 12th Revision of Sheet No. 449-I - Schedule 449 – Retail Wheeling Service (continued)
- 4th Revision of Sheet No. 449-J - Schedule 449 – Retail Wheeling Service (continued)
- 2nd Revision of Sheet No. 449-K - Schedule 449 – Retail Wheeling Service (continued)
- 3rd Revision of Sheet No. 449-N - Schedule 449 – Retail Wheeling Service (continued)
- 2nd Revision of Sheet No. 449-O - Schedule 449 – Retail Wheeling Service (continued)
- 3rd Revision of Sheet No. 449-P - Schedule 449 – Retail Wheeling Service (continued)
- 2nd Revision of Sheet No. 449-R - Schedule 449 – Retail Wheeling Service (continued)

- 2nd Revision of Sheet No. 448-B - Schedule 448 – Power Supplier Choice (continued)
- 2nd Revision of Sheet No. 448-C - Schedule 448 – Power Supplier Choice (continued)
- 2nd Revision of Sheet No. 449-D - Schedule 448 – Power Supplier Choice (continued)
- 3rd Revision of Sheet No. 448-E - Schedule 448 – Power Supplier Choice (continued)
- 2nd Revision of Sheet No. 448-F - Schedule 448 – Power Supplier Choice (continued)
- 2nd Revision of Sheet No. 448-G - Schedule 448 – Power Supplier Choice (continued)
- 2nd Revision of Sheet No. 448-H - Schedule 448 – Power Supplier Choice (continued)
- 11th Revision of Sheet No. 448-I - Schedule 448 – Power Supplier Choice (continued)
- 3rd Revision of Sheet No. 448-J - Schedule 448 – Power Supplier Choice (continued)
- 2nd Revision of Sheet No. 448-K - Schedule 448 – Power Supplier Choice (continued)

2nd Revision of Sheet No. 448-L - Schedule 448 – Power Supplier Choice (continued)
3rd Revision of Sheet No. 448-O - Schedule 448 – Power Supplier Choice (continued)
2nd Revision of Sheet No. 448-P - Schedule 448 – Power Supplier Choice (continued)
5th Revision of Sheet No. 448-Q - Schedule 448 – Power Supplier Choice (continued)
2nd Revision of Sheet No. 448-S - Schedule 448 – Power Supplier Choice (continued)

The purpose of this filing is to implement administrative revisions to Schedules 448 and 449 to better align those schedules with proposed revisions to PSE's Open Access Transmission Tariff (OATT). These revisions ensure that all PSE customers who take transmission service under PSE's OATT, including Schedule 448 and 449 customers, receive non-preferential, non-discriminatory treatment as PSE makes changes to its OATT to participate in the CAISO Energy Imbalance Market (EIM). PSE requests the Washington Utilities and Transportation Commission (Commission) accept PSE's amended tariff sheets and to modify the Commission order, as necessary, in the corresponding dockets (UE-001952, UE-001959) to ensure PSE's entry into the EIM market on October 1, 2016 is not delayed due to uncertainty around the regulatory treatment for one class of customers.

PSE has worked with its Schedule 449 customers and the Industrial Customers of Northwest Utilities (ICNU) to reach mutual agreement on the revised tariff sheets included in this filing. The only parties impacted by this filing are PSE's 449 customers and PSE understands that the Schedule 449 customers and ICNU agree, or do not oppose, these tariff changes. Currently, PSE does not have any customers on Schedule 448.

On February 10, 2016, PSE filed revisions to its OATT in FERC Docket No. ER16-923 to participate in the EIM. It is important to note that, although the tariff sheets in this filing propose an effective date of October 1, 2016, PSE requests that the Commission act on this matter before April 15, 2016. PSE's entry into the EIM by October 1, 2016, is dependent on a FERC process. By acting on this matter before April 15, 2016, the Commission will signal to FERC its agreement that PSE's retail access customers (i.e., the Schedule 449 customers) should be treated the same as PSE's other transmission customers upon financially binding EIM operations on October 1, 2016. In addition, it is important that the effective dates for financially binding settlement of imbalance energy at EIM prices remain the same with respect to Schedule 4R of PSE's OATT and Schedules 448 and 449 (i.e. October 1, 2016) so that customer billing and financial settlement systems remain in sync.

Stakeholder Outreach

In addition to its discussion with Schedule 449 customers and ICNU, PSE has conducted a broader stakeholder outreach process to collect customer feedback on its tariff revisions to implement EIM. Commission Staff participated in the process. The process began in July 2015 with an open letter to customers and was followed by in-person forums at PSE, one-on-one meetings with customers, including Schedule 449 customers, and three open comment periods for customers to submit tariff revisions and feedback. PSE took account of customer feedback and incorporated many suggestions and revisions into its tariffs. The process concluded in

January 2016. Matrices of stakeholder comments are posted on PSE's OASIS site at <http://www.oatioasis.com/psei>.

EIM Background

The EIM is administered by the California Independent System Operator (CAISO), which has an existing market platform to integrate Balancing Authority Areas (BAAs) outside of California with the CAISO BAA for purposes of supplying imbalance energy under a single, intra-hour economic dispatch model. Participation in the market is voluntary, and the CAISO EIM is able to dispatch in 5 and 15 minute increments as compared to the existing bilateral hourly markets available today in the Pacific Northwest. By using CAISO's existing model, PSE is able to avoid some of the expense and delay associated with developing a market from scratch. The CAISO EIM was approved by FERC and went live on November 1, 2014 with PacifiCorp as the first non-CAISO participant. NV Energy went live one-year later in December 2015. PSE expects to be the third utility to join, along with Arizona Public Service (APS) on October 1, 2016. Another Northwest utility, Portland General Electric, has announced plans to participate in October 2017.

EIM Benefits

The EIM is currently yielding benefits to its participants and outside analysis shows that PSE customers will see benefits from participation in the EIM. The market to date with PacifiCorp as the sole EIM Entity and with NV Energy's entry into the market on December 1, 2015, has shown total gross benefits of \$45.7 million according to CAISO's recent EIM Gross Benefits Report, covering market performance from November 1, 2014 – December 31, 2015. The Benefits Analysis of PSE's participation in the EIM completed in September 2014 by Energy+Environmental Economics projected sub-hourly dispatch and flexibility reserve savings of \$18.3-\$20.1 million per year. The low end projection is based on a scenario in which 300 MW of real-time transfer capability is made available for EIM Transfers. PSE sees additional potential for savings in wind integration costs and reduced renewable curtailment should PSE shift to locally balance wind generation currently balanced in an external BAA. These benefits are expected to contribute to savings for retail customers, and for Schedule 448 and 449 customers that accurately schedule transmission service.

Schedule 448/449 Customers and EIM

PSE currently has a retail wheeling construct approved by the Commission in 2001 that allows retail wheeling customers (Schedule 449 customers) or buy/sell arrangement customers (Schedule 448 customers) to take service from PSE under both a Commission-approved tariff and the FERC-approved PSE OATT. The Commission order approving the Settlement Stipulation in 2001 expressly recognized that PSE will be providing all transmission and ancillary services and applicable charges to Schedule 448 and Schedule 449 customers pursuant to the terms of the OATT, as approved by FERC. In addition, parties agreed in the 2001 Settlement Stipulation not to make any changes to this construct for five years (section 18.5), to which PSE has abided. Finally, nothing in the Settlement Stipulation restricts PSE from proposing any revisions to the terms and charges of the transmission and ancillary services provided in PSE's OATT.

OATT Schedule 4R – Retail Load Following Service

Schedule 4R of PSE's OATT is a creation of the state-approved retail wheeling construct. PSE's Schedule 448 and Schedule 449 customers take Retail Load Following Service pursuant to Schedule 4R of PSE's OATT rather than under Schedule 4 of PSE's OATT. Schedule 4R of PSE's OATT mirrors the Retail Load Following Service created by the Settlement Stipulation. For all intents and purposes, however, Retail Load Following Service and Energy Imbalance Service have been largely (if not entirely) indistinguishable, because there has been no substantive difference between Schedule 4 and Schedule 4R of PSE's OATT. PSE is filing a revised OATT Schedule 4R at FERC to ensure that all PSE's transmission customers who take transmission service under PSE's OATT, including Schedule 448 and 449 customers, receive non-preferential, non-discriminatory treatment as PSE makes changes to its OATT at the FERC to participate in the CAISO EIM. The changes that PSE is proposing to Schedule 4 and 4R are consistent and will ensure equitable treatment of all OATT customers.

EIM Financial Settlement –LAP vs. Mid-C

The basis for financial settlement of energy imbalance under the CAISO EIM is a marginal pricing construct that differs from the current day-ahead, hourly index pricing included in PSE's OATT Schedules 4, 4R and Schedules 448 and 449. PSE is updating its OATT and Schedules 448 and 449 to include the FERC-approved EIM marginal pricing construct for financial settlement because it ties more closely to cost causation, is non-preferential, and provides benefits to customers. The marginal pricing construct for loads under the EIM is based on a Load Aggregation Point (LAP), which is the weighted average value of the locational marginal prices (LMP) in PSE's BAA. LMP's represent the locational cost of an incremental unit of production at specific generators or interconnection points in the PSE BAA. The granularity of these pricing nodes will reflect actual hourly, fifteen-minute or five minute pricing in PSE's BAA and will be more accurate for financial settlement of energy imbalance than the current construct that is based upon the day-ahead on- and off-peak Mid-C index price, which are currently applied with penalty bands related to the magnitude of deviations between scheduled and actual use.

FERC

Concurrent with the Schedule 448 and 449 tariff revisions in this filing, PSE has filed revisions to its OATT with FERC, including Schedule 4R, in order to participate in the EIM by October 1, 2016 and ensure that all customers receive comparable treatment. PSE notified FERC in its transmittal letter that the Commission will be considering revisions to PSE's Schedule 448 and 449 tariffs to ensure that PSE's retail wheeling and buy/sell arrangement customers are not treated differently when it comes to EIM pricing and other OATT changes.

The tariff sheets described herein reflect an issue date of February 11, 2016 and an effective date of October 1, 2016. This filing will be published by posting the change on the PSE web site immediately prior to, or coincident with the date of this transmittal letter and making information available by telephone and mail, all in accordance with WAC 480-100-193(1).

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Please contact Nate Hill at (425) 457-5524 for additional information about this filing. If you have any other questions please contact me at (425) 456-2110.

Sincerely,

A handwritten signature in black ink, appearing to read "Ken Johnson", with a long horizontal flourish extending to the right.

Ken Johnson
Director, State Regulatory Affairs

Enclosures

cc: Simon J. ffitch, Public Counsel
Sheree Carson, Perkins Coie