



Puget Sound Energy
PO. Box 97034
Bellevue, WA 98009-9734
PSE.com

August 1, 2016

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

RE: **Proposed Electric Schedule No. 139: Voluntary Long Term Renewable Energy
Advice No. 2016-22 – Electric Tariff Filing – Filed Electronically**

Dear Mr. King:

Pursuant to RCW 80.28.060, WAC 480-80-101 and -105, please find enclosed for filing the following proposed revisions to the WN U-60, Tariff G for electric service of Puget Sound Energy (“PSE”):

Original Sheet No. 139 – Schedule No. 139: Voluntary Long Term Renewable Energy
Original Sheet No. 139-A – Schedule No. 139: Voluntary Long Term Renewable Energy (continued)
Original Sheet No. 139-B – Schedule No. 139: Voluntary Long Term Renewable Energy (continued)
Original Sheet No. 139-C – Schedule No. 139: Voluntary Long Term Renewable Energy (continued)
Original Sheet No. 139-D – Schedule No. 139: Voluntary Long Term Renewable Energy (continued)
Original Sheet No. 139-E – Schedule No. 139: Voluntary Long Term Renewable Energy (continued)
Original Sheet No. 139-F – Schedule No. 139: Voluntary Long Term Renewable Energy (continued)
Original Sheet No. 139-G – Schedule No. 139: Voluntary Long Term Renewable Energy (continued)
Attachment “A” – Service Agreement to Electric Schedule No. 139
42nd Revision of Sheet No. 2-A – INDEX TO RATE SCHEDULES (Continued)

Purpose of Filing and Background

As provided for in RCW 19.29A.090, the purpose of this filing is for PSE to create an additional voluntary renewable energy product that provides customers with energy choices that will help them meet their sustainability goals, within the Washington State regulatory framework.

PSE serves large business and government customers that have the set goal of reducing their carbon footprint and increasing their use of renewable energy. To that end, some of these customers have asked PSE to provide them with cost-effective alternatives to PSE’s diversified portfolio, which currently contains fossil fuels. Many of these customers have operations throughout the United States. They are experienced buyers of energy in states with deregulated wholesale energy markets. These customers also understand the role of Renewable Energy Credits (“RECs”) and the need to transfer and retire the RECs in order to validate the renewable

energy. Many large customers are informed about other renewable energy options that are available outside of PSE's territory and they expect PSE to create similar options to meet their needs, as they do for their own customers.

Regulatory Foundation

This new optional service is consistent with RCW 19.29A.090, which states that each electric utility must provide its customers a voluntary option to purchase qualified alternative energy resources (i.e. renewable energy). For ease of reference, some of the details of portions of RCW 19.29A.090 - Voluntary option to purchase qualified alternative energy resources—Rates, terms, and conditions—Information maintenance, are noted here:

Excerpt from RCW 19.29A.090:

(1) Beginning January 1, 2002, each electric utility must provide to its retail electricity customers a voluntary option to purchase qualified alternative energy resources in accordance with this section.

(2) Each electric utility must include with its retail electric customer's regular billing statements, at least quarterly, a voluntary option to purchase qualified alternative energy resources. The option may allow customers to purchase qualified alternative energy resources at fixed or variable rates and for fixed or variable periods of time, including but not limited to monthly, quarterly, or annual purchase agreements. A utility may provide qualified alternative energy resource options through either: (a) Resources it owns or contracts for; or (b) the purchase of credits [RECs] issued by a clearinghouse or other system by which the utility may secure, for trade or other consideration, verifiable evidence that a second party has a qualified alternative energy resource and that the second party agrees to transfer such evidence exclusively to the benefit of the utility.

PSE currently offers three renewable energy options consistent with RCW 19.29A.090:

- The Green Power Program (Schedule 135) with 44,000 customers who are primarily residential;
- The Large Volume Green Power Program (Schedule 136) which provides a significant discount below the standard price due to large volume contracts and it requires a minimum 1,000 MWh purchase; and
- REC bulk purchases whereby customers can purchase excess RECs from PSE's wind projects with a minimum purchase of 10,000 MWh.

All three of these options involve the retail sale of RECs by PSE to customers.

Some PSE customers have indicated that they need a higher value offering from PSE that will help them meet their corporate sustainable energy goals without sourcing RECs from different regions of the U.S. As a result of discussions with these customers, PSE is proposing to procure and sell a bundled renewable energy and/or carbon-free option.

A key aspect of PSE's existing Green Power Programs (Schedules 135, 136 and bulk RECs), as prescribed in RCW 19.29A.090, is that the incremental costs of the program are allocated to the voluntary participants of the programs. The same holds true under this new long term green power program. PSE will procure qualified alternative energy resources for the customers served by this schedule to serve their needs. Incremental costs will be allocated to these participants.

Customer Needs

Prior to filing this schedule, PSE met with many business and government customers to understand their needs and gauge interest in new products and options. In addition to customer discussions, PSE also conferred with representatives from the World Resources Institute (WRI) as well as the Edison Electric Institute (EEI). The WRI and the World Wildlife Fund (WWF) started a discussion with some of the country's best known commercial firms, which resulted in the "Corporate Renewable Energy Buyers' Principles." These principles are consistent with PSE's findings and provide support for PSE's plan to provide new choices. The principles include:

- Greater choice in procurement options for renewable energy
- More access to cost competitive options
- Access to longer-term and fixed price contracts
- Access to new projects that reduce emissions beyond business as usual
- Streamlined third-party financing
- Opportunity to work with utilities and regulators to ensure fairness in costs and benefits

These principles are valuable in that they clearly state the objectives that large customers are trying to achieve through their energy and sustainability programs. There is a competitive market for RECs and all of PSE customers have the choice to buy them from suppliers around the country.

PSE will initially offer this service to larger customers (aggregated annual loads greater than 10,000,000 kWh) and government customers. Larger loads and customers in the government sector are good candidates for long term contracts. The program will initially be limited to 75 aMW of aggregated subscriptions, which allows an opportunity to re-evaluate the program if that limit is reached.

PSE has proposed a range of prices in the tariff. However, the Service Agreement ("SA") with the customer will include the specific contracted long term rates. The range of prices is based on a request for information and preliminary discussions with developers and customers, and it reflects the prices where parties have indicated a willingness to participate. The contracted long term rate will come out of the open season process. For subsequent resources PSE will issue a request for proposals.

Other Markets

EEI, also with WRI/WWF, are facilitating this change among other investor owned utilities which operate in traditional regulatory states such as Washington. At this time, there are several programs across the U.S. similar to PSE's proposal that aim to meet the Principles.

Company	Description
Arizona Public Services	Limited to high-load factor customers such as data centers. Resources are APS-owned solar and prices are close to standard retail. Customers include IO (data) and Ebay.
Duke, North Carolina	Customer and Duke Energy enter contract for dedication of new or existing RE resource to the customer (a “sleeve” contract). First contract with Google, then two more that are confidential.
Xcel, Minnesota	All customers eligible. Commitment is month-to-month, 5 year or 10 year with lower price for longer term. RE resources are recently approved, but not constructed, wind and solar farms in MN. Xcel has an explicit fuel charge (~20%) that is replaced by RE cost. Filed and under review at their commission.
NV Energy	Customer and NV Energy enter contract for dedication of new or existing RE resource to the customer (a “sleeve” contract). Rate is RE resource cost less base energy rate. Current customers include Apple and Switch.
Dominion, Virginia	Customer identifies project with RE provider. Dominion then contracts with the RE provider for delivery of energy.
Rocky Mountain Power	Customer works with the utility to identify RE project and developer. RMP then contracts with RE provider for delivery of energy.

The Customer Experience

After the tariff schedule is approved, PSE would hold an open season for customers to identify and confirm their appetite for renewable energy and their willingness to pay. PSE will provide indicative prices for both new and existing resources. In general PSE will offer two varieties of option:

- Renewable Energy – New options that will include RECs. The RECs will be retired by PSE on the customer’s behalf or, if the customer has an account with WREGIS, PSE can transfer the RECs to them. In either case the RECs are retired and may not be resold or re-bundled since this is a retail product.
- Carbon-Free – A blended renewable resource of existing hydro and wind available for up to 5 years, and procured by PSE. This option will not meet the “new resource” goal for customers, but will have zero carbon for their sustainability accounting. The option may or may not have RECs associated with it.

With input from customers during the open season, PSE will secure the resources and complete a SA for each customer. The SA will include the service address(es) and meters that the customer selects for this service. The customer can select some or all of their service addresses, which may have meters on multiple electric schedules, to be served with an option provided within Schedule No. 139: Voluntary Long Term Renewable Energy. The SA will also include the annual renewable energy price option that the customer will be billed for.

The customer's bill will show two new line items. There will be an 'Energy Charge Credit' for the credit for unused bundled energy (i.e. the energy-related power cost of the Energy Charge) and a 'Resource Option Energy Charge' for the renewable energy.

PSE's Roles and Obligations

PSE will provide customers with an open season and work with them to develop service agreements. Once PSE has signed commitments from customers, PSE will aggregate customer demand for different options and match those demands with available supplies to serve the customers. Each Schedule 139 renewable energy option will include the primary characteristics of renewable energy in the marketplace: generation type, location, term and price.

At the end of each year, after the customer's January billing, PSE will provide a report to each customer that covers the previous 12 months. The individual customer report will show annual use under the program and the source(s) of the energy. PSE will also maintain records regarding the allocation of each resource should the Commission request them.

If the electricity produced by the resource(s) and purchased by PSE is insufficient in any calendar year to satisfy the full requirements of the customer, then PSE shall source and retire for the customer RECs from alternative resources with costs for the RECs limited to the net amount to be collected under Schedule 139 from the customer for the remainder of the calendar year.

The tariff sheets described herein reflect an issue date of August 1, 2016, and an effective date of September 9, 2016. Posting of proposed tariff changes, as required by law and the Commission's rules and regulations, is being completed immediately prior to or coincident with the date of this transmittal letter through web, telephone and mail access in accordance with WAC 480-100-193.

Please contact Thomas MacLean at (425) 462-3064 or Eric Englert (425) 456-2312 for additional information about this filing. If you have any other questions please contact me at (425) 456-2110.

Sincerely,



for Lynn F. LOGEN, Tariff Consultant
Ken Johnson
Director, State Regulatory Affairs

Enclosures

cc: Lisa Gafken, Public Counsel
Sheree Carson, Perkins Coie