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September 30, 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. 2016-26 – Electric Tariff Filing
Power Cost Only Rate Case Compliance Filing - Docket No. UE-141141
DO NOT REDOCKET**

Dear Mr. King:

Pursuant to RCW 80.28.060, WAC 480-80-101 and -105, WAC 480-07-880 and -883, and the Power Cost Adjustment Mechanism (“PCA Mechanism”) set forth in Exhibit A to the Settlement Stipulation approved by the Commission in its Twelfth Supplemental Order in Docket Nos. UE-011570 and UG-011571 (consolidated), Puget Sound Energy (“PSE”) hereby submits tariff sheets in compliance with the Commission's Order 4 in PSE’s 2014 Power Cost Only Rate Case (“2014 PCORC”) under Docket No. UE-141141 (the “Order”).

Paragraph 22 of the Order allowed PSE to implement the December 1, 2016 price and volume changes associated with the Centralia Coal Transition purchase power agreement through a compliance filing to be made in 2016 (“Centralia compliance filing”). Additionally, paragraph 8c of the Joint Petition to Modify Order 7 in Docket Nos. UE-121697 and UG-121705 (consolidated) and Docket Nos. UE-130137 and UG-130138 (consolidated) (the “Joint Petition”) provides in its terms that a limited update to variable power costs would be made by PSE on or before October 1, 2016 under the previously authorized Centralia compliance filing with updated rates in Schedule 95 and the updated baseline rate to go into effect on December 1, 2016.

This filing includes the following electric tariff sheets:

WN U-60, Tariff G - (Electric Tariff):

- 34th Revision of Sheet No. 95 – Power Cost Adjustment Clause
- 9th Revision of Sheet No. 95-A – Power Cost Adjustment Clause (Continued)
- 11th Revision of Sheet No. 95-B – Power Cost Adjustment Clause (Continued)
- 10th Revision of Sheet No. 95-C – Power Cost Adjustment Clause (Continued)
- 3rd Revision of Sheet No. 95-C.1 – Power Cost Adjustment Clause (Continued)
- 3rd Revision of Sheet No. 95-C.2 – Power Cost Adjustment Clause (Continued)

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| 9th Revision of Sheet No. 95-D | – Power Cost Adjustment Clause (Continued) |
| 10th Revision of Sheet No. 95-E | – Power Cost Adjustment Clause (Continued) |
| 1 st Revision of Sheet No. 95-E.1 | – Power Cost Adjustment Clause (Continued) |
| Original Sheet No. 95-E.2 | – Power Cost Adjustment Clause (Continued) |

The purpose of this filing is to:

1. Submit tariff sheets with the following changes with an effective date of December 1, 2016 as authorized as noted above.
 - a. Implement the December 1, 2016 price and volume changes associated with the Centralia Coal Transition purchase power agreement. This update increased power costs by \$44.7 million.
 - b. Update the Centralia Coal Transition Equity Adder. This update increased power costs by \$2.6 million.
 - c. Make updates, as applicable, to the variable power costs reflected on Exhibit A-1 from the 2014 PCORC. This update decreased power costs by \$83.0 million. More specifically, PSE made the following updates to input data from the 2014 PCORC compliance filing previously made on November 20, 2014:
 - i. Forward prices of gas were updated to the three-month average as of August 26, 2016 for the new rate period December 2016 – November 2017. The average of these prices changed from \$3.86/MMBtu to \$2.76/MMBtu.
 - ii. Hedged volumes from the original rate year December 2014 – November 2015 and their associated costs were replaced with hedged volumes and their associated costs for the new rate year December 2016 – November 2017.
 - iii. Given these changes to input assumptions, the AURORA model was rerun. AURORA produced a new dispatch of PSE’s resources, new market power prices, revised market purchases and sales, and a revised estimate of power costs.
 - iv. All of the components that are outside of the AURORA model (“not in models”) that were impacted by the dispatch and market price changes were updated accordingly.

- d. Adjust the updates for the production factor and revenue sensitive items resulting in an overall decrease to revenue requirement of \$37.0 million.
2. Request approval of PSE's PCA Exhibit that is supported by this compliance filing. PSE requests that the enclosed PCA Exhibit (Exhibit A-1 - Power Cost Baseline Rate), be approved for purposes of tracking PSE's PCA imbalance to be used in the following situations:
 - a. For the month of December 2016 which is the final month of the current mechanism:
 - i. The total baseline rate of \$58.144 per MWh from column (II) line 27 of Exhibit A-1 will be used to calculate the PCA imbalance.
 - ii. The fixed costs of \$40,522,088 per month from column (IX) line 27 will continue to be used for calculating the PCA imbalance.
 - b. From January 1, 2017 forward which is the initial month of the revised mechanism:
 - i. The variable rate per MWh of \$33.453 in column (V) line 33 will be used to track the PCA imbalance under the revised PCA mechanism.
 - ii. The annual fixed costs of \$520,859,510 shown in column (IV) on line 27 provide the basis for the fixed costs that PSE is seeking deferred accounting treatment under a separately filed accounting petition under Docket No. UE-16_____.

Work papers supporting the enclosed tariff sheets and the PCA Exhibit A-1 are being provided to the Commission and parties under separate cover. As required by WAC 480-07-883(2) a copy of this filing has been served on each party to this proceeding.

The tariff sheets described herein reflect an issue date of September 30, 2016 and an effective date of December 1, 2016 by authority of the Washington Utilities and Transportation Commission in Docket No. UE-141141. Posting of the proposed tariff change, as required by law and the Commission's rules and regulations, for inspection and review by the public 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(1). The effect of the proposed rates in this filing is a decrease in customer bills, therefore in accordance with WAC 480-100-194(2) no notice is required.

Mr. Steven V. King
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Please contact Susan Free at (425) 456-2105 for additional information about this filing. If you have any other questions please contact me at (425) 456-2110.

Sincerely,


for Ken Johnson
Director, State Regulatory Affairs

Enclosures

cc: Sheree Carson, Perkins Coie
Service List