

REDACTED

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of)	
)	Docket No. UE-19-_____
PUGET SOUND ENERGY)	Docket No. UG-19-_____
)	
For an Order Authorizing Deferral Accounting for)	PETITION OF
Liquidated Damages Under Schedule 139 Voluntary)	PUGET SOUND ENERGY
Long Term Renewable Energy Purchase Rider)	

I. INTRODUCTION

1 In accordance with WAC 480-07-370(3), Puget Sound Energy (“PSE” or the “Company”), respectfully petitions the Commission for an Order authorizing the accounting detailed in this petition related to the Company’s receipt of Liquidated Damages (“LDs”) associated with its Schedule 139 Voluntary Long Term Renewable Energy (“Green Direct”) program.

2 PSE is a combined electric and natural gas utility serving more than 1.1 million electric customers in Western Washington.

3 All correspondence related to this Petition should be directed as follows:

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4 Rules and statutes that may be brought at issue in this Petition include RCW 19.29A.090, RCW 80.01.040, RCW 80.28.020, and WAC 480-07-370(3).

II. SUMMARY OF PETITION

5 PSE does not believe it has authority to defer LDs as the program has not started and the matter of how the LD's would be used was not addressed in prior Green Direct filings. Therefore, PSE is seeking authority to defer LDs and use them to offset other Green Direct program costs as was intended by RCW 19.29A.090(5). PSE requests Commission approval for the use of deferred accounting to allow for deferral of LDs associated with its Green Direct program. PSE has received approximately [REDACTED] in LDs through September 2019. The LD's are being received under Section 4.1 of the Skookumchuck Wind Energy Project ("Skookumchuck Project") Amended and Restated Power Purchase agreement ("PPA") related to the delay in the project COD. A copy of the PPA is attached to this Petition as Exhibit A. Because PSE does not believe it has the authority to defer the LDs they were initially recorded in FERC account 421 (Miscellaneous non-operating income) but through this petition, PSE seeks the authority to defer these and any future LDs, to be used as an offset against Schedule 139 costs which are not already covered under the Schedule 139 tariff.

III. BACKGROUND

6 On August 1, 2016, PSE filed its Schedule 139, offering Voluntary Long Term Renewable Energy to large customers and government entities in docket UE-160977. This tariff filing was made pursuant to RCW 19.29A.090(1), which requires electric utilities to offer "retail electricity customers qualified alternative energy resources." In April 2017, PSE entered into an initial PPA with Skookumchuck Wind Energy Project, LLC, for the output of its 136.8 MW wind project. At contract execution the anticipated commercial operation date ("COD") was on or before December 31, 2018. Since the approval of Schedule 139, twenty one of PSE's corporate

and governmental customers enrolled in the first offering of Green Direct which was to begin in January 2019, concurrent with the then-expected COD for the Skookumchuck Project. In the Spring of 2018, PSE notified Green Direct customers that the project would be delayed to July 2019. By late 2018 PSE learned that the project was experiencing further delays due to permitting issues, and would not likely begin full commercial operation for all 136.8 MWs until the first quarter of 2020.

7 In January 2018, PSE signed an amended PPA with Skookumchuck Wind Energy Project, LLC that delayed the COD from December 31, 2018 to December 31, 2019 and allowed the COD to occur with at least 20 of the 38 turbines in operation. Per sections 2.13 and 4.1 of the PPA, liquidated damages can result from four potential scenarios 1) a delay in the commercial operation date past July 1, 2019 2) delays in foundation completion milestones 3) the commercial operation date being achieved based on less than 100% of the planned nameplate capacity and 4) output being less than the minimum guaranteed output. As a result of the delays noted above, approximately [REDACTED] in LD obligations have been realized through September 2019. Based on the current estimates of Skookumchuck construction milestones dates provided to PSE, the COD is February 14, 2020 at 100 % nameplate capacity, which is estimated to generate approximately [REDACTED] of LDs under section 4.1 of the PPA. The Schedule 139 program will then commence upon commercial operation of the Skookumchuck Project.

8 In November 2018, PSE entered into a PPA with Lund Hill Solar, LLC, for the output of what is currently agreed upon as a 150 MW solar project (“Lund Hill Project”) to be located in Klickitat County, Washington. No liquidated damages have been incurred related to the Lund Hill Project at this time, but similar clauses are contained within the PPA.

9 As detailed in Docket UE-160977 Order 1, the Schedule 139 program was approved by the Commission (“UTC”) pursuant to RCW 19.29A.090 which states, “All costs and benefits associated with any option offered by an electric utility under this section must be allocated to the customers who voluntarily choose that option and may not be shifted to any customers who have not chosen such option.” Program filing materials contained in Docket UE-160977 do not fully address the method of tracking costs and benefits of liquidated damages to comply with RCW 19.29A.090. The usage of program participants will be served via the output of the two PPAs. Therefore, application of the liquidated damages to program participants is in line with the intent of the RCW and Docket UE-160977.

10 Several Schedule 139 customers made public commitments to carbon reduction, through the anticipated purchase of Schedule 139 renewable energy and Renewable Energy Credits (“RECs”) before the multiple delays to the Skookumchuck Project, and were counting on their Schedule 139 participation to support those commitments. In order to rectify this situation, PSE is intending to purchase RECs for Schedule 139 customers to be retired to cover the period from July 2019 until program commencement. Therefore, PSE is requesting to offset the deferred liquidated damages with the cost of the RECs purchased on behalf of Green Direct customers prior to the start of the program (“pre-program RECs”).

11 PSE anticipates there will still be a balance remaining of deferred LD’s after the purchase of pre-program RECs. Therefore, PSE also proposes that any costs incurred for the program that is determined to not have been originally included in the Schedule 139 rates be allowed to be offset against the LD deferral. An example of this type of cost would be purchases of RECs pursuant to section 5.e. of Tariff Schedule 139. Any remaining balance of LD’s could also be used to adjust future Schedule 139 rates.

IV. PROPOSED ACCOUNTING & RATE MAKING TREATMENT

12 PSE requests an order authorizing the use of deferred accounting for liquidated damages and use of these proceeds for other costs not currently being recovered through the Schedule 139 tariff such as pre-program RECs to allow the initial Green Direct customers to meet their green initiatives and other program costs in excess of amounts included for recovery in Schedule 139. The use of deferred accounting will enable PSE to comply with the RCW 19.29A.090.

13 The proposed accounting treatment is to record all Schedule 139 liquidated damages in FERC 254 "Other Regulatory Liabilities" instead of FERC 421, as they were initially recorded. PSE anticipates it will incur additional costs prior to and after the start of Schedule 139 program and proposes these costs be offset against the deferred LD's. Examples of the costs PSE is seeking be allowed to be offset against the LD's are related to the following 1) the purchase of pre-program RECs for customers to cover the period from July 2019 until program commencement; 2) REC purchases to assist customers if facility generation falls short of program usage and REC prices exceed amounts stated in section 5.e. of the Tariff; and 3) additional program costs not already covered under the Schedule 139 tariff. PSE will also record an entry to transfer the liquidated damages recognized in the third quarter of 2019 from FERC 421 to the regulatory liability. Once the deferral balance is no longer a credit balance (costs exceed liquidated damages), no further deferrals will be made. If the credit balance in the deferral cannot be fully offset by costs, then, if material, the balance could be used to adjust Schedule 139 rates in the future.

V. REQUEST FOR RELIEF

14 For the reasons discussed above, PSE respectfully requests that the Commission issue an Order approving the deferred accounting for liquidated damages received related to Schedule 139 and

costs incurred related to additional benefits provided to Schedule 139, as set forth in this Petition.

DATED this 27th day of November, 2019.

Puget Sound Energy

By */s/ Susan E. Free*


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VERIFICATION

STATE OF WASHINGTON)
)
County of King)

Susan E. Free, being first duly sworn on oath, deposes and says: That she is the Director of Revenue Requirements and Regulatory Compliance for PSE and makes this verification for and on behalf of said corporation, being thereto duly authorized;


That she has read the foregoing Petition, knows the contents thereof, and believes the same to be true.



Susan E. Free

SIGNED AND SWORN to before me on this 27th day of November, 2019.





Print Name: Denise K Schroeder
Notary Public in and for the State of Washington,
Residing at Snogpalmie WA
My commission expires: 8-1-2021