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BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Petition of PUGET SOUND ENERGY For an Order Authorizing the Use of Liquidated Damages Under Schedule 139 Voluntary Long Term Renewable Energy Purchase Rider	)))))))	Docket No. UE-200865 REVISED PETITION OF PUGET SOUND ENERGY

I. INTRODUCTION

1 In accordance with WACs 480-07-885 and 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 use of Liquidated Damages ("LDs") associated with the Skookumchuck Wind Energy Power Purchase Agreement ("the PPA") that is providing energy to PSE's electric Schedule 139 Voluntary Long Term Renewable Energy ("Green Direct") service.

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), WACs 480-07-885, WAC 480-90-203 and WAC 480-100-203.

II. SUMMARY OF PETITION

5 When ruling on PSE's accounting petition filed in UE-190991[1] regarding the deferral and use of LDs received as part of the Green Direct service, the Commission authorized deferred accounting treatment, but reserved any decision related to the use of the funds until such time as the PPAs were in service and the final amount of the LDs were known, at which time PSE would be allowed to bring forward a proposal for the Commission consideration[2]. Although the order used the plural form of PPA, the LDs received relate only to the Skookumchuck Wind Energy PPA. Therefore, the only applicable in service date for purposes of the order is that for the Skookumchuck Wind Energy PPA. At this time, the final LD amounts are known, and while the PPA is not in service, it is anticipated to be in service by early November and so commercial operation for the project is imminent. Consequently, in order to effectively pass-back the LDs at the commencement of the Green Direct program – which coincides with commercial operation – PSE is bringing forward its proposal for the use of LDs through this petition and requesting the Commission's approval.

[1] A parallel accounting petition for gas under Docket No. UG190992 was accidentally docketed. As the LDs in this petition are related to electric only, PSE requested at the time of filing that the docket be closed, but it remains pending on the Commission website.

[2] See ¶454 in Final Order No. 08 in UE-190529, et al.

III. BACKGROUND

6 On November 27, 2019, PSE filed an accounting petition requesting an order authorizing the use of deferred accounting for liquidated damages received as part of the PPA and use of these proceeds for other costs not currently being recovered through the Schedule 139 tariff schedule. This petition proceeded under UE-190991 and was eventually consolidated with PSE's general rate case (UE-190529/UG-190530). On July 8, 2020, the Commission ruled on the consolidated dockets and, with regards to PSE's accounting petition under UE-190991, stated:

> "As such, the Company and its Green Direct customers are best situated to determine how the LD funds should be allocated consistent with applicable statutes. To that end, we encourage PSE to work collaboratively with its Green Direct customers to determine how to best use the LDs in compliance with statutory requirements.
>
> We also determine that we need not reach the question of how the LDs should be applied at this juncture, other than to reiterate the requirement that they only be used to benefit program participants. Because these costs will be deferred, there is no reason to make any determination regarding their application until such time as they have ceased accruing and the final amounts are known. Accordingly, we authorize deferred accounting treatment, but reserve any decision related to the use of the funds until such time as the PPAs are in service and the final amount of the LDs is known. At that time, PSE may bring forward a proposal for the Commission's consideration.[3]"

7 As the result of a Letter Agreement between PSE and Skookumchuck Wind Energy Project, LLC that was signed June 30, 2020, the total amount of LDs available under the contract totaling XXXXXX is now known and has been received. Additionally, the Skookumchuck project is anticipated to be online by early November 2020. Accordingly, PSE has worked with the Green Direct service customers to determine how best to use the LDs. It was determined that the best use of the LDs was to first use them to purchase pre-program Renewable Energy Credits ("RECs") to satisfy 2019 and 2020 (until project commercial

[3] See ¶453-454 in Final Order No. 08 in UE-190529, et al.

operation date) to help satisfy the internal carbon reduction goals of its Green Direct customers. The amount of RECs used to offset the LDs is $2.6 million, which has resulted in net LDs of XXXXXXXX available for additional uses. PSE and its Green Direct customers agreed that the remainder of the net proceeds should be used to offset the cost of the Skookumchuck Power Purchase Agreement ("PPA"), and in turn lower the Schedule 139 Resource Option Charges to Green Direct customers. While the Skookumchuck PPA is not yet in service, any updates to Green Direct customer rates must be made prior to this date as new rates necessitate new agreements with participating Schedule 139 customers, which will take some time to finalize prior to the online date of the project. On September 17, 2020, PSE filed a tariff revision under UE-200817 to effectuate the changes to the Schedule 139 tariff schedule to pass back the LDs as requested within this petition. The rate filing became effective through operation of law.

8 Although the Commission ordered that the determination for how the deferred LDs would be applied would be made after the PPA was in service, PSE must seek a determination prior to that in order to be prepared to bill participants once the service starts. Per the service agreement, customers will begin being billed once the PPA reaches commercial operation[4]. Therefore, PSE needed to get approval of the rates which include the net LDs in advance of commercial operation in order to get updated service agreements signed and in place prior to billing. Notably, whatever approval the Commission provides for either the tariffed rates or the accounting petition which is tied to the tariff rates, will not have a practical effect until the PPA is in commercial operation.

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[4] Schedule 139 Attachment A – Service Agreement (Paragraph 6 Term).

IV. PROPOSED ACCOUNTING AND RATE MAKING TREATMENT

9 PSE requests an order that permits the determination of the application of the deferred LDs prior to the commercial operation date.

10 PSE further requests an order that authorizes PSE to offset the deferred liquidated damages by $2.6 million of REC purchases made for the benefit of Green Direct customers.

11 Additionally, PSE requests that it be allowed to use the remaining XXXXXXX of net LDs to offset the cost of the Skookumchuck PPA to Green Direct customers and reduce the Schedule 139 Resource Option Charges as agreed to with Green Direct customers and included in the tariff revision within UE-200817.

12 Finally, PSE requests approval for the proposed accounting treatment in this petition which is to amortize the deferred net LDs, in FERC 254 “Other Regulatory Liabilities”, following their pass back to the participants in the Schedule 139 rates. PSE will use the detail included in the Schedule 139 filing in UE-200817 to identify how much of the energy charge is comprised of the LDs and will use that ratio to establish the level of amortization in relation to the Resource Option Energy Charge revenue recorded each month.

13 The requested amortization entries will be to debit the regulatory liability and credit 456 Other Electric Revenues. Because the LDs have been tied to the Skookumchuck PPA in developing the Schedule 139 rates, the amortization will follow the rates in which the LDs are included. Account 456 Other Electric Revenues is the appropriate account based on the description for Account 254 included in the Uniform System of Accounts[5]. Such description indicates amortization should be to the same account that would have been credited if included in income when earned. To determine what that account would be, PSE considered what would have

[5] Descriptions for the FERC Accounts referenced in this paragraph can be found in the Electronic Code of Federal Regulations at the following link which may require using the Ctrl key to access→ https://www.ecfr.gov/

happened in a situation where the LDs were received from a contract designated for PSE's general power cost portfolio. In that situation, PSE could have taken the LDs as income and Account 456 was chosen as there is no other operating revenue FERC account that applies to LDs. PSE also considered that amortization included in 456 will offset the negative revenue included in the Schedule 139 rate being charged to Schedule 139 customers that is recorded in FERC 442 Electric Commercial and Industrial Sales. An alternative that also follows the instruction provided in account 254 is that PSE could have recorded LDs in FERC Account 557 Other Power Supply as an offset to the PPA cost and therefore, amortization could alternatively be booked to FERC Account 557. Either FERC Account would be appropriate as both would be included in electric margin, thus matching the negative revenues in FERC Account 442 and providing a neutral impact to electric margin which seems appropriate as the applicable RCW requires ring-fencing of the program. But in order to also provide the offset within Operating Revenues, PSE ultimately believes that the amortization should be recorded in FERC Account 456 to offset the negative revenues included in FERC Account 442. Other similar items recorded to Other Operating Revenues are PSE's decoupling deferral entries for both the current period deferrals and the amortization of prior deferrals (FERC Account 456), rates subject to refund[6] (FERC Account 449.1), and accruals and amortizations associated with PSE's earnings sharing mechanism (FERC Account 456).

14 Based on current customer interest and demand, PSE believes the program will be fully or mostly subscribed for the full 20 years life of the PPA. However, in the unlikely event that the liquidated damages are not fully passed back due to the product not being fully subscribed over the full 20 year term of the PPA, any residual balance of LDs will be held in the regulatory

[6] Utilized in the accounting petition filed under UE-171225

liability account and PSE will seek a determination from the Commission for the ultimate disposition of any undistributed LDs. PSE will provide reporting of the balance and activity within the regulatory liability account in its annual reporting under for the Green Direct program[7].

V. REQUEST FOR RELIEF

15 For the reasons discussed above, PSE respectfully requests that the Commission issue an Order approving the use of liquidated damages received related to Schedule 139, as set forth in this Petition.

DATED this 26th day of October, 2020.

Puget Sound Energy

By /s/ Susan E. Free

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[7] See ¶296 in Final Order No. 08 in UE-190529, et al.