

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY, INC.,

Respondent.

DOCKETS UE-111048 and  
UG-111049 (*Consolidated*)

COMMISSION STAFF'S REPLY TO  
PUGET SOUND ENERGY'S  
MOTION TO AMEND ORDER 08

1 Commission Staff submits these comments in response to the Motion to Amend Order 08 of Puget Sound Energy, Inc. ("PSE") filed October 29, 2014. PSE moves for an order to amend Order 08 in Dockets UE-111048 and UG-111049 (consolidated), entered May 7, 2012, ("Order 08") to allow it to credit customers the actual net proceeds from the sale of renewable energy credits ("REC"), amortized over a one-year period. Staff submits these comments in support of PSE's motion, as well as to clarify its understanding of PSE's proposal.

2 In Order 08, the Commission established a new REC Revenue Tracker to flow the benefits of REC proceeds to customers.<sup>1</sup> The REC Revenue Tracker adopted in Order 08 was developed and proposed by Staff, Public Counsel, Industrial Customers of Northwest Utilities, and the Kroger Co. as part of a Multiparty Settlement Agreement.<sup>2</sup> The REC Revenue Tracker credited to customers REC proceeds over a three-year amortization period via bill credits, with deferred balances accruing interest at PSE's authorized rate of return.<sup>3</sup> In its decision, the Commission noted testimony by various parties that the REC Revenue

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<sup>1</sup> *Washington Utilities and Transportation Commission v. Puget Sound Energy, Inc.*, Dockets UE-111048 and UG-111049 (consolidated), Order 08 Rejecting Tariff Sheets; Authorizing and Requiring Compliance Filing (May 7, 2012).

<sup>2</sup> *Id.* at ¶ 332.

<sup>3</sup> *Id.* at ¶ 342.

Tracker appropriately balanced customers' interest in timely rate relief with the desirability of rate stability and PSE's interest in predictable cost recovery.<sup>4</sup>

3 PSE now moves for the Commission to amend Order 08 to allow it, beginning January 1, 2015, and each calendar year thereafter, to credit customers the *actual* REC proceeds collected through the most recently closed accounting period (generally October of each year).<sup>5</sup> PSE would provide credits to customers amortized over a one-year period, rather than providing forecasted credits over a three-year period.<sup>6</sup> The REC proceeds would continue to earn interest at PSE's net of tax rate of return in accordance with Order 08, until the proceeds are fully credited to customers.<sup>7</sup>

4 After clarifying with PSE, Staff understands that PSE intends to credit to customers over a one-year period the entire balance of actual REC proceeds collected through the most recently closed accounting period. Staff further understands that the first such one-year period of credits, beginning January 1, 2015, would include several years of REC proceeds that have yet to be fully credited back to customers under the current mechanism's three-year amortization period.

5 As a basis for its motion, PSE emphasizes that the REC market was much more robust when the REC Revenue Tracker was established in Order 08 than it is today; initial REC proceeds were nearly \$17 million, but since 2013, have declined to well below \$1 million annually.<sup>8</sup> PSE reasons that by basing credits on actual REC proceeds, its proposal will eliminate undue complexity and the opportunity for disputes over the accuracy of its

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<sup>4</sup> *Id.* at ¶ 344.

<sup>5</sup> *WUTC v PSE*, Dockets UE-111048 and UG-111049 (consolidated), Motion to Amend Order 08, at ¶ 1 (Oct. 29, 2014).

<sup>6</sup> *Id.*

<sup>7</sup> *Id.*

<sup>8</sup> *Id.* at ¶ 4.

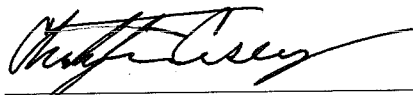
forecasts.<sup>9</sup> Moreover, by providing the credits over a one-year period instead of a three-year period, the proposal will enable customers to receive the benefit of REC proceeds sooner.

6 Staff agrees that the REC market has changed significantly, and that REC proceeds have diminished to an extent that no longer justifies extending credits to customers over a three-year period. Staff also agrees that PSE's proposal is easier to administer, reduces opportunities for dispute, and brings benefits to ratepayers sooner. For these reasons, Staff supports PSE's Motion to Amend Order 08.

DATED this 5<sup>th</sup> day of November 2014.

Respectfully submitted,

ROBERT W. FERGUSON  
Attorney General



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<sup>9</sup> *Id.*