



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

July 24, 2014

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

RE: Advice No. 2014-21 – 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 for electric service of Puget Sound Energy, Inc. (the “Company” or “PSE”):

**WN U-60, Electric Service:**

Original Sheet No. 138 – Schedule No. 138: Bulk Renewable Energy Credits Option  
Original Sheet No. 138-A – Schedule No. 138: Bulk Renewable Energy Credits Option (Continued)  
Original Sheet No. 138-B – Schedule No. 138: Bulk Renewable Energy Credits Option (Continued)  
Attachment A to Schedule 138 – Schedule No. 138 Service Agreement: Renewable Energy Credits Purchase Agreement

The purpose of this filing is to provide an optional choice to eligible PSE electric customers for PSE to provide them with Renewable Energy Credits (“RECs”). PSE wants our customers to have improved choice in how they purchase qualified alternative energy resources, also known as “green power”. This new optional program is one way in which the Company can provide these choices and benefits to certain customers who wish to have greater choices in their options to procure renewable energy for their facilities in order to meet their business and public goals.

**Description of service**

The proposed service will provide customers with the opportunity for a bulk purchase of 10,000 or more RECs per year from renewable resources that PSE owns. The banded rate would allow PSE and the customer to negotiate a mutually agreeable price generally based on fair market value at the time of negotiation. The source of such RECs will be at the discretion of the Company and based on the availability from qualified alternative energy resources and disclosed to the customer prior to finalization of the service agreement. The term of the agreement can be for one or more years.

### **Consistent with support from state policy, and state laws**

This product 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). PSE already offers two products consistent with the state law. PSE is proposing to offer this new product as an additional way to provide certain customers another choice for purchasing renewable energy. This new product would allow certain customers to purchase qualified alternative energy resources produced from resources that PSE owns (consistent with RCW 19.29A.090(2)). For ease of reference, some of the details of portions of RCW 19.29A.090 regarding the rates, terms and conditions for this voluntary option to purchase qualified alternative energy resources are noted below:

*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 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.*

The RCW, above, provides for many varieties of renewable energy products. While the current PSE green power products have over 40,000 customers, PSE is also working with large customers on products that would provide them with better value for their corporate goals. Some major companies and non-governmental organizations have recently developed a set of principles as guidelines for the renewable energy market. Download the report at <http://www.wri.org/publication/corporate-renewable-energy-buyers-principles>

### **Pricing structure**

The pricing for this service will utilize the provision of the banded rate in order for PSE and the customer to negotiate a mutually agreeable price generally based on fair market value. This agreed upon price will also maximize the benefits that will be passed on to all other electric customers when the value of the REC sales is passed on via the accounting mechanism approved in Final Order 08 in Docket No. UE-111048. The banded rate is based upon and allowed for in the Commission rule WAC 480-80-112(2).

This proposed optional product meets the requirements of a banded rate.

- It is non-residential.
- It is non-residential electric service that is subject to effective competition from energy suppliers not regulated by the Commission. These customers have choices when it comes to buying RECs in the market.



- The use of a banded rate rather than a tariff with fixed rates is needed to provide the necessary flexibility for the customer and PSE to negotiate a mutually agreeable fair market price that generally reflects the market for RECs. See below.
- The minimum rate in the banded rate tariff covers all costs resulting from providing the service and provides a contribution to fixed costs. See below (and Exhibit 1).
- Information detailing the potential effect on revenue of the proposed banded rate tariff range; as well as the effect on revenue of the current or proposed rate is provided below.

For ease of reference, the details of WAC 480-80-112(2), the rule describing banded rate tariff filings for gas and electric companies are noted below:

*WAC 480-80-112(2):*

*(2) **Gas and electric companies.** Gas and electric companies may file banded rate tariffs for any nonresidential gas or electric service that is subject to effective competition from energy suppliers not regulated by the commission. When a gas or electric company files for a banded rate tariff, the filings must, at a minimum, be accompanied with the following:*

*(a) A statement supporting the use of a banded rate tariff rather than a tariff with fixed rates;*

*(b) A verifiable cost-of-service study supporting the contention that the minimum rate in the banded rate tariff covers all costs resulting from providing the service and provides a contribution to fixed costs; and*

*(c) Information detailing the potential effect on revenue of the proposed banded rate tariff range, as well as the effect on revenue of the current or proposed rate.*

### **Statement supporting the use of a banded rate tariff**

This optional service is non-residential electric service that is subject to effective competition from energy suppliers not regulated by the Commission. These customers have choices when it comes to buying RECs in the market. The use of a banded rate allows the flexibility for the customer and PSE to negotiate a mutually agreeable fair market price that is generally based upon what the customer and PSE are seeing reflected in the market for RECs.

### **Minimum rate in the banded rate tariff covers all costs resulting from providing the service and provides a contribution to fixed costs**

The minimum rate charged to a customer will cover the costs resulting from providing this service and will contribute and cover the fixed costs of providing this service. As with other programs in the Green Power portfolio, the administrative costs will be reflected in the ultimate charge. It is expected that the fully loaded annual fixed costs per participating customer per contract/transaction will be approximately \$2,067. Even at the minimum purchase quantity of 10,000 RECs that works out to about \$0.21/REC. The minimum rate in the banded rate is \$1.00/REC, so the minimum rate in this banded rate tariff schedule covers the fixed costs resulting from providing the service. Please also see Exhibit 1.

The pricing structure also meets the criteria in RCW 19.29A.090(5), that specify that the costs of this voluntary product must be allocated to the customers who chose this green power option. For ease of reference, some of the details of portions of RCW 19.29A.090(5) regarding the rates, terms and conditions for this voluntary option to purchase qualified alternative energy resources are noted below:

*Excerpt from RCW 19.29A.090(5):*

*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.*

**Information detailing the potential effect on revenue of the proposed banded rate tariff range; as well as the effect on revenue of the current or proposed rate**

Since this is a new optional service, if any customers choose to participate, it will likely increase the incremental revenue available to pass through the Company's REC tracker (Schedule 137) discussed below. It is reasonable to support the view that by allowing a banded rate – both the customer and the company can more readily agree on a mutually agreeable price and therefore this pricing structure will likely increase revenue. This is a new optional service that is not comparable to a "current" rate so that direct comparison is difficult to make. For purposes of illustrating a potential effect on revenue, here is an example calculation if two customers sign up for the minimum amount (10,000 RECs) and agree to a price somewhere near the mid-point of the band (\$6/REC):

$$2 \times 10,000 \times \$6 = \$120,000.$$

**Customer support for product**

PSE worked closely with a customer that was interested in this product. In fact, the initial development of this product was at the request of a customer. One customer letter of support is attached as Exhibit 2.

**Commission has already directed and put into place a method/mechanism to account for and use the net proceeds from the sale of renewable energy credits**

The Commission has approved the appropriate accounting and use of net proceeds from the sales of renewable energy credits in Final Order 08 in Docket No. UE-111048. In that order, all proceeds from the Company's sales of RECs will be included in the rate tracker that flows the benefits of REC revenue collected by the Company to electric customers. Net proceeds from this tariff schedule will be included in the rate tracker as described in the existing Schedule 137, In an earlier proceeding, UE-070725, related to REC revenue, the Commission determined that REC revenues should be returned to the ratepayers who pay rates to cover all of the costs of the related resources. The rate tracker is a means by which this is achieved.

The tariff sheets described herein reflect an issue date of July 24, 2014, and effective date of September 25, 2014. 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 480-90-193.

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,



*Manager, Regulatory Initiatives & Tariffs*

*for*

Ken Johnson

Director, State Regulatory Affairs

Enclosure

cc: Simon J. ffitich, Public Counsel  
Sheree Carson, Perkins Coie