

**BEFORE THE WASHINGTON  
UTILITIES & TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY

Respondent.

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DOCKET NOS. UE-190529 and UG-190530 (*Consolidated*)

**CARLA A. COLAMONICI ON BEHALF OF PUBLIC COUNSEL UNIT**

**EXHIBIT CAC-10**

Puget Sound Energy Response to WUTC Staff Data Request No. 97

November 22, 2019

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**Dockets UE-190529 & UG-190530  
Puget Sound Energy  
2019 General Rate Case**

**WUTC STAFF DATA REQUEST NO. 097:**

**Re: Green Direct**

Referencing Exh. WTE-3C at Page 20 at (d)(i), is PSE planning to allocate 100 percent of Skookumchuck project liquidated damage benefits as a credit against Skookumchuck PPA or Green Direct Program costs? If no, please explain how PSE plans to allocate 100 percent of the actually accrued and projected liquidated damages received.

**Response:**

At this time Puget Sound Energy (“PSE”) has not allocated Skookumchuck project liquidated damages as a credit against Green Direct Program costs. As noted in PSE’s Response to WUTC Staff Data Request No. 095, PSE has recorded liquidated damages that have been received to date to FERC account 421 (Miscellaneous non-operating income). As noted further in WUTC Staff Data Request No. 096 and below, the ultimate recording of the liquidated damages has not yet been determined.

**PSE’s opinion of current accounting under existing circumstances:**

Based on the terms within the Schedule 139 Voluntary Long Term Renewable Energy Service Agreement and Schedule 139 Voluntary Long Term Renewable Energy Purchase Rider, as detailed below, PSE is not certain that there is appropriate authority under which to defer the liquidated damages.

Attached as Attachment A to PSE’s Response to WUTC Staff Data Request No. 097, please find the Schedule 139 Voluntary Long Term Renewable Energy Service Agreement, which Schedule 139 customers have executed with PSE. This service agreement states that the term of the agreement commences, “on the first day of the Customer’s normal billing cycle, in the first month following the commencement of commercial operation of the Resource Option, and delivery therefrom of energy to the Company sufficient to satisfy the obligation set for in this Service Agreement.” As the term of the agreement will not have commenced during the time period when PSE is receiving the liquidated damages there is no contractual or tariff basis for allocating these funds to Schedule 139 customers at this time. Additionally, PSE has not received express authority to defer the liquidated damages for later use in the program.

Refer to Attachment B to PSE's Response to WUTC Staff Data Request No. 097, Schedule 139 Voluntary Long Term Renewable Energy Purchase Rider, which does not prescribe the outcome if any liquidated damages are received nor how these would be treated under the program. Without clarification of the treatment of any liquidated damages in the tariff, PSE believes there is no mechanism with which to make use of these funds within the program.

Although PSE believes it is not able to apply liquidated damages against program costs under the current construct, it has considered voluntarily using the liquidated damages to purchase renewable energy credits ("RECs") on behalf of participating customers prior to program commencement. In this way, the liquidated damages will be used for the benefit of participating customers which is the underlying intent of the program.

It is the above analysis that resulted in the conclusion that the liquidated damages and any pre-program RECs should be recorded below the line.

**Possible alternative accounting treatment:**

PSE did consider RCW 19.29A.090 (Voluntary option to purchase qualified alternative energy resources—Rates, terms, and conditions—Information maintenance) 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." When drafting responses to this and other related data requests, PSE considered the impact of RCW 19.29A.090 for both liquidated damages and overall program costs and benefits. This review consisted of revisiting program filing materials contained in Docket UE-160977. Based on this review, PSE determined the requirements outlined in RCW 19.29A.090 have not been fully addressed in its impact on the allowed and required accounting for the liquidated damages and overall program costs and benefits, necessitating further investigation.

*Liquidated Damages*

An option that PSE believes may be appropriate is to defer the liquidated damages in order to comply with RCW 19.29A.090. However, PSE does not believe that RCW 19.29A.090 gives express approval to unilaterally engage in deferred accounting; therefore, the appropriate approach would be the filing of an accounting petition. The Washington Utilities and Transportation Commission's ("Commission") guidance was for PSE to track the costs and benefits separately for this program<sup>1</sup>. Although not considered during the development of this program, PSE believes deferral of liquidated damages to apply against pre-program benefits to Schedule 139 customers would allow these pre-program items to be treated the same as the other costs and benefits under the program. Therefore, PSE intends to file an accounting petition for deferred treatment

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<sup>1</sup> Paragraph 4 and footnote 2 in Order 01 in Docket UE-160977.

of the liquidated damages and pre-program REC purchases as soon as possible. Once the petition is filed, the recognition of the receipt of the RECs could then be recognized in FERC 254 "Other Regulatory Liabilities" instead of FERC 421. A true-up entry would also be recorded to transfer the liquidated damages recognized in the third quarter of 2019 to the regulatory liability.

### *Overall Program Costs and Benefits*

Upon contemplating deferred accounting treatment for the liquidated damages, PSE also considered whether there were advantages to employing deferred accounting for the costs (including fixed and variable) and benefits (including revenues) for the overall program. The biggest advantage is the transparency it would provide that would satisfy the requirements of RCW 19.29A.090 and the Commission's guidance related to this program. PSE has not been able to fully review the requirements that would exist in order to employ deferred accounting for the overall program, but some items that have been identified are that the Skookumchuck and Lund Hill power purchase agreements may need to be excluded from the power costs in this proceeding, as costs would be deferred rather than included in base rates. This, however, would not preclude PSE's request for prudence of these contracts in this proceeding as any generation not used by Schedule 139 customers in a given period would be included as part of portfolio power costs charged to non-participating customers and included in the determination of the Power Cost Adjustment Mechanism ("PCA") imbalance. Additionally, the variable program costs and revenues may not be accounted for or reported in PSE's PCA as they would be deferred along with the fixed costs and revenues of the program. The deferral could then become the tracking mechanism on which PSE would report in compliance with the Commission's guidance for the program. Because all of the items that need to be considered for deferring overall program costs and benefits have not been fully vetted at this time, PSE is not prepared to include this request in the accounting petition referenced above. However, PSE intends to work with Commission Staff and other interested parties in presenting PSE's preferred approach to the accounting for the overall program costs and benefits prior to the filing of their response testimonies.