

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY,

Respondent.

DOCKETS UE-220066/UG-220067

SETTLEMENT STIPULATION AND
AGREEMENT (GREEN DIRECT)

I. INTRODUCTION

1. This Settlement Stipulation and Agreement (“Settlement”) is entered into by and between the following parties in this case: (i) Puget Sound Energy (“PSE”), (ii) the regulatory staff of the Washington Utilities and Transportation Commission (“Commission Staff”),¹ (iii) King County, (iv) The Public Counsel Unit of the Washington Office of the Attorney General (“Public Counsel”), and (v) Walmart, Inc., as of August 4, 2022 (the “Settlement Date”). These parties are hereinafter collectively referred to as “Settling Parties” and individually as a “Settling Party.” The following parties neither join nor oppose the Settlement: Alliance of Western Energy Consumers, The Energy Project, Northwest Energy Coalition, Front & Centered, Sierra Club, Federal Executive Agencies, and Kroger.²

¹ In formal proceedings, such as this, the Commission’s regulatory staff participates like any other party, while the Commissioners make the decision. To assure fairness, the Commissioners, the presiding administrative law judge, and the Commissioners’ policy and accounting advisors do not discuss the merits of this proceeding with the regulatory staff, or any other party, without giving notice and opportunity for all parties to participate. See RCW 34.05.455.

² The interventions granted by the Commission for the following parties do not extend to Green Direct: Puyallup Tribe, Nucor Steel, and CENSE.

2. Because this Settlement is entered into by some, but not all, of the parties, and it resolves some, but not all, issues in the case, it is a “partial multiparty settlement,” as that term is defined in WAC 480-07-730(3)(b).

3. This Settlement is subject to review and disposition by the Washington Utilities and Transportation Commission (“Commission”). Section III of the Settlement is effective on the date of the Commission order approving it (unless the Commission establishes a different effective date). The remainder of the Settlement is effective as of August 4, 2022.

II. BACKGROUND AND NATURE OF THE DOCKET

4. PSE offers to its large commercial and industrial customers a Voluntary Long Term Renewable Energy Purchase rider under Schedule 139, which service is known as Green Direct (“Green Direct”).

5. The Green Direct tariff schedules and the associated credit to Green Direct customers have been reviewed in several past cases including but not limited to PSE’s 2019 general rate case (“GRC”) in Dockets UE-190529 et al., PSE’s 2020 power cost only rate case (“PCORC”) in Docket UE-200980, as well as the current dockets.

6. The Settlement Stipulation and Agreement in PSE’s 2020 PCORC (“2020 PCORC Settlement”) included several provisions with respect to Green Direct,³ including: that the variable baseline rate in PSE’s Power Cost Adjustment (“PCA”) mechanism would not include Green Direct load; establishment of the methodology for calculating the Energy Charge Credit for Green Direct customers; the inclusion of normalized Green Direct load in the revenue

³ The 2020 PCORC Settlement was a full multiparty settlement. All parties to the case, except for Public Counsel, joined in the settlement, and Public Counsel neither joined nor opposed the Settlement. No Green Direct customers were parties to that case, although some customers, including King County, did participate in the public comment hearing.

deficiency calculation and rate spread in the test year; exclusion of the Green Direct load from the Aurora power cost model in the PCORC rate year; exclusion of the output of the Skookumchuck and Lund Hill power purchase agreements (“PPAs”) serving the Green Direct program from the Aurora power cost model in the PCORC rate year; exclusion of the Skookumchuck and Lund Hill PPAs from future PCA tracking; and acceptance of PSE’s proposed methodology for tracking costs and benefits associated with generation surplus or deficiency.

7. Further, the 2020 PCORC Settlement reserved the right for parties to reevaluate the method to calculate the revenue requirement and to track PCA imbalances pertaining to the treatment of Green Direct cost, revenue, and load in future proceedings.

8. In the 2020 PCORC Settlement, the parties agreed to pursue a “path forward on a durable method for calculating the energy credit for Green Direct customers and a means to flow any impacts from changing the methodology for calculating the Green Direct credit through to non-Green Direct customers.”⁴

9. In its Final Order approving and adopting the 2020 PCORC Settlement, the Commission noted that “the Settlement recognizes the need for further discussions” and that it “expects the Company to follow-through with encouraging Green Direct customers to participate in future discussions on this issue.”⁵ King County and Walmart, both of whom took part in Green Direct settlement discussions in this proceeding, are Green Direct customers and are parties to this Settlement.

⁴ Settlement Stipulation, p. 6.

⁵ *WUTC v. Puget Sound Energy*, Docket UE-200980 Order 05 at ¶ 18 (June 1, 2021).

10. After the Commission issued the Final Order accepting the 2020 PCORC Settlement, PSE, Commission Staff, Public Counsel, and Green Direct customers engaged in collaborative discussions in an effort to reach agreement on a methodology for calculating the Green Direct credit.⁶ While the stakeholders had very productive discussions, they were not able to reach agreement on this issue prior to the filing of PSE's 2022 general rate case.

11. On January 31, 2022, PSE filed with the Commission, in Dockets UE-220066 and UG-220067, a general rate case ("2022 GRC"), which proposed a three-year multiyear rate plan. PSE's prefiled direct testimony addressed the Green Direct credit calculation among other issues.

12. On February 10, 2022, the Commission suspended operation of the as-filed tariff schedules, commenced discovery, and set the matter for hearing in Order 01.

13. On February 28, 2022, the Commission convened a virtual prehearing conference. The Commission granted party interventions and set a procedural schedule in the Prehearing Conference Order, served on March 3, 2022. The Prehearing Conference Order provided for an early Settlement Conference to address Green Direct issues.

14. The parties participated in a Green Direct Settlement Conference on May 3, 2022 and continued discussions by email and phone conferences afterward. The parties participated in a second Green Direct Settlement Conference on June 13, 2022 and continued negotiations after that Settlement Conference.⁷

15. On June 27, 2022, PSE filed a Motion for Leave to File Revised Testimony and submitted revisions to the Prefiled Direct Testimony of Birud D. Jhaveri and the Prefiled Direct

⁶ Other stakeholders, including some parties to this case and the PCORC proceeding, were invited but did not participate in the collaborative discussions.

⁷ All parties, other than those who were granted limited intervention that does not include Green Direct, were invited to participate in the Green Direct settlement conferences and discussions.

Testimony of Susan E. Free, and to supporting exhibits for both witnesses. The testimony and exhibits were revised to reflect the manner by which the Energy Charge Credit would be recovered in rates. No party objected to the motion and the Commission granted the motion on July 8, 2022.

16. On July 11, 2022, the Settling Parties notified the Commission that a partial multiparty settlement in principle on the Green Direct credit issue had been reached and that no party opposed the Settlement.

III. AGREEMENT

17. The Settling Parties agree to the following terms⁸ as a partial multiparty settlement in this filing that fully settles the Green Direct credit issue:

- A. **Schedule 139 Resource Option Energy Charge:**⁹ The Resource Option Energy Charge for Green Direct customers currently taking service under Schedule 139 shall remain unchanged from the rates approved by the Commission in Docket UE-200817.
- B. **Energy Charge Credit:**¹⁰ The Energy Charge Credit for all Green Direct customers currently taking service under Schedule 139 shall be equal to the Schedule 139 Resource Option Energy Charge for the 20-year blended resource option,¹¹ adjusted to remove: (a) costs PSE incurs that are specific to administering the Green Direct program,¹² and (b)

⁸ Supporting schedules are presented in Attachment A to this Settlement Stipulation and Agreement. Workpapers have also been reviewed by the Settling Parties.

⁹ The per kWh rate for the “Energy Charge” is identified on PSE’s Electric Tariff G, WN U-60, Sheet No. 139-F.

¹⁰ The per kWh rate for the “Energy Charge Credit” is identified on PSE’s Electric Tariff G, WN U-60, Sheet No. 139-E.

¹¹ The Resource Option Energy Charge per kWh is listed by calendar year in Section 9 of PSE’s Tariff Schedule 139 (Electric Tariff G, WN U-60, Sheet No. 139-F). The Resource Option Energy Charge for the 20-year Resource Option under Schedule 139 reflects the levelized cost of energy for a blended, 20-year wind (45 percent) and solar (55 percent) PPA.

¹² The costs PSE incurs that are specific to administering the Green Direct service consist of: (a) the cost of billing system updates; (b) Green-e Certification fees; (c) WREGIS registration fees; and (d) program administrative expenses. See, e.g., PSE workpapers supporting Schedule 139 tariff revision filed in Docket UE-200817.

the amortization of liquidated damages awarded to PSE due to delays in the commercial operation date of the Skookumchuck Wind Energy Project.^{13,14}

Effective January 1, 2023, the Energy Charge Credit shall be \$47.826 per MWh and shall increase by two percent each year thereafter.¹⁵

- C. **Recovery of Energy Charge Credit:** It is appropriate for PSE to recover from all customers, through base rates or a separate tariff schedule, the Energy Charge Credit amounts paid to Green Direct customers, subject to a review of the accuracy of PSE's calculation of the amount to be recovered.

- D. **Tracking and Reporting:** The methodology for tracking costs and benefits associated with generation surplus or deficiency of the Green Direct resources established in the 2020 PCORC Settlement remains unchanged.

IV. GENERAL PROVISIONS

18. **Entire Agreement.** This Settlement is the product of negotiations and compromise amongst the Settling Parties and constitutes the entire agreement of the Settling Parties.

Accordingly, the Settling Parties recommend that the Commission adopt and approve the Settlement in its entirety as a full resolution of contested issues related to Green Direct in this docket. This Settlement will not be construed against any Settling Party on the basis that it was the drafter of any or all portions of this Settlement. This Settlement supersedes any and all prior oral and written understandings and agreements on such matters that previously existed or occurred in this proceeding, and no such prior understanding or agreement or related

¹³ Under Section 4.1 of the Skookumchuck Wind Energy Project Amended and Restated Power Purchase Agreement, PSE was entitled to liquidated damages related to delays beyond the commercial operation date specified in the contract.

¹⁴ The currently effective Schedule 139 Energy Charge includes the costs of administering the Green Direct program as well as the amortization of liquidated damages across the 20-year term of the Skookumchuck Wind Energy Project power purchase agreement. See Docket UE-200817 for the most recent revisions to the Schedule 139 Energy Charge per kWh.

¹⁵ The two percent annual escalation reflects the escalation factor PSE used in its Schedule 139 Energy Charge Credit calculation approved in Docket UE-200817.

representations will be relied upon by the Settling Parties to interpret this Settlement or for any other reason.

19. Confidentiality of Negotiations. The Settling Parties agree that this Settlement represents a compromise in the Settling Parties' positions. As such, conduct, statements, and documents disclosed during the negotiation of this Settlement are not admissible in this or any other proceeding and will remain confidential. Notwithstanding the foregoing, the Settlement itself and its terms do not fall within the scope of this confidentiality provision, and each Settling Party is free to publicly disclose the basis for its own support of the Settlement.

20. Precedential Effect of Settlement. The Settling Parties enter into this Settlement to avoid further expense, uncertainty, inconvenience, and delay. The Settling Parties agree that this Settlement is intended to establish a durable method for calculating the energy credit for Green Direct customers and a means to flow any impacts from changing the methodology for calculating the Green Direct credit through to non-Green Direct customers, which is intended to be used in future cases. This Settlement does not serve to bind the Commission when it considers any other matter not specifically resolved by this Settlement in future proceedings. Nothing in this Settlement compels any Settling Party to affirmatively intervene or participate in a future proceeding.

21. Positions Not Conceded. In reaching this Settlement, the Settling Parties agree that no Settling Party concedes any particular argument advanced by that Settling Party or accedes to any particular argument made by any other Settling Party. Nothing in this Settlement (or any testimony, presentation, or briefing supporting this Settlement) shall be asserted or deemed to mean that a Settling Party agreed with or adopted another Settling Party's legal or factual assertions in this proceeding.

22. Manner of Execution. This Settlement will be deemed fully executed when all Settling Parties have signed it. A designated and authorized representative may sign the Settlement on a Settling Party's behalf. The Settling Parties may execute this Settlement in counterparts. If the Settlement is executed in counterparts, all counterparts shall constitute one agreement. A Settlement signed in counterpart and sent by facsimile or emailed as a pdf is as effective as an original document. A faxed or emailed signature page containing the signature of a Settling Party is acceptable as an original signature page signed by that Settling Party. Each Settling Party shall indicate the date of its signature on the signature page. The date of execution of the Settlement will be the latest date indicated on the signature page(s).

23. Approval Process and Support of Settlement. Each Settling Party agrees to support the terms and conditions of this Settlement in this proceeding. Each Settling Party agrees to support the Settlement during the course of whatever proceedings and procedures the Commission determines are appropriate for approval of the Settlement. Each Settling Party agrees to make available one or more witnesses to testify in support of the Settlement.

24. Commission Approval with Conditions. In the event the Commission approves this Settlement, but with conditions not proposed in this Settlement, the provisions of WAC 480-07-750(2)(b) will apply.

25. Commission Rejection. In the event the Commission rejects this Settlement, the provisions of WAC 480-07-750(2)(c) will apply. In that event, the Settling Parties agree to jointly and promptly request that the Commission convene a prehearing conference to address procedural matters, including a procedural schedule for resolution of the case at the earliest possible date.

Dated this 4th day of August, 2022.

PUGET SOUND ENERGY

By: 

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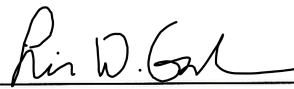
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