

**BEFORE THE
WASHINGTON UTILITIES & TRANSPORTATION COMMISSION**

In the Matter of the Petition of

PUGET SOUND ENERGY

For an Order Authorizing Use of Incremental
Hydropower Calculation Method 2 and
Resulting Incremental Hydropower Ratios for
the 2014 Compliance Period

Docket No. UE-140800

PETITION FOR AUTHORIZATION
TO USE METHOD 2 AND
RESULTING INCREMENTAL HYDRO
RATIOS FOR 2014 RENEWABLE
ENERGY COMPLIANCE PERIOD

I. INTRODUCTION

1. In accordance with WAC 480-07-370(b), Puget Sound Energy ("PSE" or the "Company") respectfully petitions the Commission for an Order that (1) authorizes the Company to use Incremental Hydropower Calculation Method Two pursuant to WAC 480-109-200(7)(c) for its 2014 Renewable Portfolio Standard Compliance Period; and (2) approves the incremental hydropower ratios for its Baker River and Snoqualmie Falls Projects.

2. PSE is engaged in the business of providing electric and gas service within the state of Washington as a public service company, and is subject to the regulatory authority of the Commission as to its retail rates, service, facilities and practices. Its full name and mailing address are:

Puget Sound Energy, Inc.
Attn: Katherine Barnard
Director, Revenue Requirements & Regulatory Compliance
P.O. Box 97034
Bellevue, Washington 98009-9734

3. Rules and statutes that may be brought at issue in this Petition include RCW 80.01.040, RCW 80.28.020 and WAC 480-07-370(b).

II. SUMMARY OF PETITION

4. In its 2014 annual Renewable Energy Target Report, PSE used Method 3 to calculate its incremental hydro ratio. This is a one-time calculation of the quantity of renewable energy based on a historical period.

5. In response to Staff's concerns¹ and commencing with approval of the rule change in Docket No. UE-131723, the Company elected to use Method 2 beginning with its 2015 report, now referred to as the Renewable Portfolio Standard ("RPS") Report. Method 2 is an annual application of a percentage to total production that captures variations in stream flow.

6. The Commission has never formally approved the incremental hydropower ratios for either the Baker River or Snoqualmie Falls Projects. This approval is necessary for the Department of Commerce to complete its approval process of PSE's pending certification applications for the Baker River and Snoqualmie Falls Projects. Only then is PSE allowed to register the incremental hydro in the Western Renewable Energy Generation Information System

¹ See, e.g., Staff's Comments filed June 30, 2014 at p. 7.

(“WREGIS”) and use it to meet its renewable energy target. Completing the WREGIS registration process will allow PSE and its customers to fully benefit from these incremental hydro projects by utilizing them to meet its RPS requirements. Absent completion of the WREGIS process, PSE will be required to unnecessarily utilize more of its RECs that could otherwise be banked or sold, ultimately costing our customers more. This petition seeks that approval.

III. BACKGROUND

7. On May 30, 2014, PSE filed its Renewable Energy Target Report in this docket. On June 27, 2014, PSE filed an updated Renewable Energy Target Report (the “2014 Report”) to provide estimated megawatt-hours for incremental hydropower projects, specifically the Baker River and Snoqualmie Falls Projects.

8. In the 2014 Report, PSE used Method 3 to calculate its incremental hydropower for the Lower Baker and Snoqualmie Falls Projects.

9. In Order 01, the Commission made no determination on PSE’s methodology for calculating the Company’s incremental electricity from hydropower efficiency improvements nor the results of those calculations².

10. As a result of the Commission’s new rules, beginning with PSE’s 2015 RPS Report, PSE elected to utilize Method 2 for calculating the incremental hydro generation associated with its Snoqualmie Falls and Baker Projects. Staff noted in their comments that they

² See Order 01 at ¶23.

had reviewed the Company's documentation and believed that the Company had correctly applied Method 2 calculations³, however, there has not been formal approval of the incremental hydro ratios, which is necessary to complete the WREGIS registration process. The following sections discuss the Method 2 documentation and calculations of the incremental hydro ratios to support the 8.5% and 28.3% ratios for the Snoqualmie Falls and Baker Projects, respectively.

A. Snoqualmie Falls Project Incremental Hydro Ratio

11. Documentation of the incremental hydro associated with the Snoqualmie Falls Project was prepared in November 2010 and was developed in conjunction with the FERC certification required to qualify for Section 1603 Treasury Grants. The documentation is provided as Exhibit 1 to this Petition. As described in the report, PSE selected the five-year period of 2005 through 2009 for the pre-state and post-upgrade modeling since that period best represented the historical hydrological record for the period of 1961 through 2009. The weighted average generation under the pre-upgrade conditions resulted in 238,070 MWh per year. With the improvements, the weighted yearly generation increased to 260,100MWh per year. As a result, 8.5% of the annual production from the Snoqualmie Falls Project should be deemed as eligible renewable energy utilizing the Method 2 calculation (260,100 divided by 238,070 minus 1 = 8.5%).

³ See Staff Comments filed June 30, 2015 in Docket UE-151164 at page 3.

B. Baker River Project Incremental Hydro Ratio

12. Documentation of the incremental hydro associated with the Baker River Project was prepared in August 2010 and was developed in conjunction with the FERC certification required to qualify for Section 1603 Treasury Grants. The documentation is provided as Exhibit 2 to this Petition. As described in the report, the hydroelectric analyses were based on the same five representative energy years utilized in the relicensing process, i.e. 1993, 1995, 1996, 2001 and 2002. The five years were chosen because they best represented the actual historical hydrological record for the period of 1976 through 2002. (Please see Appendix C in the report for further explanation of the representative year analyses.) The weighted average generation under the pre-upgrade conditions resulted in 277,040 MWh per year. With the improvements, the weighted yearly generation increases to 386,520MWh. As a result, 28.3% of the annual production from the Baker River Project should be deemed as eligible renewable energy utilizing the Method 2 calculation (386,520 divided by 277,040 minus 1 = 28.3%).

13. PSE recognizes the Method 2 calculation as described in WAC 480-109-200 (7)(c), which became effective in April 2015, requires the use of a historical period of at least five consecutive years (per subpart (i)). Although PSE's 2010 analysis did not utilize 5 consecutive years, PSE believes its analysis meets the intent of subsection (i) as the 5 years utilized spanned a wide range of hydrologic conditions at the project and produced a weighted annual average generation that was 0.9% lower than the long-term average for the 1976 through 2002 period.

14. Pursuant to WAC 480-109-210(6) and Order 01 in this docket⁴, PSE will file its 2014 Final Compliance Report no later than June 1, 2016.

15. PSE has discussed this petition with Commission Staff and Staff supports this petition.

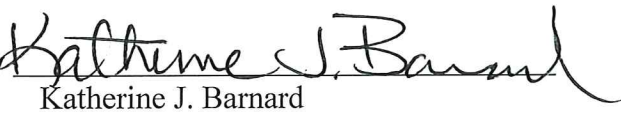
IV. REQUEST FOR RELIEF

16. Based on the foregoing, PSE respectfully requests that the Commission issue an Order (1) authorizing the use of Method 2 for the 2014 Renewable Energy Compliance Period, and (2) approving the incremental hydropower ratios of 8.5% for its Snoqualmie Falls Project and a 28.3% ratio for its Baker River Project.

17. PSE respectfully requests that Commission approval be provided no later than April 28, 2016.

DATED this 14th day of April, 2016.

Puget Sound Energy

By 
Katherine J. Barnard

Director, Revenue Requirements and Regulatory
Compliance

⁴ See Order 01 at ¶28.

VERIFICATION

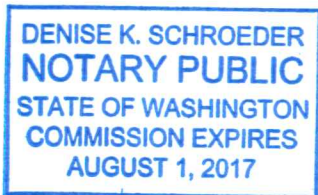
STATE OF WASHINGTON)
)
 COUNTY OF KING) ss.

Katherine Barnard, being first duly sworn, on oath deposes and says:

That she is Director of Revenue Requirement & Regulatory Compliance with Puget Sound Energy, that she has read the foregoing Petition of Puget Sound Energy, that she knows the contents thereof, and that she believes the same to be true to the best of her knowledge and belief.

Katherine J. Barnard
 Katherine J. Barnard

SUBSCRIBED and SWORN to before me this 14th day of April, 2016.



DENISE K SCHROEDER
 Print Name: Denise K Schroeder
 Notary Public in and for the State of Washington,
 residing at SNOQUALMIE, WA
 My commission expires: 8-1-2017