

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND	)	DOCKETS UE-111048 and
TRANSPORTATION COMMISSION,	)	UG-111049 ( <i>consolidated</i> )
	)	
Complainant,	)	ORDER 10
v.	)	
	)	GRANTING MOTION TO AMEND
PUGET SOUND ENERGY,	)	ORDER 08
	)	
Respondent.	)	
.....	)	

**MEMORANDUM**

**I. Background**

1 On May 7, 2012, the Washington Utilities and Transportation Commission (Commission) entered its Final Order, Order 08, in these dockets.<sup>1</sup> Order 08, among other things, approved and adopted Section G of a Multiparty Settlement Stipulation. Section G is described as: “Agreement – Renewable Energy Credit Tracker.” It describes a tracker mechanism that flows to customers the benefits of Renewable Energy Credit (REC) revenue collected by Puget Sound Energy (PSE). The REC revenues included in the tracker are credited to customers over a three-year amortization period. Amounts included in the tracker consist of three components, including the addition of one-third of the amount of REC proceeds projected to occur during the tracker period based on contracts in effect at the time of filing.

**II. Puget Sound Energy Motion to Amend Order 08**

2 On October 28, 2014, PSE filed a motion asking the Commission to amend Order 08. Specifically, PSE requests that the Commission amend Order 08 to allow PSE to

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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).

credit to customers the actual net proceeds from the sale of RECs, amortized over a one-year period. PSE proposes that, beginning January 1, 2015 and during each subsequent calendar year, customers will be credited the actual REC proceeds collected through the most recently closed accounting period prior to the REC annual update filing, which is generally made in October of each year. Credits will be passed back over one calendar year. The funds to be credited to customers will continue to earn interest at PSE's net of tax rate of return, grossed up for taxes, until the time when the funds are fully credited to customers.

- 3 PSE states in its motion that at the time the Commission approved the Multiparty Settlement Stipulation, the REC market was much more robust than it is today. Indeed, the initial proceeds from committed sales to be passed on to PSE customers were estimated to be well over \$16 million. However, as testified in the Declaration of Naomi Char, which is attached to PSE's motion, annual proceeds from the sale of RECs have been well below \$1 million since 2013. PSE argues that basing credits on actual sales amounts, instead of forecasts, will eliminate undue complexity and the opportunity for disputes over the accuracy of PSE's forecasts. In addition, passing REC proceeds to customers over one calendar year instead of extending credits over three years will allow customers to receive benefits quicker. Finally, the revised tracker PSE proposes will eliminate the need for complicated tracking.
- 4 PSE requests more particularly that the Commission amend paragraph 342 of Order 08, as follows (proposed additional language underlined):

The REC revenue included in this new rate tracker would be credited to customers over a three-year amortization period, until December 31, 2014; and over a one year period beginning January 1, 2015 and each year thereafter, with deferred balances accruing interest at PSE's authorized net of tax rate of return. REC revenue will be provided to customers by means of bill credits rather than being offset against rate base as provided under the existing mechanism. The deferred balance of RECs will include the deferred taxes associated with the timing difference between when REC income is received and when the REC credit provides the benefit to customers. Amounts included in the tracker will consist of three components: (1) continuation of the amortization of the REC regulatory liability balance, net of associated

deferred taxes, existing at the start of the Tracker period; (2) addition of one-third of the amount of REC proceeds projected to occur in the Tracker period based on contracts in effect at the time of the initial filing until December 31, 2014; and beginning January 1, 2015 and each year thereafter, any additional actual net proceeds received up through the most recently closed accounting period prior to the filing of the annual updates; and (3) a true-up.

- 5 On November 5, 2014, Commission Staff filed a Reply supporting PSE's motion. By way of clarification, Staff states its understanding 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. Staff agrees with PSE 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.

### **III. Commission Determination**

- 6 The Commission determines that, under the circumstances described in PSE's motion and confirmed by Commission Staff, the Company's proposal to amend Order 08 is in the public interest. PSE's motion accordingly should be approved and its proposed amendment to Order 08 adopted.

### **ORDER**

#### **THE COMMISSION ORDERS THAT:**

- 7 (1) Puget Sound Energy's Motion to Amend Order 08 in Dockets UE-111048 and UG-111049 (consolidated) is GRANTED.

- 8           (2) Paragraph 342 of Order 08 is amended as set forth in paragraph 04 of this Order.
- 9           (3) Puget Sound Energy is authorized and required to file any tariff sheets that are necessary and sufficient to effectuate the terms of this Order.
- 10          (4) The Commission Secretary is authorized to accept by letter, with copies to all parties to this proceeding, a filing that complies with the requirements of this Order.
- 11          (5) The Commission retains jurisdiction to effectuate the terms of this Order

Dated at Olympia, Washington, and effective November 7, 2014.

**WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

DAVID W. DANNER, Chairman

PHILIP B. JONES, Commissioner

JEFFREY D. GOLTZ, Commissioner