

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of

PUGET SOUND ENERGY, INC.'S

Renewable Energy Target Progress
Report under RCW 19.285.070 and
WAC 480-109-040

DOCKET UE-120802

ORDER 01

ORDER REGARDING PSE'S 2012
RENEWABLE ENERGY TARGET
PROGRESS REPORT

I. BACKGROUND

A. The Energy Independence Act

- 1 Washington voters approved Initiative 937, the Energy Independence Act (EIA), in the 2006 general election. Now codified in Chapter 19.285 of the Revised Code of Washington, it requires “qualifying” electric utilities, those with 25,000 or more customers, to obtain certain percentages of their electricity from new renewable resources, beginning in 2012. Under RCW 19.285.060(6), the Washington Utilities and Transportation Commission (Commission) has authority to enforce the EIA with respect to investor-owned utilities.¹
- 2 Puget Sound Energy, Inc. (PSE) is an “investor-owned utility” subject to the Commission’s enforcement authority under the EIA. Because it serves more than 25,000 customers in Washington State, it is a “qualifying utility” under the EIA.²
- 3 Pursuant to the rule-making authority granted in RCW 19.285.080(1), the Commission has adopted rules to ensure the proper implementation and enforcement of the EIA as it

¹ RCW 19.285.030(11) defines “investor-owned utility” by reference to RCW 19.29A.010. RCW 19.29A.010(19) provides: “‘Investor-owned utility’ means a company owned by investors that meets the definition of RCW 80.04.010 and is engaged in distributing electricity to more than one retail electric customer in the state.”

² RCW 19.285.030(16).

applies to investor-owned utilities.³ Those rules are codified in Chapter 480-109 of the Washington Administrative Code.

4 WAC 480-109-020(1)(a) implements RCW 19.285.040(2)(a). It provides, “[b]y January 1 of each year beginning in 2012 and continuing through 2015, each [qualifying investor-owned] utility must use sufficient eligible renewable resources, acquire equivalent renewable energy credits, or a combination of both, to supply at least three percent of its load for the remainder of each year.” According to RCW 19.285.040(2)(c) and WAC 480-109-020(3), “annual load” is to be “based on the average of the utility’s load for the previous two years.” “Load” is defined in RCW 19.285.030(12) and WAC 480-109-007(12) to mean “the amount of kilowatt-hours of electricity delivered in the most recently completed year by a qualifying utility to its Washington retail customers.”

5 RCW 19.285.030(18) and WAC 480-109-007(18) list nine types of “renewable resources,” including wind energy. Only “eligible” renewable resources meet the requirements of the EIA, however. As of June 6, 2012, “eligible renewable resource” was defined in RCW 19.285.030(10) to mean:

- (a) Electricity from a generation facility powered by a renewable resource other than fresh water that commences operation after March 31, 1999, where: (i) The facility is located in the Pacific Northwest;^[4] or (ii) the electricity from the facility is delivered into Washington state on a real-time basis without shaping, storage, or integration services; or
- (b) Incremental electricity produced as a result of efficiency improvements completed after March 31, 1999, to hydroelectric generation projects owned by a qualifying utility and located in the Pacific Northwest or to hydroelectric generation in irrigation pipes and canals located in the Pacific Northwest, where the additional generation in either case does not result in new water diversions or impoundments.

³ *Rules to Implement the Energy Independence Act*, Docket UE-061895, General Order R-546 (Nov. 30, 2007). The rule adoption order is published in Issue 08-01 of the Washington State Register as WSR 07-24-012.

⁴ “Pacific Northwest” is defined in RCW 19.285.030(14) and WAC 480-109-007(15) by reference to the federal Pacific Northwest Electric Power Planning and Conservation Act. Section 3(14) of that act, 16 U.S.C. § 839a(14), defines “Pacific Northwest” to mean Washington, Oregon, Idaho, and western Montana, the remainder of the Columbia River basin south of Canada, and contiguous areas served by the Bonneville Power Administration.

In 2012, the Washington Legislature amended RCW 19.285.030(10) and other sections of RCW Chapter 19.285 to alter the extent to which biomass energy qualifies as an eligible renewable resource.⁵ Those amendments, which took effect on June 7, 2012, do not affect the 2012 compliance year.

6 The EIA permits utilities to meet their renewable energy targets with either eligible renewable resources or renewable energy credits.⁶ A “renewable energy credit” or REC is:

a tradable certificate of proof of at least one megawatt-hour of an eligible renewable resource where the generation facility is not powered by fresh water, the certificate includes all of the nonpower attributes associated with that one megawatt-hour of electricity, and the certificate is verified by a renewable energy credit tracking system selected by the department [of commerce].⁷

7 A REC may be used once for EIA compliance, either during the year in which it is produced or during the year immediately before or after the year in which it is produced.⁸ RECs can be bought and sold with or separately from the electric power generated from the eligible renewable resource. PSE owns several eligible generation facilities in the State of Washington and has sold RECs to other utilities.⁹

8 Certain types of facilities, such as those constructed with apprentice labor, earn a multiplier for the purposes of compliance with the EIA.¹⁰ PSE states that it has used apprentice labor in the construction of certain wind generation facilities.¹¹

⁵ Laws of 2012, ch. 22. This Order 01 uses the RCW numbering that was in effect on June 6, 2012.

⁶ RCW 19.285.040(2)(a).

⁷ RCW 19.285.030(17). The Washington Department of Commerce has selected the Western Renewable Energy Generation Information System (WREGIS) as the renewable energy credit tracking system. WAC 194-37-040(31); WAC 194-37-210. WREGIS has a website at <http://www.wecc.biz/WREGIS/Pages/default.aspx>.

⁸ RCW 19.285.040(2)(e).

⁹ See generally *WUTC v. Puget Sound Energy, Inc.*, 197 Pub. Util. Rep. (PUR) 4th 1, 68 (WUTC 2012) (treatment of revenues from REC sales); *Puget Sound Energy, Inc.*, 282 Pub. Util. Rep. (PUR) 4th 203 (WUTC 2010) (order determining appropriate accounting and use of net proceeds from sales of RECs).

¹⁰ RCW 19.285.040(2)(b) (distributed generation); RCW 19.285.040(2)(h) (apprentice labor); WAC 296-05-329 (EIA apprentice labor standard certification process).

9 The EIA provides three other ways for a utility to be considered in compliance with a renewable energy target. A utility may (1) show that it invested at least four percent of its total annual retail revenue requirement on the incremental costs of eligible renewable resources and RECs,¹² (2) make certain showings about its load, electricity purchase, and investments in eligible renewable resources and RECs,¹³ or (3) show that events beyond the utility's reasonable control prevented it from meeting the target.¹⁴

10 RCW 19.285.070(1) establishes reporting requirements for utilities that are subject to the EIA:

On or before June 1, 2012, and annually thereafter, each qualifying utility shall report to the department [of commerce] on its progress in the preceding year in meeting the targets established in RCW 19.285.040, including . . . the utility's annual load for the prior two years, the amount of megawatt-hours needed to meet the annual renewable energy target, the amount of megawatt-hours of each type of eligible renewable resource acquired, the type and amount of renewable energy credits acquired, and the percent of its total annual retail revenue requirement invested in the incremental cost of eligible renewable resources and the cost of renewable energy credits. . . .

RCW 19.285.070(2) and WAC 480-109-040(1) require investor-owned utilities to report the same information to the Commission.

11 WAC 480-109-040(1)(d) also requires additional information from investor-owned utilities, including a description of "the steps the utility is taking to meet the renewable resource requirements for the current year." As the Commission explained in its rule adoption order, "in the first report submitted on June 1, 2012, a utility must demonstrate

¹¹ See *Puget Sound Energy, Inc.*, Docket U-111663, Declaratory Order Interpreting RCW 19.285.040(2)(h) (Dec. 1, 2011).

¹² RCW 19.285.050(1).

¹³ RCW 19.285.040(2)(d).

¹⁴ RCW 19.285.040(2)(i).

that it complied with the requirements of WAC 480-109-020 and describe its progress towards meeting the January 1, 2013, renewable target.”¹⁵

12 Under RCW 19.285.060(1), a utility that fails to meet an annual renewable energy target under RCW 19.285.040(2) must pay an administrative penalty of fifty dollars for each megawatt-hour of shortfall. WAC 480-109-040 describes the process that the Commission uses to evaluate investor-owned utilities’ annual reports and to determine whether the utility complied with its renewable resource target.

13 The Commission has been planning for the 2012 renewable energy compliance deadline for several years. In 2010, the Commission conducted an inquiry to consider policy options, and issued a report and policy statement on the regulatory treatment of investor-owned utilities’ acquisitions of renewable resources.¹⁶ Referring to the policy statement, the Commission recently ruled that PSE’s acquisition and construction of the first phase of the Lower Snake River wind power project was a prudent investment.¹⁷

14 In 2011, the Commission issued a policy statement describing how the Commission, through its staff, would provide technical assistance to utilities and developers regarding whether electric generation projects may qualify as “eligible renewable resources” under RCW 19.285 and WAC 480-109. The Commission authorized its staff to join with staff of the Washington Department of Commerce (Commerce) to establish an informal technical working group (TWG) to provide non-binding technical analysis about whether a resource is an “eligible renewable resource.”¹⁸ The TWG issued several advisory letters in 2011 and 2012. The Washington Legislature has now authorized Commerce to issue advisory opinions to consumer-owned utilities regarding whether electric

¹⁵ *Rules to Implement the Energy Independence Act*, Docket UE-061895, General Order R-546 ¶ 38 (Nov. 26, 2007).

¹⁶ *Report and Policy Statement Concerning Acquisition of Renewable Resources by Investor-Owned Utilities*, Docket UE-100849 (Jan. 3, 2011).

¹⁷ *WUTC v. Puget Sound Energy, Inc.*, 297 Pub. Util. Rep. (PUR) 4th 1, 74-82 (WUTC 2012). *See also* *WUTC v. Puget Sound Energy, Inc.*, 281 Pub. Util. Rep. (PUR) 4th 329, 401 (WUTC 2010) (PSE’s expansion of Wild Horse wind farm was prudent); *WUTC v. Puget Sound Energy, Inc.*, 255 Pub. Util. Rep. 287, 323 (WUTC 2007) (PSE’s acquisition of Wild Horse wind farm was prudent); *WUTC v. Puget Sound Energy, Inc.*, 244 Pub. Util. Rep. (PUR) 4th 310, 317 (WUTC 2005) (PSE’s acquisition of Hopkins Ridge wind farm was prudent).

¹⁸ *Policy Statement Regarding Processes for Determining Whether Projects are “Eligible Renewable Resources” under RCW 19.285 and WAC 480-109*, Docket UE-111016 (June 7, 2011).

generation projects qualify as “eligible renewable resources.”¹⁹ That process has replaced the TWG process.

15 In Docket UE-110523, Commission Staff convened a Renewable Portfolio Standards Workgroup (RPS Workgroup) to coordinate planning for the filing of utilities’ June 2012 reports. The RPS Workgroup included representatives from utilities, state agencies, and other interested groups. PSE participated in the RPS Workgroup. The RPS Workgroup reached some common understandings about the content and format of the June 2012 reports.

B. Puget Sound Energy, Inc.’s Filings

16 On June 1, 2012, PSE initiated this docket by filing with the Commission a Renewable Energy Target report (RPS Report) under RCW 19.285.070 and WAC 480-109-040. PSE submitted the same report to Commerce. Based on its average annual load for 2010 and 2011, PSE reported that its 2012 renewable energy target was 635,958 megawatt-hours.

17 In its June 1 RPS Report, PSE did not identify the eligible renewable resources it had used or the RECs it had acquired to meet the target by January 1, 2012. Nor did the RPS Report describe the steps PSE is taking to meet the January 1, 2013, renewable energy target. Instead, PSE generally described the wind generation facilities that it owns or whose output it purchases, and referred to its 2011 Integrated Resource Plan under WAC 480-100-238.²⁰ Attachment 3 to the RPS Report said that PSE’s “eligible renewable resources in 2012 may be expected to generate approximately 2,058,366 . . . megawatt-hours and/or renewable energy credits and/or extra apprenticeship credits,” more than three times the amount PSE needs to meet the 2012 target of 635,958 megawatt-hours. PSE stated, however, that it had not yet decided how to meet the renewable energy target for 2012 and wished to keep its options open.

18 PSE’s RPS Report contained information about incremental costs, as required by RCW 19.285.070 and WAC 480-109-040(1)(b).

¹⁹ Laws of 2012, ch. 254, § 1 (codified at RCW 19.285.045).

²⁰ PSE presented its 2011 Integrated Resource Plan to the Commission on August 11, 2011, in Docket UG-100960.

- 19 On July 12, 2012, at the request of Commission Staff, PSE filed additional information with the Commission. Using a reporting template developed by Commerce, PSE also submitted a revised Renewable Energy Report to that agency on July 19, 2012. The new information listed the wind farms whose output PSE might use for 2012 compliance with the EIA. It showed that PSE-owned wind farms in Washington generated 1,166,244 megawatt-hours in 2011, substantially more than the amount PSE needs to meet its 2012 target. PSE said, however, that it had sold all of the associated 2011 RECs and would not be using them for its own EIA compliance.
- 20 On June 5, 2012, the Commission issued a Notice inviting interested persons to file written comments on PSE's RPS Report, in accordance with WAC 480-109-040(2). The Notice stated that the Commission would consider the matter at its July 27, 2012, Open Meeting.
- 21 During the comment period, the Commission received written comments from Renewable Northwest Project and NW Energy Coalition (RNP/NWEC), Public Counsel, and Commission Staff. At the July 27, 2012, Open Meeting, the Commission heard oral comments from RNP/NWEC, Commission Staff, and PSE. The Commission orally invited interested persons to file additional written comments no later than August 2, 2012. PSE and RNP/NWEC filed comments.
- 22 The Commission heard addition oral comments from PSE, RNP/NWEC, and Commission Staff during its August 9, 2012, Open Meeting. The Commission also considered Staff's Open Meeting memorandum of that date. The Commission asked Staff to collaborate with interested persons to develop a proposed order, which was presented to the Commission at its Open Meeting of September 13, 2012.

II. SUMMARY AND DISCUSSION OF COMMENTS

- 23 RNP/NWEC praised PSE's leadership in acquiring new renewable energy resources. RNP/NWEC argued, however, that PSE had failed to comply with the reporting requirements of the EIA because it had not identified the particular resources it had set aside as of January 1, 2012, for its own 2012 compliance. RNP/NWEC pointed out that, of the seventeen qualifying utilities that had submitted 2012 EIA reports to Commerce, only PSE had not provided details about how it had complied with the January 1, 2012,

renewable energy target.²¹ Citing the Commission's 2007 EIA rule adoption order, RNP/NWEC urged that the Commission must assess compliance with the January 1, 2012, compliance date on the basis of utilities' June 1, 2012 reports. RNP/NWEC stated that utilities cannot wait until 2013 or 2014 to demonstrate compliance with the January 1, 2012, renewable energy target.

- 24 RNP/NWEC recommended that the Commission adopt a two-step process for determining EIA compliance. They stated that the June 1, 2012, report must show that a utility had in hand, by January 1, 2012, specific resources that can be expected to deliver the megawatt-hours or RECs to supply three percent of the utility's load for 2012. RNP/NWEC recommended that, if those resources produce more renewable energy than expected, utilities should have the flexibility to sell the surplus, and must make up for any shortfall if the resources underperform. Alternatively, utilities might substitute resources they had in hand on January 1, 2012, with other eligible renewable resources or RECs. RNP/NWEC recommended that the Commission require utilities to make a second filing in 2013 or 2014, to show what eligible renewable resources or RECs the utilities actually used to meet three percent of their load in 2012. The Commission would determine at that time whether to assess penalties for any shortfall.²²
- 25 RNP/NWEC recognized PSE's need for flexibility to sell RECs and preserve its market position. They urged the Commission to require PSE to file a revised report estimating how many megawatt-hours or RECs from particular resources or groups of resources that PSE expects to use for 2012 compliance.
- 26 RNP/NWEC expressed concern that Puget Sound Energy, Inc., Avista, and PacifiCorp had not used consistent methods for calculating the incremental cost of eligible renewable resources under RCW 19.285.050(1)(b) and WAC 480-109-030(1).

²¹ The Department of Commerce website, <http://www.commerce.wa.gov/site/1001/default.aspx>, shows that the following seventeen utilities submitted 2012 EIA reports to Commerce: Avista, Benton County Public Utility District (PUD), Chelan County PUD, Clallam County PUD, Clark Public Utilities, Cowlitz County PUD, Grant County PUD, Grays Harbor PUD, Inland Power & Light, Lewis County PUD, Mason County PUD, PacifiCorp, Peninsula Light, Puget Sound Energy, Inc., Seattle City Light, Snohomish County PUD, and Tacoma Power. Only three of them, Avista, PacifiCorp, and Puget Sound Energy, Inc., are investor-owned utilities subject to the Commission's enforcement authority under RCW 19.285.060(6).

²² See RCW 19.285.060(1); WAC 480-109-050.

- 27 Public Counsel took no position with regard to PSE's RPS Report, but cautioned that any Commission determination in this docket should not constitute a finding of prudence with respect to any renewable resource.
- 28 In its comments filed on July 16, 2012, Commission Staff stated that PSE had demonstrated that it was on track to meet the renewable energy target for 2012. Staff pointed out, however, that some of the language in the Commission's 2007 rule adoption order is unclear. Staff requested guidance about when and how utilities must meet the January 1, 2012, target in RCW 19.285.040(2)(a)(i), and when and how the Commission determines compliance.
- 29 After further discussion with interested parties, Commission Staff recommended at the August 9, 2012, Open Meeting that the Commission adopt a two-step compliance process similar to the one that RNP/NWEC had suggested. Staff agreed with RNP/NWEC that the RPS Report PSE had submitted did not meet the reporting requirements of the EIA. Staff recommended that the Commission require PSE to file a revised RPS Report to include the language shown in Attachment A.
- 30 PSE disagreed with the interpretation of the EIA provided by RNP/NWEC. According to PSE, WAC 480-109-040(1)(d) requires PSE to describe in its June 1, 2012, report the steps PSE is taking to meet the renewable resource requirements for 2012, and that compliance with the 2012 target will be assessed in the June 1, 2013, or June 1, 2014, report. PSE explained that it needs flexibility to maximize the revenues from its resources, and agreed with RNP/NWEC that the EIA gives utilities the flexibility to substitute resources. PSE agreed with Staff that some of the language in the Commission's 2007 rule adoption order is unclear and that further guidance would be useful. PSE did not object to the recommendation that Commission Staff made at the August 9, 2012, Open Meeting.
- 31 The Commission agrees with RNP/NWEC and Commission Staff that a two-step process is appropriate for evaluating compliance with RCW 19.285.040(2)(a). In the report it files on June 1 of the target year, 2012 in this case, a utility must demonstrate that it had in hand, as of January 1 of the target year, rights to eligible renewable resources or RECs that are likely to produce the required output for that year. If the resources or contracts fail to perform as expected, the utility must make up for any shortfall or may sell any surplus. The Commission agrees with RNP/NWEC, Commission Staff, and PSE that the EIA provides utilities with the flexibility to substitute the resources it reported on June 1 of the target year with other eligible renewable resources or RECs. The utility must file a

final compliance report no later than June 1 of the second year after the target year, describing the eligible renewable resources and RECs the utility actually used for compliance during the target year. This two-step process is consistent with the reporting requirements that Commerce has adopted in WAC 194-37-110 for qualifying utilities that are not investor-owned. It is also consistent with the discussion in the Commission's order adopting WAC 480-109.²³

32 The Commission is aware that PSE is well-supplied with wind generation facilities. The Commission agrees with RNP/NWEC and Commission Staff, however, that the RPS Report PSE filed on June 1, 2012, as supplemented on July 12, 2012, does not meet the requirements of RCW 19.285.070 and WAC 480-109-040(1). The Commission agrees that the revised language shown in Attachment A will bring PSE's RPS Report into compliance.

33 The Commission notes the concerns of RNP/NWEC and Commission Staff regarding the manner in which utilities calculate the incremental cost of eligible renewable resources. For the purpose of meeting the June 1, 2012 reporting requirements only, the Commission accepts the conclusions that PSE has reached in its RPS Report but may determine in the future that a different method is more appropriate.

34 The Commission agrees with Public Counsel that determining a utility's compliance with the renewable energy provisions of the EIA does not determine the ratemaking treatment of the eligible renewable resources or renewable energy credits that a utility acquires for EIA compliance.

III. FINDINGS AND CONCLUSIONS

35 (1) The Washington Utilities and Transportation Commission is an agency of the state of Washington vested by statute with the authority to regulate the rates, rules, regulations, practices, accounts, securities, transfers of property and affiliated interests of public service companies, including electric companies. RCW 80.01.040; RCW Chapters 80.04, 80.08, 80.12, 80.16, 80.28.

²³ *Rules to Implement the Energy Independence Act*, Docket UE-061895, General Order R-546 ¶¶ 32, 38 (Nov. 30, 2007).

- 36 (2) PSE is an electrical company and a public service company subject to Commission jurisdiction. PSE is an “investor-owned utility” under RCW 19.285.030(11).
- 37 (3) PSE serves more than 25,000 customers in the State of Washington, and it is a “qualifying utility” within the meaning of RCW 19.285.030(16).
- 38 (4) Under RCW 19.285.040(2)(a), each qualifying utility “shall use eligible renewable resources or acquire equivalent renewable energy credits, or any combination of them, to meet the following annual targets: (i) At least three percent of its load by January 1, 2012, and each year thereafter through December 31, 2015.” WAC 480-109-020(1)(a) contains the same requirement.
- 39 (5) Under RCW 19.285.040(2)(a)(i), PSE’s renewable energy target for 2012 is 635,958 megawatt-hours.
- 40 (6) On June 1, 2012, PSE filed with the Commission and with Commerce a Renewable Energy Target report under RCW 19.285.070 and WAC 480-109-040. On July 12, 2012, PSE filed supplemental information with the Commission. PSE submitted a revised Renewable Energy Report to Commerce on July 19, 2012. PSE’s RPS Report, as supplemented, does not contain enough information to meet the requirements of WAC 480-109-040.
- 41 (7) PSE will satisfy the requirements of RCW 19.285.070 and WAC 480-109-040 if it files a revised report that includes the language in Attachment A.
- 42 (8) Under RCW 19.285.030(10) and WAC 480-109-007(9)(a), “eligible renewable resources” include:
- Electricity from a generation facility powered by a renewable resource other than fresh water that commences operation after March 31, 1999, where: (i) The facility is located in the Pacific Northwest
- Under RCW 19.285.030(18)(a) and WAC 480-109-007(18)(a), wind is a “renewable resource.” Under RCW 19.285.030(14) and WAC 480-109-007(15), “Pacific Northwest” includes Washington and Oregon.
- 43 (9) All of the generation facilities listed in Attachment A are located in Washington or Oregon, and commenced operation after March 31, 1999. The electricity they

generate is an “eligible renewable resource” within the meaning of RCW 19.285.030(10)(a) and WAC 480-109-007(9)(a).

- 44 (10) The generation facilities listed in Attachment A are expected to generate at least 635,958 megawatt-hours in 2012, or produce at least 635,948 renewable energy credits to which PSE retained rights in 2012 and 2013. PSE has demonstrated that, by January 1, 2012, it used or acquired eligible renewable resources or equivalent renewable energy credits, or a combination of them, to supply at least three percent of its load for the remainder of 2012, as required by RCW 19.285.040(2)(a)(i) and WAC 480-109-020(1)(a).
- 45 (11) WAC 480-109-040(5) requires PSE to provide a summary of its revised report to its customers, by bill insert or other suitable method, within ninety days of the date of this Order 01.
- 46 (12) The Commission agrees that some of the language in the Commission’s 2007 rule adoption order is unclear, and that this Order provides further guidance.

IV. ORDER

THE COMMISSION ORDERS:

- 47 (1) Under RCW 19.285.040(2)(a)(i) and WAC 480-109-020(1)(a), the 2012 renewable energy target for Puget Sound Energy, Inc. is 635,958 megawatt-hours.
- 48 (2) Puget Sound Energy, Inc. has complied with the June 1, 2012, reporting requirements pursuant to WAC 480-109-040, on the condition that Puget Sound Energy, Inc. file with the Commission and the Washington Department of Commerce a revised report to include the language in Attachment A within 30 days of the date of this order.
- 49 (3) Puget Sound Energy, Inc. has demonstrated that, by January 1, 2012, Puget Sound Energy, Inc. acquired at least 635,958 megawatt-hours of eligible renewable resources, equivalent renewable energy credits, or a combination of them, for its use in 2012, as required by RCW 19.285.040(2)(a)(i) and WAC 480-109-020(1)(a).
- 50 (4) Puget Sound Energy, Inc. must file a second report no later than June 1, 2014, that provides the information necessary to determine whether Puget Sound Energy,

Inc. met the January 1, 2012, target, including the specific megawatt-hours and/or renewable energy credits used to meet the target.

DATED at Olympia, Washington, and effective September 13, 2012.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

JEFFREY D. GOLTZ, Chairman

PATRICK J. OSHIE, Commissioner

PHILIP B. JONES, Commissioner

Attachment A

Revised Language for Puget Sound Energy, Inc.'s June 1, 2012 Renewable Energy Target Report

Revise the first paragraph in Section 1 to read:

Puget Sound Energy, Inc. (PSE) does not intend to utilize one of the alternative compliance mechanisms provided for in the RCW 19.285.040(2)(d) or RCW 19.285.050(1) and WAC 480.109.030(1),(3) instead of meeting its 2012 renewable resource target. Events beyond PSE's control may yet occur during the remainder of the calendar year 2012 which could prompt the PSE to utilize the alternative compliance mechanism in RCW 19.285.040(2)(i) and WAC 480.109.030(2). Such determination will be made when PSE reports on its final 2012 compliance in the 2013 or 2014 report.

Replace the paragraph in Section 4 with the following language:

PSE acquired the following eligible wind resources by January 1, 2012: Hopkins Ridge, Wild Horse, Wild Horse Expansion, Klondike III PPA and Lower Snake River Phase I. Total 2011 generation from Hopkins Ridge, Wild Horse and Wild Horse Expansion was 1,166,224 MWh; similar generation may be achieved for 2012 and 2013. Generation from Klondike III is redacted in this report. Lower Snake River Phase I did not begin operation until 2012, but PSE had contracted for the resource by January 1, 2012. PSE expects to generate more eligible renewable energy than its 2012 target requirement of 635,958 MWh annually; it will also earn more than 127,191 apprentice labor multiplier credits annually.

As of January 1, 2012, some RECs produced or to be produced by the above resources from 2011 through 2013 had been contracted or sold to other entities. However, as of January 1, 2012, PSE met its I-937 renewable energy target for 2012 by retaining the rights to at least 635,958 RECs produced or to be produced from the resources listed above from 2011 through 2013 (plus multiplier credits, where applicable).

PSE's possession of rights to more than 635,958 RECs produced from these eligible renewable resources from 2011 through 2013 satisfies the January 1, 2012 target for purposes of this report. PSE will report on the specific RECs produced and to be retired for final compliance with the 2012 target in either its 2013 or 2014 report, and reserves the right to submit RECs from the resources reported here or to substitute with RECs produced from 2011 to 2013 by other eligible renewable resources or with

2012 generation from eligible renewable resources that have not been converted to RECs.

Revise the second to last paragraph in Section 6 to read:

Events beyond PSE's control may yet occur during the remainder of calendar year 2012 which could prompt the PSE to utilize the alternative compliance mechanism in RCW 19.285.040(2)(i) and WAC 480.109.030(2). Such determination will be made when PSE reports on its final 2012 compliance in the 2013 or 2014 report.