

**EXHIBIT NO. \_\_\_(IP-6T)  
DOCKET UE-161123  
PSE SCHEDULE 451  
WITNESS: IRENE PLENEFISCH**

**BEFORE THE  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,**

**Complainant,**

**v.**

**PUGET SOUND ENERGY,**

**Respondent.**

**Docket No. UE-161123**

**SECOND SUPPLEMENTAL PREFILED DIRECT TESTIMONY  
(NON-CONFIDENTIAL) OF  
IRENE PLENEFISCH  
ON BEHALF OF MICROSOFT CORPORATION  
SUPPORTING FULL SETTLEMENT STIPULATION AND AGREEMENT**

**APRIL 11, 2017**

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**SECOND SUPPLEMENTAL PREFILED DIRECT TESTIMONY OF  
IRENE PLENEFISCH**

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1                   **SECOND SUPPLEMENTAL PREFILED DIRECT TESTIMONY OF**

2                                   **IRENE PLENEFISCH**

3                                   **I.       INTRODUCTION**

4   **Q.    Please state your name, business address, and position with Microsoft**  
5           **Corporation.**

6   A.    My name is Irene Plenefisch. My business address is 1 Microsoft Way, Redmond,  
7           WA 98052. I am a Government Affairs Director for Microsoft Corporation  
8           (“Microsoft”).

9   **Q.    Have you previously submitted testimony in this proceeding?**

10   A.   Yes, Exhibit \_\_\_\_ (IP-1T), filed in October 2016, sets forth my initial prefiled  
11           direct testimony. It addresses my qualifications, Microsoft’s goals for power  
12           supply, the initially proposed Schedule 451, and the relationship of that schedule  
13           to Colstrip retirement. My first supplemental prefiled testimony filed in December  
14           2016, Exhibit \_\_\_\_ (IP-3T), discusses in additional detail Microsoft’s commitment  
15           to carbon neutrality and renewable energy, the relevance of I-937 to the initially  
16           proposed Schedule 451, and costs associated with Colstrip decommissioning and  
17           retirement.

18   **Q.    What is the purpose of your second supplemental testimony?**

19   A.    My second supplemental testimony is provided in support of the parties’  
20           Settlement Stipulation and Agreement, dated April 11, 2017, and filed with the  
21           Commission on April 11, 2017 (“Settlement Stipulation”), which constitutes a full  
22           resolution of this proceeding.

1 **Q. Please summarize your second supplemental testimony.**

2 A. Microsoft wants to procure its own energy supply for that portion of its load  
3 currently served under PSE's Schedule 40 in order to address Microsoft's  
4 corporate sustainability goals and commitments to carbon neutrality. Through the  
5 proposed Special Contract, Microsoft will advance the public interest by  
6 committing to a substantial investment in renewable energy and carbon free  
7 resources, continued contributions to PSE's conservation funding program, and  
8 going above and beyond its current level of contribution to low income programs.  
9 Additionally, Microsoft has agreed to pay a transition fee that fully protects PSE's  
10 customers from any financial impacts associated with Microsoft's departure from  
11 PSE's fully-bundled service. Microsoft believes the Special Contract provides an  
12 excellent model for open access contracts, and that the Special Contract will allow  
13 Microsoft to meet its business and sustainability goals more effectively,  
14 efficiently and quickly. Simply put, Microsoft believes the Special Contract is  
15 good for its business, the environment, and the public. Microsoft asks the  
16 Commission to approve the Special Contract.

17 **II. WHY MICROSOFT WANTS TO TAKE SERVICE UNDER THE**  
18 **SPECIAL CONTRACT**

19 **Q. Please describe why Microsoft wants to procure its own energy.**

20 A. As noted in my initial prefiled testimony and in my supplemental prefiled  
21 testimony, Microsoft has a long-standing commitment to sustainability. Microsoft  
22 has been tracking and reducing emissions since 2007 and Microsoft's operations  
23 have been carbon neutral since 2012. Microsoft also has a 100 percent renewable

1 energy commitment, which it meets through direct purchases of renewable energy  
2 and renewable energy certificates (or the equivalent). As such, Microsoft is  
3 constantly looking for opportunities that will allow it to meet these goals more  
4 effectively and efficiently. This includes taking greater control of its energy  
5 portfolio and procuring electricity at Microsoft's major locations. This prompted  
6 Microsoft to seek the ability to contract directly with third party energy suppliers  
7 for its Schedule 40 load here in Washington state.

8 **Q. How would Microsoft's service under the Special Contract differ from its**  
9 **service under proposed Rate Schedule 451?**

10 A. In many ways, the service would be very similar. In both scenarios, Microsoft  
11 would purchase its own carbon-free energy supply while continuing its  
12 relationship with PSE for distribution and other services. In both, Microsoft  
13 would make a one-time payment of approximately \$23.7 million to hold PSE's  
14 ratepayers harmless from financial impacts associated with Microsoft moving its  
15 Schedule 40 load to the Special Contract. In both, Microsoft would make  
16 contributions to conservation and low income funding. However, there are two  
17 notable and significant differences. Under the Special Contract, Microsoft will  
18 make substantially greater contributions to the procurement of renewable energy  
19 and to low-income funding than under Schedule 451. Under the Special Contract,  
20 Microsoft will purchase renewable energy (or renewable energy credits) at rates  
21 substantially above both the levels proposed in Schedule 451 and the percentages  
22 applicable to PSE under current law and increase its current low income funding  
23 by 50 percent.

1 **Q. When would Microsoft start taking service under the Special Contract?**

2 A. Per the terms of the Special Contract, service will not commence until three  
3 conditions are met to the satisfaction of both Microsoft and PSE: (i) obtaining a  
4 power supply; (ii) obtaining transmission service; and (iii) installing upgraded  
5 meters. Microsoft is currently working on all three of these items with a goal of  
6 taking service under the Special Contract by July 1, 2018, though there are several  
7 factors outside Microsoft's control that may impact this timing. Microsoft  
8 understands PSE will file a notice with the Commission when service is initiated.

9 **III. MEETING OR EXCEEDING MICROSOFT'S AND STATE ENERGY**  
10 **POLICY GOALS**

11 **Q. Does the Special Contract satisfy Microsoft's sustainability goals and**  
12 **renewable energy commitments?**

13 A. Yes, the Special Contract will allow Microsoft to achieve its sustainability goals  
14 and satisfy its renewable energy commitments efficiently, effectively and quickly.  
15 And it does so in a way that is also a good deal for the local community.  
16 Microsoft made a number of commitments in the Special Contract with this in  
17 mind—aimed at protecting PSE's remaining fully-bundled customers from any  
18 adverse impacts—that go above and beyond state law and policies.

19 **Q. Please describe how Microsoft's commitments in the Special Contract go**  
20 **above and beyond state law and policy.**

21 A. First, because of Microsoft's departure from PSE's fossil-fueled load and because  
22 of Microsoft's commitments to carbon neutrality and to procurement of renewable  
23 energy at levels above the state renewable energy portfolio standards in I-937, as

1 soon as Microsoft moves its current Schedule 40 load onto the Special Contract,  
2 its energy supply will become carbon neutral instead of being roughly 40 percent  
3 fossil-fueled. This shift will reduce the amount of fossil fuel derived energy that is  
4 consumed in Washington state as the Microsoft portion of that load is replaced  
5 with renewable and carbon neutral energy.

6 Second, Microsoft will procure renewable energy, as defined under I-937, at  
7 percentages that substantially exceed the percentages that utilities must meet  
8 under the law. From the commencement of service through 2020, Microsoft's  
9 percentage will be 25 percent rather than the 9 percent (2018-2019) or 15 percent  
10 (2020 and beyond) applicable to PSE under RCW 19.285.040(2). Starting in  
11 2021, Microsoft's percentage will be 40 percent rather than the 15 percent  
12 applicable to PSE under RCW 19.285.040(2). If the law is changed to increase the  
13 percentage applicable to Washington utilities above 40 percent, Microsoft will  
14 increase its percentage to reflect and meet that change.

15 Third, Microsoft's contributions to conservation funding and implementation of  
16 conservation resources—another area in which Microsoft has been and remains a  
17 leader in Washington state—will continue as if Microsoft's Schedule 40 load  
18 stayed with PSE.

19 Fourth, Microsoft's contributions to low income funding will actually *increase* by  
20 50 percent above current levels. This additional contribution can be used to  
21 further some of The Energy Project's goals for low income customers that cannot  
22 be accomplished with funding from other sources.

1 **Q. Will Microsoft have obligations other than the commitments described**  
2 **above?**

3 A. Yes, Microsoft will continue to be subject to various riders, including potential  
4 new riders or surcharges, as appropriate, and will continue to be responsible to  
5 pay, for example, local taxes.

6 **Q. How will Microsoft hold PSE's remaining fully-bundled customers harmless**  
7 **from its departure from PSE's fully-bundled service?**

8 A. Microsoft will pay a one-time transition fee of \$23.7 million. This transition fee  
9 fully protects ratepayers from any financial impacts associated with Microsoft's  
10 departure. This fee takes into account such costs as generating assets that would  
11 be stranded by Microsoft meeting its load under the Special Contract. Based on  
12 both the analysis by PSE's Jon Piliaris in Exhibit No. \_\_\_\_ (JAP-1CT) and Gary  
13 Saleba's analysis contained in Exhibit No. \_\_\_\_ (GSS-1T), Microsoft believes the  
14 amount of the transition fee is far greater than any reasonably foreseeable adverse  
15 impact on other ratepayers. This will be particularly true if Colstrip 1 and 2 are  
16 retired earlier than July 2022.

17 **Q. From a logistics standpoint, how will Microsoft take service under the**  
18 **Special Contract?**

19 A. Earlier this year Microsoft issued an RFP for power supply and Microsoft is  
20 currently in discussions with potential power suppliers. Microsoft is  
21 simultaneously working with PSE to obtain transmission service and to upgrade  
22 all meters throughout Microsoft's campus to allow it to take service under the  
23 Special Contract.





1 its business, the environment, and our local community. For these reasons,  
2 Microsoft believes the Commission should approve the Special Contract.

3 **Q. Does this conclude your second supplemental prefiled direct testimony?**

4 A. Yes.