

**EXH. JAP-8T  
DOCKET NO. UE-161123  
SCHEDULE 451 FILING  
WITNESS: JON A. PILIARIS**

**BEFORE THE  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,**

**Complainant,**

**v.**

**PUGET SOUND ENERGY,**

**Respondent.**

**Docket No. UE-161123**

**PREFILED SUPPORTING TESTIMONY (NON-CONFIDENTIAL)  
IN SUPPORT OF SETTLEMENT STIPULATION AND AGREEMENT  
OF**

**JON A. PILIARIS**

**ON BEHALF OF PUGET SOUND ENERGY**

**APRIL 11, 2017**

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**SUPPORT OF SETTLEMENT STIPULATION AND AGREEMENT**  
**OF**  
**JON A. PILIARIS**

**CONTENTS**

I. INTRODUCTION .....1

II. DIFFERENCES BETWEEN THE ORIGINAL AND SETTLEMENT PROPOSALS .....2

III. SETTLEMENT IS IN PSE’S AND PUBLIC INTEREST .....7

IV. PSE OPPOSES A BROADER RETAIL WHEELING DOCKET .....8

V. CONCLUSION.....10

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3 **SUPPORT OF SETTLEMENT STIPULATION AND AGREEMENT**  
4 **OF**

5 **JON A. PILIARIS**

6 **I. INTRODUCTION**

7 **Q. Are you the same Jon A. Piliaris who provided prefiled testimony and**  
8 **supporting exhibits on behalf of Puget Sound Energy (“PSE”) in this**  
9 **proceeding?**

10 A. Yes. I filed prefiled direct testimony, Exh. JAP-1T, and supporting exhibits,  
11 Exh. JAP-2 through Exh. JAP-5C, on October 7, 2016. I also filed prefiled  
12 supplemental direct testimony, Exh. JAP-6T, and supporting Exh. JAP-7 on  
13 December 15, 2016.

14 **Q. Why are you filing this prefiled supporting testimony?**

15 A. This prefiled supporting testimony is being filed in support of the Settlement  
16 Stipulation and Agreement (“Settlement”) among all the parties to this  
17 proceeding.

18 **Q. What issues will you address in this prefiled supporting testimony?**

19 A. This prefiled supporting testimony in support of Settlement: (1) highlights certain  
20 differences between the original retail wheeling proposal of Puget Sound Energy  
21 (“PSE”) in this proceeding and the retail wheeling proposal resulting from the  
22 Settlement, (2) explains why the Settlement is in PSE’s and the public interest,

1 and (3) summarizes PSE's position related to Commission Staff's proposal to  
2 initiate a docket to conduct a broader discussion of retail wheeling for certain  
3 industrial and commercial customers of Washington's regulated investor-owned  
4 electric utilities.

## 5 **II. DIFFERENCES BETWEEN THE ORIGINAL AND** 6 **SETTLEMENT PROPOSALS**

7 **Q. Please summarize the major differences between PSE's original retail**  
8 **wheeling proposal and the one resulting from the Settlement.**

9 A. There are four significant differences between PSE's original retail wheeling  
10 proposal and the one resulting from the Settlement, as well as one other minor,  
11 but noteworthy, difference. The four significant differences are (1) the conversion  
12 of the proposal from a broadly applicable tariff to a special contract ("Special  
13 Contract") applicable to a single PSE customer, the Microsoft Corporation  
14 ("Microsoft"), at its locations currently served under electric rate Schedule 40,  
15 (2) enhanced renewable requirements for the supply of power under the Special  
16 Contract, (3) maintained conservation funding from Microsoft and (4) greater  
17 funding for PSE's bill-assisted customers. The more minor difference is a slight  
18 change in the rate schedule under which the Transition Fee will reduce PSE  
19 customer bills.

20 **Q. What is the significance of converting the originally proposed retail wheeling**  
21 **tariff schedule into a Special Contract?**

22 A. The primary difference from PSE's perspective is in its applicability. Under the  
23 tariff proposal, other customers would be eligible for service under the proposed

1 rate schedule to the extent that they met the qualification criteria and subject to  
2 the proposed overall limitations for service under the schedule. The Special  
3 Contract, however, only applies to loads of Microsoft currently served under  
4 Schedule 40. This effectively removes the more contentious issues surrounding  
5 eligibility standards and limits to eligibility by other customers and narrows the  
6 focus to the issue of service to Microsoft under the proposed Special Contract,  
7 subject to the Commission's special contract rules.<sup>1</sup>

8 **Q. Are there any material changes to the terms for service under the Special**  
9 **Contract versus PSE's originally proposed retail wheeling tariff schedule?**

10 A. Aside from the exceptions discussed below, there are no material differences  
11 between the terms for service under the Special Contract versus PSE's originally  
12 proposed retail wheeling tariff schedule. Notably, Microsoft's eligible load, the  
13 recovery of customer costs, the recovery of distribution costs, the recovery of  
14 transmission costs, the Transition Fee<sup>2</sup> and the applicable adjusting price  
15 schedules all remain as originally proposed.<sup>3</sup> The terms for service are also little  
16 different between the tariff and Special Contract.

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<sup>1</sup> WAC 480-80-143.

<sup>2</sup> The Transition Fee is equivalent to the amount (\$23.678 million) that was originally proposed in the Power Supply Stranded Cost Charge.

<sup>3</sup> As noted later in this testimony, the pricing under certain adjusting price schedules will be different, per the Settlement agreement.

1 **Q. How is the Special Contract different from the original tariff schedule**  
2 **proposal regarding renewable requirements for power supply?**

3 A. The original retail wheeling tariff schedule proposal put no conditions on the  
4 source of power supply. However, the Special Contract requires that Microsoft  
5 not only meet the existing renewable requirements for utilities under  
6 RCW 19.285, it requires Microsoft to exceed those requirements. Specifically, the  
7 Special Contract requires Microsoft to meet 25 percent of its power supply needs  
8 under the Special Contract through renewable resources eligible under RCW  
9 19.285 through 2020. This requirement increases to the higher of 40 percent or  
10 the then-current standard under RCW 19.285 in 2021 and thereafter. Furthermore,  
11 Microsoft must meet the balance of its power supply needs with carbon-free  
12 power.

13 **Q. How is Microsoft's conservation-related requirements changed under the**  
14 **Special Contract?**

15 A. Under the Special Contract, Microsoft must continue to fund PSE's conservation  
16 programs under Schedule 120 as if the load served under the Special Contract  
17 continued to be served under Schedule 40. At present rates, that means Microsoft  
18 must pay a rate of \$0.004220 per kWh versus PSE's original proposal to tie their  
19 rate under Schedule 120 to that paid by customers currently served under  
20 Schedule 449, or \$0.001082 per kWh. This is a significant increase over the  
21 original proposal.

1 **Q. How has Microsoft's proposed funding of PSE's low-income programs**  
2 **changed under the Special Contract?**

3 A. Microsoft's proposed funding of PSE's low-income programs has been greatly  
4 increased under the Special Contract. Under PSE's original proposal, Microsoft's  
5 funding of low-income bill assistance would have been tied to the current  
6 approach, which allocates the overall program funding costs based on relative  
7 base revenue. With a large reduction Microsoft's base revenue due to retail  
8 wheeling, this would have resulted in a proportional reduction in their  
9 contribution towards low-income bill assistance funding. For its loads served  
10 under the Special Contract, however, Microsoft will continue to pay its current  
11 rate of \$0.000614 per kWh under Schedule 129 for all load served under the  
12 Special Contract to help fund PSE's bill assistance programs. Microsoft will pay  
13 an additional \$0.000307 per kWh into a separate PSE account that will be  
14 managed exclusively and disbursed solely by PSE's Low-Income Weatherization  
15 Manager to expand access to cost-effective energy efficiency services and  
16 renewable energy technologies for PSE's low-income electric customers.

17 **Q. Please explain how the Transition Fee paid by Microsoft will be disbursed**  
18 **among PSE's remaining customers under the Settlement.**

19 A. The Transition Fee will be disbursed to PSE's remaining customers through its  
20 Schedule 95. Originally, PSE had proposed to disburse these funds through its  
21 Schedule 137.

1 **Q. Why is this change to the rate mechanism for disbursement of the Transition**  
2 **Fee being made?**

3 A. There are several reasons. First, this change will improve the administration and  
4 auditing associated with tracking the flow of funds from Microsoft to PSE and  
5 ultimately to PSE's remaining customers. Currently, Schedule 137 is used to flow  
6 PSE's REC proceeds to customers as well as to amortize some other unrelated  
7 costs. Parsing a single stream of revenues across multiple items, administration of  
8 this tariff schedule is already encumbered by a high degree of accounting  
9 complexity. The accounting behind Schedule 95 is comparatively simpler. In fact,  
10 the Transition Fee would be the only item that requires separate tracking for  
11 amortization purposes.

12 The second reason that this change has been proposed, related to the first, is that  
13 funds that flow through Schedule 137 is completely separate from base rates. The  
14 Transition Fee, however, is intended to reimburse remaining PSE customers for  
15 Microsoft's discontinued contribution to production costs that are included in base  
16 rates. Therefore, from this perspective, Schedule 95 is a more appropriate rate  
17 mechanism for making customers whole for the impacts that will be felt to base  
18 rates from the loss of Microsoft's Schedule 40 loads.

19 **Q. Will customers notice any difference under this new proposal?**

20 A. No. As with PSE's original proposal, the Settlement continues to have the funds  
21 disbursed to PSE's remaining customers shortly after they are received from



1 Microsoft, amortized over a twelve month period<sup>4</sup> and allocated consistently with  
2 the allocation of PSE's power costs.

3 **Q. Would the Transition Fee flow through the "sharing bands" in Schedule 95?**

4 A. No. PSE would return every dollar of the Transition Fee to customers, outside of  
5 the sharing bands contained in Schedule 95. PSE's tracking of these funds would  
6 be transparent so that all interested parties can verify the appropriate amount has  
7 been returned to customers.

8 **III. SETTLEMENT IS IN PSE'S AND PUBLIC INTEREST**

9 **Q. How is the Settlement in PSE's interest?**

10 A. Increasingly, PSE is a customer-focused and customer-driven utility. As such, the  
11 Settlement is in PSE's interest by addressing the needs of its largest customer.  
12 Despite its best efforts, PSE was unsuccessful in finding a way to directly meet  
13 Microsoft's needs, and the Settlement provides a mutually-acceptable path  
14 forward for both companies. In addition, from PSE's perspective, the Settlement  
15 improves on the original tariff schedule proposal by narrowing the scope of issues  
16 in this proceeding, specifically around eligibility, program scope, and potentially  
17 broader issues surrounding retail wheeling in Washington State.

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<sup>4</sup> It is likely that the amounts to be disbursed may be slightly over or under amortized at the end of the 12 month period. PSE will work with parties to find a mutually acceptable approach for handling the remaining balance. A relatively simple way of handling the remaining balance could be to credit this amount against future decoupling deferral balances related to fixed production costs, assuming PSE's decoupling is approved in Docket No. UE-170033. The remaining balance would then flow through PSE's electric rate Schedule 142.

1 **Q. How is the Settlement in the public interest?**

2 A. The Settlement is in the public interest for many of the reasons already explained  
3 above. First, payment of the Transition Fee holds remaining customers harmless  
4 regarding PSE's stranded power supply costs that will otherwise be recovered  
5 from them. Second, Microsoft has agreed to exceed PSE's current statutory  
6 requirements related to providing its customers with electric service from  
7 renewable and carbon-free resources, furthering state policy in this regard. Third,  
8 Microsoft will be increasing its support for PSE's low-income programs related to  
9 cost-effective energy efficiency and, potentially, access to cost-effective  
10 additional renewable resources by PSE's low-income electric customers. Finally,  
11 Microsoft will be maintaining its contribution to PSE's conservation program  
12 funding, which benefits all core customers receiving electric service from PSE.

13 **IV. PSE OPPOSES A BROADER RETAIL**  
14 **WHEELING DOCKET**

15 **Q. What is PSE's position regarding Staff's proposal to open a docket to**  
16 **broadly discuss retail wheeling for large end users?**

17 A. PSE respectfully repeats its earlier position in the Prefiled Supplemental  
18 Testimony of Jon A. Piliaris, Exh. JAP-6T, that the Commission has a long-  
19 standing practice of not legislating from the bench.<sup>5</sup> Further, PSE sees no reason  
20 to deviate from this approach at this time and, particularly, for an issue as  
21 complicated and potentially controversial as this one. At a time when parties and

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<sup>5</sup> Piliaris, Exh. JAP-6T, at page 6, lines 11-19.

1 other interested stakeholders are already stretched thin across the various  
2 proceedings currently ongoing before the Commission,<sup>6</sup> opening Pandora's box to  
3 explore such a complicated and controversial issue without clear legislative  
4 direction would only serve to diminish everyone's ability to work towards  
5 productive outcomes in those proceedings.

6 **Q. Is there likely much to gain from a generic wheeling access proceeding?**

7 A. No. Relative to other parts of the country, the Pacific Northwest is a region  
8 blessed with low cost power. If price were the primary issue, there is little to gain.  
9 The Pacific Northwest is also a region blessed with resource diversity, including  
10 an abundance of carbon-free and renewable resources. To the extent that  
11 customers seek even greener sources of power than currently included in their  
12 basic utility service, there are multiple channels to address this. For residential  
13 and small business customers, PSE has alternatives in its Green Power and  
14 recently added Solar Choice programs, offered under Schedule 135. For larger  
15 business customers, PSE has alternatives in its Large Volume Green Energy,  
16 offered under Schedule 136, and recently approved Voluntary Long Term  
17 Renewable Energy programs, offered under Schedule 139. Thus, if resource mix

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<sup>6</sup> For example, in a Rulemaking Status Report to the Commission on March 21, 2017, eight ongoing rulemakings were listed in Dockets A-130355, TG-131255, PG-160121, PL-160122, UE-161024, UE-160799, TC-161262 and A-170031. This is in addition to the more routine Commission business, like PSE's general rate case filing in Dockets UE-170033 and UG-170034, various investigations by Commission Staff (e.g., there were eleven Staff investigations opened during the week of March 27, 2017 alone) and the multiple tariff revisions filed by all of the Commission's regulated electric and natural utilities throughout the year, and the many to be filed in the remainder of the year.

1 is the driving factor for customers' interest in retail wheeling, these can already be  
2 more easily addressed for the vast majority of customers through existing  
3 programs.

4 **Q. Is PSE experiencing widespread interest in retail wheeling from its**  
5 **customers?**

6 A. No. Although customers have communicated an interest in having more choice  
7 for the supply options offered by PSE, particularly related to environmental  
8 attributes, PSE has not received much interest in retail wheeling from customers  
9 aside from this proceeding. As noted above, PSE has been responding to customer  
10 requests for increased customer resource choice through offering new and  
11 innovative products to meet customer needs

12 **Q. If the Commission nevertheless decides to open a docket to investigate issues**  
13 **related to a possible statewide retail wheeling policy, will PSE participate?**

14 A. Yes, PSE will participate in such a docket.

15 **V. CONCLUSION**

16 **Q. Does this conclude your prefiled supporting testimony?**

17 A. Yes it does.