

**Mr. Steven V. King
Executive Director and Secretary
Washington Utilities and Transportation Commission
1300 South Evergreen Park Drive
Olympia, WA 98504-7250**

RE: UE-160977, Renewable Northwest's Letter of Support on PSE's Proposed Tariff Schedule 139, Voluntary Long Term Renewable Energy.

Dear Mr. King,

Renewable Northwest submits this letter in support of Puget Sound Energy's ("PSE") proposed electric Schedule No. 139, Voluntary Long Term Renewable Energy. This schedule applies to PSE's large businesses and government customers seeking to purchase bundled renewable energy through long-term contracts. We are pleased that PSE has worked with its customers to expand its voluntary renewable energy program offerings and add new products in response to customer demand. Below, we discuss our support for the new product, our recommendations regarding competitive procurement and technology offerings, and our observations regarding potential benefits to non-participants as a result of increased renewable energy in PSE's portfolio. We also recommend that the Washington Utilities and Transportation Commission ("UTC") convene a stakeholder conversation on regulated utilities' voluntary renewable energy programs.

1. Renewable Northwest Supports Offering a Bundled Renewable Energy Product to Large Businesses and Government Customers.

Renewable Northwest supports PSE's proposal to expand its renewable energy product offerings by creating a new voluntary renewable energy product for large businesses and government customers. As prices for wind and solar energy continue to fall, demand for renewable energy options from large businesses, commercial and industrial customers, and government agencies continues to grow. PSE's new voluntary renewable energy product applies to large businesses with a minimum annual load of 10,000 megawatt-hours ("MWh") MWh and government customers seeking bundled renewable energy products to meet their energy needs. We are pleased to see PSE respond to the increased demand for renewable energy, and we applaud PSE for working with customers and other interested stakeholders to develop a product offering in response to this demand.

Facilitated by the World Resources Institute and the World Wildlife Fund, a group of large businesses developed the "Corporate Renewable Energy Buyers' Principles" to advance renewable energy development on behalf of corporate customers. These principles include: greater customer choice in procurement options for renewable energy; more access to cost competitive options; access to longer-term and fixed price contracts; access to new projects that reduce emissions beyond business-as-usual; streamlined third-party financing; and an opportunity to work with utilities and regulators to ensure fairness in costs and benefits.¹

¹ World Resources Institute and the World Wildlife Fund, Corporate Renewable Energy Buyers' Principles, <http://buyersprinciples.org/principles/> (last accessed Sept. 21, 2016).

Renewable Northwest is pleased that PSE has endeavored to align its new voluntary renewable energy product with the Corporate Renewable Energy Buyers' Principles. In particular, the new product offering is in accordance with the principle of greater customer choice and is anticipated to facilitate development of new renewable energy projects that will reduce emissions. As discussed further below, for future filings related to this product offering, we encourage the company to take additional steps to better align the tariff and product offering with the principles of customer choice and access to cost competitive options.

2. PSE Should Pursue a Robust Competitive Procurement Strategy for its Voluntary Renewable Energy Tariff.

We encourage PSE to implement a robust competitive procurement process for future resource acquisitions in connection with its voluntary renewable energy tariff. A robust and transparent competitive procurement process is important in ensuring that PSE is supplying Schedule 139 customers with the most valuable and cost-effective renewable resources available. If, for example, the company requests project proposals from only a small number of developers or projects, it will not have a complete picture on market pricing or other market conditions and thus may not receive bids that accurately reflect market conditions. Competition in procurement helps provide the company with more resource options and increases the likelihood that customers are assessed the lowest reasonable cost for the product they are purchasing. Accordingly, Renewable Northwest recommends that PSE develop and file with the UTC a transparent and competitive procurement process for any future resource acquisitions in connection with its voluntary renewable energy tariff.

Another important component of the resource procurement process is the contract length of the resource that PSE seeks to acquire to supply customers. PSE has indicated its intent to pursue a minimum 20-year contract length with any projects used to supply customers under Schedule 139. Because renewable resources rely more on upfront capital costs and less on volatile fuel prices, the contract length is of critical importance in ensuring that the company and customers are receiving the lowest reasonable cost for the resource being used to supply customers. Generally speaking, a minimum contract length of 20 years has been recommended as a best practice for financing renewable energy projects. Thus, Renewable Northwest supports PSE's stated intent to pursue a minimum 20-year contract length with any projects used to supply customers under Schedule 139, and simply highlights the importance of contract length as the procurement process is further clarified at the UTC.

3. PSE Should Consider Additional Renewable Energy Technologies in the New Offering.

Renewable Northwest recommends that the company reconsider the inclusion of a solar product as a part of Schedule 139 either in this filing or in future filings. In PSE's original filing submitted on August 1, 2016, the company proposed three options for supplying customers under the long-term voluntary renewable energy product: wind, solar, and a carbon-free option. During PSE's outreach with stakeholders, several parties raised concerns as to whether resources included in the carbon-free option would meet the eligibility requirements of RCW § 19.29A.090 regarding alternative energy resources. With support from stakeholders, PSE's

revised filing of September 8, 2016 removed the carbon-free option from Schedule 139. Unfortunately, the revised filing also removed the solar option. PSE has cited insufficient demand at the initially proposed tariff rate as a reason for removing the option. However, solar rates have been declining rapidly (and are projected to continue to drop), and Renewable Northwest expects that an updated procurement process would yield solar resource options that are more reflective of current market conditions.

Given the actual and anticipated solar price decreases, using the most up-to-date cost information may result in a lower tariff rate for a long-term solar product that elicits more demand from customers. Renewable Northwest recommends that the company issue a new request for information regarding solar projects in the region and reconsider the inclusion of a solar product as a part of this tariff filing or future filings under Schedule 139.

4. PSE's Voluntary Renewable Energy Tariff May Yield Benefits to Non-Participating Customers.

Renewable resources used to supply PSE's voluntary renewable energy tariff customers may yield economic benefits to non-participating customers that have not yet been calculated. Ensuring that the costs of the resources associated with the voluntary program are borne by voluntary program customers is a fundamental aspect of the program design. PSE has identified the various components of the energy charge—which includes development of the resource, administrative costs, operations, and the power itself—to protect against potential cost shifts to non-participating customers. While Renewable Northwest acknowledges the importance of protecting against potential cost shifts to non-participants, costs are only part of the equation.

In addition to considering costs, we highlight the potential for economic benefits to accrue to non-participants as a result of avoided regulatory compliance costs conferred by the renewable resources used to supply voluntary renewable energy program participants. Under both the recently adopted Clean Air Rule and the federal Clean Power Plan, there will exist both an implicit and an explicit additional cost to carbon-emitting resources. Assuming natural gas or coal is displaced with the addition of renewable energy resources under this tariff, PSE will avoid a compliance cost that would have otherwise been borne by the non-participating customers. While the exact financial benefits cannot be calculated at this time, Renewable Northwest simply notes that economic benefits are likely to accrue to non-voluntary customers in the future.

5. We Recommend That the UTC Hold a Stakeholder Workshop on Utilities' Voluntary Renewable Energy Programs.

Renewable Northwest recommends that the UTC hold one or more stakeholder workshops on how the regulated utilities plan to sufficiently meet growing customer demand for renewable energy and on examining voluntary renewable energy program interactions with existing and future clean energy policies, programs, and regulations. With higher renewable portfolio standards now being implemented in California and Oregon (as well as Washington's own renewable portfolio standard), the advent of the Clean Air Rule in Washington, and

potential federal regulations under the Clean Power Plan, it is important to analyze and monitor the interactions among and between various policies as they are implemented.

6. Conclusion

We appreciate the opportunity to comment on PSE's proposed electric Schedule No. 139, Voluntary Long Term Renewable Energy. We support PSE's efforts to offer its large business and government customers a new bundled renewable energy option to meet their clean energy and sustainability needs. We encourage PSE to develop and file a transparent and competitive procurement process for future procurement under Schedule 139 and to consider adding a solar option to the product offerings. We find that PSE has taken care to guard against potential cost shifts to non-participating customers, but note that those customers could potentially benefit from the investments in new renewable energy resources made by Schedule 139 customers. We also look forward to working with the company, the UTC, and other stakeholders on monitoring the interactions of the program with other policies, regulation, and programs.

Sincerely,

/s/ Dina Dubson Kelley
Chief Counsel, Renewable Northwest

/s/ Kelly Hall
Washington Policy Manager, Renewable Northwest