



Puget Sound Energy
P.O. Box 97034
Bellevue, WA 98009-9734

October 7, 2016

Mr. Steven V. King
Executive Director and Secretary
Washington Utilities and Transportation Commission
P.O. Box 47250
Olympia, Washington 98504-7250

**RE: Advice No. 2016-28
Electric Tariff Filing – Filed Electronically**

Dear Mr. King:

Pursuant to RCW 80.28.060 and Chapter 480-80 WAC, please find enclosed for filing the following proposed revisions to the WN U-60, Tariff G for electric service of Puget Sound Energy (“PSE” or the “Company”).

- Original Sheet No. 451 - Schedule 451 – Large Customer Retail Wheeling
- Original Sheet No. 451-A - Schedule 451 – Large Customer Retail Wheeling (continued)
- Original Sheet No. 451-B - Schedule 451 – Large Customer Retail Wheeling (continued)
- Original Sheet No. 451-C - Schedule 451 – Large Customer Retail Wheeling (continued)
- Original Sheet No. 451-D - Schedule 451 – Large Customer Retail Wheeling (continued)
- Original Sheet No. 451-E - Schedule 451 – Large Customer Retail Wheeling (continued)
- Original Sheet No. 451-F - Schedule 451 – Large Customer Retail Wheeling (continued)
- Original Sheet No. 451-G - Schedule 451 – Large Customer Retail Wheeling (continued)
- Original Sheet No. 451-H - Schedule 451 – Large Customer Retail Wheeling (continued)
- Original Sheet No. 451-I - Schedule 451 – Large Customer Retail Wheeling (continued)
- Original Sheet No. 451-J - Schedule 451 – Large Customer Retail Wheeling (continued)
- Original Sheet No. 451-K - Schedule 451 – Large Customer Retail Wheeling (continued)
- Original Sheet No. 451-L - Schedule 451 – Large Customer Retail Wheeling (continued)
- Original Sheet No. 451-M - Schedule 451 – Large Customer Retail Wheeling (continued)
- Original Sheet No. 451-N - Schedule 451 – Large Customer Retail Wheeling (continued)
- Original Sheet No. 451-O - Schedule 451 – Large Customer Retail Wheeling (continued)
- Original Sheet No. 451-P - Schedule 451 – Large Customer Retail Wheeling (continued)
- Original Sheet No. 451-Q - Schedule 451 – Large Customer Retail Wheeling (continued)
- Original Sheet No. 451-R - Schedule 451 – Large Customer Retail Wheeling (continued)
- Original Sheet No. 451-S - Schedule 451 – Large Customer Retail Wheeling (continued)
- Original Sheet No. 451-T - Schedule 451 – Large Customer Retail Wheeling (continued)
- Original Sheet No. 451-U - Schedule 451 – Large Customer Retail Wheeling (continued)
- Attachment “A” – Service Agreement to Electric Schedule No. 451

Purpose

The purpose of this filing is two-fold: 1) to implement a new retail wheeling service for large non-core customers; and 2) to request approval of the signed Service Agreement and the Power Supply Stranded Cost Charge agreed to within that Service Agreement. At the request of the Microsoft Corporation (“Microsoft”), PSE has worked to develop a tariffed regulated product that would enable that customer to acquire electric energy from a power supplier other than PSE. Both the Company and this interested customer believe that this proposed tariff schedule will satisfy this customer’s interest in becoming a non-core customer, and obtain electric energy from sources other than PSE, while still being a distribution customer and thus retaining the reliability of its current distribution service. PSE is seeking that the proposed tariff schedule be allowed to go into effect or approved to go into effect and that the attached signed Service Agreement with the Microsoft Corporation be approved by the Commission. Also attached is the Pre-filed Direct Testimony of Jon A. Piliaris, which outlines and describes the basis for PSE and Microsoft agreeing that a \$23.685 million Power Supply Stranded Cost Charge can mitigate identified near-term rate impacts to remaining customers. The proposed tariff rate schedule contains the major elements and provisions noted below.

Eligibility for Service

This proposed schedule is optional for customers who have maintained a minimum of an average of 10 aMW at one or more customer sites served under Schedule 40 over the entire test year of the most recent general rate case. The total amount of electricity to be provided by Power Suppliers and delivered to all customers under Schedule 451 may not exceed 100 megawatts at any one time, unless the Commission approves in advance a higher amount. This Schedule 451 only applies to customers taking service on Schedule 40. Any Schedule 451 Customer must take service under Schedule 451 for all Loads at its Locations served under Schedule 40. New or newly acquired facilities and new separately metered Loads owned or operated by the Schedule 451 Customer or its affiliates may become Locations at which the Schedule 451 Customer must take service under Schedule 451.

Alternative Power Suppliers and Supplied Power

Prior to initiation of service under this Schedule, customer shall arrange to purchase Supplied Power from one or more Power Suppliers (other than the Company). The Power Supplier or Suppliers shall make available each hour Supplied Power to the Company at the Transmission Point(s) of Receipt at a rate not less than Customer’s Contract Demand and in amounts sufficient to meet Load. Subject to applicable regulatory requirements and available transmission and distribution capability, a Customer may obtain power from self-generation. Any Power Supplier may provide Supplied Power, under one or more power supply contracts, for more than one location and for more than one Customer. The terms and billing arrangements for any such aggregation of loads shall be specified in the Schedule 451 Service Agreement(s). Customers who have aggregated loads for the purpose of power supply may aggregate loads for purposes of determining charges for Imbalance Energy.

Transmission Service

Prior to initiation of service under this Schedule 451, customer, or its Power Supplier shall take transmission service and required Ancillary Services pursuant to the OATT; and a customer and

its Power Supplier shall be Eligible Customers under the OATT for service under this Schedule. Transmission service used in delivering Supplied Power to customer shall be provided on a non-discriminatory basis, pursuant to the OATT. Customer or its Power Supplier shall enter into service agreements under the OATT as a network or point-to-point customer and shall be responsible for complying with the terms of the OATT and applicable service agreements, including payment for transmission and Ancillary Services consistent with and as required by the OATT. To the extent permitted under the OATT, customer may acquire required Ancillary Services from Power Suppliers or from self-generation, and the Company shall facilitate the delivery of such services. To the extent permitted under the OATT, Customer may arrange to have the Company acquire required Ancillary Services from Power Suppliers, and the Company shall facilitate the delivery of such services.

Scheduling and Coordination

Customer shall follow all applicable WECC power scheduling and interchange procedures, including but not limited to the WECC General Scheduling Provisions. Unless otherwise specified in the Schedule 451 Service Agreement, customer shall submit schedules for delivery of power to Company in accordance with the scheduling terms of the OATT and the Network Operating Agreement. Such schedules must provide for delivery of power sufficient to meet the estimated total load of customer. Customer may choose to have scheduling provided by its Power Supplier or another third party. Such Scheduling Agent shall be designated by written notice to the Company.

Energy Imbalance Service

Deviations between Customer Metered Energy and Transmission Customer Base Schedule over a single hour shall be accounted for and treated as Imbalance Energy. Charges or credits for such Imbalance Energy will be as specified in the OATT. Customers who have aggregated their Loads for the purpose of power supply shall have the right to aggregate their Loads and Supplied Power for purposes of determining the hourly Imbalance Energy. The Company has no obligation to provide excess Energy required for Energy Imbalance Service using its own generation resources, but shall make commercially reasonable efforts to obtain in the market such excess Energy.

Metering and Monthly Billing

Prior to the initiation of service under this Schedule 451, customer shall arrange with the Company to have load served under this Schedule be separately metered by meters capable of measuring and recording kW Demands (and kVAR demands) on a fifteen (15) or thirty (30) minute integrated basis and measuring Energy on a kWh basis. The Company shall procure, install, read, maintain and own all metering equipment; provided, however, that prior to procurement, the Company shall provide Customer with the proposed cost and schedule for procurement, and Customer, at its election, may procure metering equipment that is built to the Company's standards and specifications. At the request of Customer, the Company shall transmit, or cause to be transmitted, to Customer or its Scheduling Agent or Power Supplier information in real time concerning electric power delivered at any Location, subject to payment by Customer for any additional costs incurred to provide such information.

The Company will bill customer each month for distribution service and any other applicable charges under this Schedule. The Company will also bill customer (either in the same bill or separately) for transmission and Ancillary Services taken pursuant to the OATT, such billings to be in accordance with the OATT. Customer may have its Power Supplier pay the Company all or part of Customer's Transmission Charge and Ancillary Services Charges. The rates and charges paid by Customer to the Company for each month during the term shall equal an amount equal to the sum of the components for such month identified in Exhibit B to the Service Agreement.

Continued Conservation Participation and Funding

Schedule 451 customers are eligible for continued participation in PSE's Conservation Programs – specifically Schedule 258 and funding through Schedule 120.

Stranded Costs

The signed Schedule 451 Service Agreement shall identify Microsoft's Power Supply Stranded Cost Charge obligation. The customer is subject to all Power Supply Stranded Cost Charges as required under this Schedule. Any Power Supply Stranded Cost Charge of a Customer shall become immediately due and payable on the first day of the first calendar month following the month in which Customer commences service under Schedule 451.

A customer under this Schedule will not incur transmission stranded costs. However, customer is subject to all Transmission Charges as required under the OATT and Customer's Schedule 451 Service Agreement. A customer under this Schedule will not incur distribution stranded costs. However, Customer is subject to all Distribution Charges as required under this Schedule.

Customer Acknowledgement of Non-Core Customer Status

A customer taking service under this Schedule is and will be a Non-core Customer and is bound by the following acknowledgement of non-core status as to the facilities of Customer that are served under this Schedule. Notwithstanding its status as a Non-core Customer, a customer taking service under this Schedule will only have its power under this Schedule curtailed in accordance with the provisions of PSE's Schedule 80. Microsoft agrees that this acknowledgement is just, reasonable, fair, and in the public interest.

Risk of Market Prices

Microsoft understands that availability and price of power are both subject to significant, material, unpredictable risk. There is no guarantee whatsoever that power will be available on the market, or that it will be available at reasonable prices. The electric power markets have turned out to be highly volatile. Prices and availability of power can vary by orders of magnitude in short periods of time. Such volatility, whether or not the resulting price levels were contemplated in the planning of a Non-core Customer, will not constitute a grounds for return to core status, will not entitle a Non-core Customer to service from the Company's generation resources, and will not entitle a Non-core Customer to service based on the Company's cost of generation.

Impossibility Due to Pricing or Power Availability Not Grounds For Return to Core Status

Prices of power and availability of power may reach levels that make it impossible for a Non-

Mr. Steven V. King
Page 5 of 5
October 7, 2016
Advice No. 2016-28

core Customer to carry on its business. Even if pricing or availability of power make it impossible for a Non-core Customer to carry on its business, that will not constitute a grounds for return to core status, will not entitle a Non-core Customer to service from the Company's generation resources, and will not entitle a Non-core Customer to service based on the Company's cost of generation.

Power Costs Not Grounds For Return to Core Status

The Company may use resources to supply Customer with power in certain circumstances, and the costs of that power may be significantly different from the market price. Such difference will not constitute grounds for return to core status, will not entitle a Non-core Customer to service from the Company generation resources, and will not entitle a Non-core Customer to service based on the Company's cost of generation.

Customer Accepts Risks

Microsoft has employed energy experts and counsel with experience in energy issues to provide advice and assistance in making the decision to accept service as a Non-core Customer that is never entitled to return to core service under any circumstances. Microsoft fully understands all of the risks of that choice and has considered and accepted those risks in accepting service as a Non-core Customer under this Schedule.

The tariff sheets described herein reflect an issue date of October 7, 2016 and an effective date of November 7, 2016. This filing will be published by posting the change on the PSE web site immediately prior to, or coincident with the date of this transmittal letter and making information available by telephone and mail, all in accordance with WAC 480-100-193(1).

Please contact Jason Kuzma at (425) 635-1416 for additional information about this filing. If you have any other questions please contact me at (425) 456-2110.

Sincerely,


ERIC E. ENGLERT
for Manager, Regulatory Initiatives & Tariffs
Ken Johnson
Director, State Regulatory Affairs

Enclosures

cc: Lisa Gafken, Public Counsel
Sheree Carson, Perkins Coie