

**BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of Tariff Revisions Filed by	DOCKET UE-160977
PUGET SOUND ENERGY	ORDER 01
Offering Voluntary Long Term Renewable Energy	ORDER APPROVING TARIFF FILING

BACKGROUND

- 1 On August 1, 2016, Puget Sound Energy (PSE or Company), filed with the Washington Utilities and Transportation Commission (Commission) proposed Tariff No. 139, which offers voluntary, long-term renewable energy to large customers, including commercial and government entities. The tariff was filed pursuant to RCW 19.29A.090(1), which requires electric utilities to offer “retail electricity customers qualified alternative energy resources.” Although the Company currently meets this statutory requirement through its existing Schedules 135 and 136, the new Tariff No. 139 offers an additional long-term, qualified renewable energy product to certain large commercial and local government customers.¹ On September 22, 2016, PSE filed replacement tariff pages and extended the effective date of the proposed tariff revision to September 30, 2016.
- 2 The proposed tariff filing will allow those customers who purchase more than 10 million kilowatt hours (kWh) of energy annually to purchase long-term, bundled green energy. Qualifying customers will have the option to purchase all of their energy from specific alternative energy sources. To provide the energy to serve the proposed tariff, PSE will purchase approximately equivalent amounts of green energy from specific suppliers, also

¹ The proposed Schedule 139 would be made available only to PSE customers taking retail electric service under Schedules 24, 25, 26, 31, 40, 43, 46, and 49. These are PSE’s non-residential retail electricity customers. Excluded from the proposed Schedule 139 are PSE customers who pay only for transmission and distribution services and are not retail electricity customers. RCW 19.29A.090(1) does not require PSE to offer green power to customers who do not take retail electric energy service, such as PSE customers under Schedules 448 and 449. These are large customers who buy their electric energy from the market and take the delivered energy at primary (over 600 volts) or high voltage (over 50 kV).

under long-term contracts.² The total energy supplied to customers through this tariff is capped at 75 megawatts (MW).

- 3 Staff held a series of informal discussions with interested parties, including Public Counsel, the Northwest Energy Coalition, Industrial Customers of Northwest Utilities, World Resources Institute, Department of Commerce, Renewable Northwest, and King County. In addition, written comments were filed in this docket by Target, King County, World Resources Institute, and Industrial Customers of Northwest Utilities. All interested parties' comments were generally supportive of Schedule 139. Some parties raised concerns, however, related to the acquisition of the most reasonably-priced resources to supply the customers' needs. In response, the Company committed to engage interested parties in advance of acquiring the next set of resources or filing a tariff revision to assure that the best-priced resources are acquired through a transparent process.
- 4 Parties also raised concerns related to potential cross-subsidies between Schedule 139 and other customer classes. To address this issue, PSE has indicated that the resource will be acquired at least cost on behalf of all participating customers, and the Company will seek a prudence determination for – and recovery of the costs associated with – acquisition. This will allow the resource to be tracked separately in the Company's power costs so that its costs and benefits are identified and assigned to the correct parties.
- 5 At the Commission's regularly scheduled open meeting on September 22, 2016, the Commission heard comments from interested parties, including Renewable Northwest and Public Counsel, both of whom support the filing. Public Counsel requested the Commission attach certain record keeping conditions to its approval to ensure costs are being allocated appropriately, and clearly communicate that a prudence determination will be made in a subsequent Power Cost Only Rate Case or general rate case.

² Actual costs and revenues associated with the PPA contract to serve Schedule 139 customers will automatically be detailed in the workpapers of future Power Cost Adjustment (PCA) filings. These filings will identify Schedule 139 separately from other revenues and expenses and provide parties the ability to examine how any excess power associated with a Schedule 139 Purchase Power Agreement (PPA) is treated to ensure that the rest of PSE's customer base is not subsidizing costs that have been incurred to supply power to customers that opt to take service under Schedule 139.

6 Staff has reviewed the filing and finds that the proposed service would provide a fair and effective program to meet the needs of PSE's customers who consume more than 10 million kWh annually and desire that their electric service be provided with renewable energy resources. Staff also believes that a 75 MW cap on the program is appropriate. Accordingly, Staff recommends the Commission take no action and allow PSE's proposed tariff Schedule No. 139 to become effective by operation of law.

DISCUSSION

7 At the Commission's regularly scheduled open meeting on September 22, 2016, the Commission reviewed the proposed Tariff No. 139. Also on September 22, the Company filed replacement tariff sheets extending the effective date of the proposed tariff revisions until September 30, 2016.

8 RCW 19.29A.090 requires that the Commission approve the rates, terms, and conditions of a utility's voluntary options to purchase qualified alternative energy resources offered to its retail customers. By this Order, we approve PSE's filing and acknowledge the Company's expansion of its renewable energy options for its customers.

9 As noted in Staff's memo, PSE's existing Schedules 135 and 136 currently satisfy the Company's legal obligation under RCW 19.29A.090. Proposed schedule 139 exceeds these statutory requirements by offering an additional option for a long-term, qualified renewable energy product to certain large commercial and governmental customers. We commend PSE and other stakeholders for developing and proposing Schedule 139 service, and agree with Staff that it will provide a valuable service to meet the changing needs of PSE's large customers, whether those customers are industrial, commercial, or county or city governments that meet the minimum annual consumption requirements.

10 While we understand Public Counsel's concerns, we do not believe it is necessary to reiterate the clear directive of RCW 19.29A.090(5), which requires that all costs and benefits offered by a utility pursuant to the statute be allocated to the customers who voluntarily choose the renewable energy option. While several parties have suggested we condition our approval on certain actions by the Company, we decline to do so. The Company has committed to track all costs and benefits of Schedule 139 separately and identifiably in its Power Cost Adjustment mechanism; to seek a prudence determination for and recovery of the costs associated with, acquisition of any power purchase agreement in a general rate case or Power Cost Only Rate Case; to file its National Renewable Energy Laboratory annual reports in this docket; and to engage interested

parties in advance of acquiring the next set of resources or filing a tariff revision to assure that the best-priced resources are acquired through a more transparent and competitive process. We expect the Company to fulfill its commitments.

FINDINGS AND CONCLUSIONS

- 11 (1) The 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.
- 12 (2) PSE is an electric company and a public service company subject to Commission jurisdiction.
- 13 (3) This matter came before the Commission at its regularly scheduled meeting on September 22, 2016.
- 14 (4) PSE has demonstrated that its Tariff No. 139, as revised on September 22, 2016, meets the regulatory requirements for approval, the statutory requirements of RCW 19.29A.090, and is otherwise in the public interest.
- 15 (5) After reviewing PSE's proposed Tariff No. 139, as revised on September 22, 2016, and giving due consideration to all relevant matters and for good cause shown, the Commission finds it is in the public interest to approve PSE's Tariff No. 139, as revised on September 22, 2016.

ORDER

THE COMMISSION ORDERS:

- 16 (1) Puget Sound Energy's proposed Tariff No. 139, as revised on September 22, 2016, is approved pursuant to RCW 19.29A.090.
- 17 (2) This Order shall not affect the Commission's authority over rates, services, accounts, valuations, estimates, or determination of costs, on any matters that may come before it. Nor shall this Order be construed as an agreement to any estimate or determination of costs, or any valuation of property claimed or asserted.

- 18 (3) The Commission retains jurisdiction over the subject matter and Puget Sound Energy to effectuate the provisions of this Order.

DATED at Olympia, Washington, and effective September 28, 2016.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chairman

PHILIP B. JONES, Commissioner

ANN E. RENDAHL, Commissioner