



STATE OF WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

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June 28, 2021

Mark L. Johnson, Executive Director and Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Dr. SW
P. O. Box 47250
Olympia, Washington 98504-7250

RE: *Washington Utilities and Transportation Commission v. Puget Sound Energy*
Docket UE-200980

Dear Mr. Johnson:

On June 1, 2021, the Washington Utilities and Transportation Commission (Commission) entered a Final Order approving and adopting settlement agreement (Order 05) in the above-referenced docket. In Order 05, the Commission approved the Settlement Stipulation which provided for an electric revenue increase of approximately \$65.3 million, or 3.07 percent, subject to a power cost update at the time PSE makes its compliance filing. This power cost update was intended to reflect the most current natural gas prices and hedging positions.¹ The Commission ordered Puget Sound Energy (PSE or Company) to make a compliance filing on or before June 23, 2021, including new and revised tariff sheets as are necessary to implement the requirements of Order 05, providing that the new tariffs become effective on July 1, 2021.²

On June 17, 2021, the Company made its compliance filing with the Commission. The Company requests the Commission approve the proposed tariff sheets effective July 1, 2021. PSE also requests approval of Exhibit A-1, which reflects the updated variable power costs baseline rate of \$38.983 per MWh (before revenue sensitive items) for use in Schedule B of the Power Cost Adjustment Mechanism, starting July 1, 2021.

In the compliance filing, the Company updated its variable power costs with a three-month average of rate year forward gas prices as of May 28, 2021. PSE also reflected the current power

¹ *Wash. Utils. & Transp. Comm'n v. Puget Sound Energy*, Docket UE-200980, Order 05, ¶11 (June 1, 2021)(Order 05).

² Order 05, ¶70.

and gas-for-power hedging positions in effect as of the same date. These updates resulted in an electric revenue increase of approximately \$70.9 million, or 3.30 percent. The table in Attachment 1 provides a comparison of the power costs, power rates, and revenue deficiencies among PSE's initial filing, supplemental filing, the settlement, and the compliance filing. The updated revenue increase in the compliance filing is \$5.5 million higher than the level in the settlement. The increase is mostly attributable to the approximately seven percent increase to natural gas prices as well as the additional power and gas-for-power hedge contracts that result in higher costs.

Based on the compliance filing, a typical residential customer using 900 KWh will experience a \$2.99 increase on their monthly bill, \$0.26 more than the increase in the settlement.

In addition, the Settlement Stipulation provides for an increase in the annual electric Home Energy Lifeline Program ("HELP") funding by twice the percentage increase in the residential customer base rate approved by the Commission, with a minimum increase of \$1 million.³ Based on the compliance filing, the increase is 6.16 percent, or \$1.3 million (\$0.1 million higher than the estimate in the Settlement Stipulation). The additional funding will be available starting October 1, 2021.

Commission Staff (Staff) reviewed the compliance filing provided by PSE dated June 17, 2021. Staff finds that it contains sufficient detail supporting the required tariff sheet changes. Therefore, Staff recommends the Commission find PSE in compliance with Order 05 and authorize: (1) the proposed electric tariff sheets in PSE's compliance filing to become effective on July 1, 2021; (2) the proposed variable power costs baseline rate in Exhibit A-1 to become effective July 1, 2021; and (3) the \$1.3 million increase in HELP funding through Schedule 129 to become effective October 1, 2021.

Sincerely,

Jing Liu
Deputy Assistant Director, Energy Regulation

³ Order 05, ¶11.



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Attachment 1

Comparison of Power Costs and Revenue Deficiency

	<u>PSE Initial</u>	<u>PSE Supplemental</u>	<u>Settlement</u>	<u>PSE Compliance Filing</u>
Variable Power Costs	\$ 807,664,421	\$ 817,109,248	\$ 801,309,412	\$ 806,841,863
Fixed Production Costs	\$ 448,902,886	\$ 448,915,889	\$ 452,272,404	\$ 452,272,404
Green Direct Energy Credits			\$ 26,757,563	\$ 26,942,538
Total Power Costs	\$1,256,567,307	\$1,266,025,137	\$1,280,339,378	\$1,263,947,468
Normalized Test Year Load (MWh)	19,685,487	19,685,487	20,365,545	20,365,54
Variable Power Rate	\$ 41.028	\$ 41.508	\$ 39.346	\$ 39.618
Fixed Production Rate	\$ 22.804	\$ 22.804	\$ 22.208	\$ 22.208
Rate to Fund Energy Credit			\$ 1.314	\$ 1.323
Total Power Rate	\$ 63.832	\$ 64.313	\$ 62.868	\$ 63.149
Revenue Deficiency	\$ 78,505,720	\$ 87,954,754	\$ 6,582,644	\$ 67,307,048
Schedule 139 Revenue Change	\$ (2,034,054)	\$ (2,278,874)	\$ 3,765,483	\$ 3,580,506
Total Authorized in PCORC	\$ 76,471,667	\$ 85,675,880	\$ 65,348,127	\$ 70,887,554
Revenue impact on residential schedule (percentage)	3.51%	3.93%	2.80%	3.08%
Increase on typical residential monthly bill (900 kWh)	\$ 3.42	3.83	2.73	\$ 2.99
Percentage Increase on typical residential monthly bill (900 kWh)	3.58%	4.01%	2.86%	3.16%