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Ms. Amanda Maxwell, Executive Director and Secretary
Washington Utilities and Transportation Commission
621 Woodland Square Loop SE
Lacey, WA 98503

**Re: Advice No. 2023-24
PSE's Natural Gas Tariff Filing - Filed Electronically**

Dear Ms. Maxwell:

Puget Sound Energy ("PSE") hereby submits proposed revisions to rates under a new natural gas Schedule 111, Greenhouse Gas Emissions Cap and Invest Adjustment. This tariff filing, pursuant to RCW 80.28.060 and Chapter 480-80 WAC, includes the following natural gas tariff sheets:

WN U-2 - (Natural Gas Tariff):

Original	Sheet No. 1111	Greenhouse Gas Emissions Cap and Invest Adjustment
Original	Sheet No. 1111-A	Greenhouse Gas Emissions Cap and Invest Adjustment (Continued)
Original	Sheet No. 1111-B	Greenhouse Gas Emissions Cap and Invest Adjustment (Continued)
Original	Sheet No. 1111-C	Greenhouse Gas Emissions Cap and Invest Adjustment (Continued)
Original	Sheet No. 1111-D	Greenhouse Gas Emissions Cap and Invest Adjustment (Continued)
Original	Sheet No. 1111-E	Greenhouse Gas Emissions Cap and Invest Adjustment (Continued)
Original	Sheet No. 1111-F	Greenhouse Gas Emissions Cap and Invest Adjustment (Continued)
Original	Sheet No. 1111-G	Greenhouse Gas Emissions Cap and Invest Adjustment (Continued)
Original	Sheet No. 1111-H	Greenhouse Gas Emissions Cap and Invest Adjustment (Continued)
Original	Sheet No. 1111-I	Greenhouse Gas Emissions Cap and Invest Adjustment (Continued)
Original	Sheet No. 1111-J	Greenhouse Gas Emissions Cap and Invest Adjustment (Continued)

The purpose of this filing is to establish a new tariff schedule which will allow PSE to recover the allowance costs and pass back the auction proceeds, as mandated under the Greenhouse Gas Emissions Cap and Invest Program ("Cap and Invest Program"), also known as the Washington

Climate Commitment Act (“CCA”)¹. Rates under this tariff schedule are proposed to begin on August 1, 2023.

PSE conducted significant outreach with interested parties prior to the filing of this tariff schedule, along with holding broad interested party meetings in 2023 on March 17, April 12 and May 2. The outreach meetings were held in order to provide education regarding the implementation of the legislation and to solicit feedback from parties where decisions for implementation were necessary. PSE incorporated feedback received from parties into this tariff filing. Additionally, interested parties voiced a concern, a concern which PSE also shared, regarding the overall bill impacts related to recovering the estimated 2023 CCA allowance costs over the remainder of the 2023 calendar year due to the dramatic bill impacts that would be experienced by customers. In recognition of this, PSE is not requesting cost recovery with this filing of the CCA allowance costs that have been or will be deferred from January 2023 through July 2023 and instead, is waiting for the amount of the deferral to be more certain before determining the most appropriate time to request recovery.

PSE is proposing a recovery period of August through December 2023 for the estimated ongoing allowance costs covering emissions during the same period. Concurrently, PSE is proposing to pass back credits to customers from estimated auction proceeds to be received in 2023, proportionally over the same period. Bill credits consist of those provided to low-income customers that are equal to any charges under the tariff schedule, as well as non-volumetric credits for remaining eligible customers. As an aggregate total, the charges for estimated allowance costs are greater than the credits available to provide from estimated auction proceeds. In addition, because of the way in which the non-volumetric credits that are required by the law are provided, certain customer classes as well as certain customers within classes will experience much different net bill impacts than the aggregate total from the Schedule 111 charges and credits – with some experiencing larger bill increases overall.

Extending the ongoing cost recovery / credit pass-back period will only serve to compound these impacts further. Additionally, the following reasons also support PSE’s proposal for using a recovery period for ongoing costs that does not extend beyond 2023:

1. As the CCA provides for annual obligations, rates will need to be set on January 1, 2024 to collect and pass-back 2024 emissions costs and auction proceeds. Collecting and passing back 2023 costs and proceeds in 2023 will prevent the pancaking of 2023 and 2024 amounts.
2. Customers who are responsible for emissions in 2023 should pay for allowance purchases to cover those emissions as well as receive the benefit of the 2023 auction proceeds as bill credits for the same time period.

PSE currently has an existing approved accounting petition which allows the deferral of CCA costs and auction proceeds. PSE has filed a new accounting petition concurrently with this tariff filing to request accounting treatment that is necessary to allow for the true-up provisions

¹ RCW 70A.65.260 and WAC 173-446.

requested in this tariff filing and to adjust the approved accounting for the fact that, with the approval of this tariff filing, PSE will be recovering costs and passing back proceeds. As noted in the proposed tariff as well as in the accounting petition filed concurrent with this tariff filing, PSE is proposing that interest be accrued on the net amounts owed from or to customers under the tariff schedule, at PSE's actual cost of debt updated semi-annually. However, in the interest of simplicity, PSE is proposing to collect or pass back the interest based on actual interest accrued, rather than based on a forecast. As such, this initial filing does not contain a component of interest as actual interest is not yet known. The tariff filing for 2024 would include a component for actual interest.

Therefore, commencing the recovery / pass back of ongoing CCA costs and credits, respectively, will aid in minimizing future rate impacts and ensure customers responsible for current emissions pay towards the allowances. Taking the immediate rate impacts into account, PSE is continuing to look at options to recover the deferred January through July 2023 CCA allowance costs at some future time.

In the proposed tariff schedule there are two main rate components. The first is the State Carbon Reduction Charge which is a projection of the amount of costs for PSE to comply with the Cap and Invest Program pursuant to RCW 70A.65, as well as providing a true-up of amounts from the prior period(s); and the second is the State Carbon Reduction Credit which is a projection of the amount of revenues from allowances sold at auction pursuant to RCW 70A.65, as well as providing a true-up of amounts from the prior period(s). The State Carbon Reduction Credit is reserved exclusively for PSE customer locations connected to the natural gas system prior to July 26, 2021 and Identified Low-Income Customers. Identified Low-Income Customers will be eligible to receive a volumetric credit equal to the State Carbon Reduction Charge.

An additional element of Schedule 111 is the inclusion of some definitions to help implement the charges and credits noted above and help clarify customer responsibilities. For example, customer groups such as Opt-In Entity, Covered Entity, National Security Entity, and Emissions-Intensive Trade-Exposed Manufacturing Facility are defined and have certain identification and reporting responsibilities.

Two other important definitions are that of Identified Low-Income Customer and of Identified Connected Location Customer. An Identified Low-Income Customer is defined as a Customer whose household income, as defined by the Department of Commerce or the Commission as low-income, provided that the definition may not exceed the higher of 80 percent of area median household income or two hundred percent of the federal poverty level, adjusted for household size (consistent with RCW 19.405.020(25)); who is also 1) currently taking service under an applicable Bill Discount Rate schedule; or 2) receiving bill assistance under Schedule 129 – Low Income Program or has received bill assistance under Schedule 129 within the last 24 months.

An Identified Connected Location Customer is defined as a Customer at a location that was originally connected to the Company's system on or before July 25, 2021. Location means the premise where a Customer is taking Gas Service. Connected to a natural gas utility's system means that the Company has installed natural gas service equipment at the location. A location

that is not connected to the Company's natural gas system due to a temporary suspension of service is considered connected, as long as its initial connection was on or before July 25, 2021. A temporary suspension can be due to or result from, but is not limited to: a facility relocation made at the Customer's request, a PSE system improvement, or the utility-directed disconnection of service as described in WAC 480-90-128. An Identified Low-Income Customer is always considered an Identified Connected Location Customer, for the purpose of receiving the State Carbon Reduction Credit.

Customers participating in optional service Schedule 138, Voluntary Renewable Gas Service will receive an RNG Participation Credit for the volumetric equivalent amount of this optional service. A Customer taking optional service under Supplemental Schedule 137, Carbon Offset Service will not receive any participation credits for rates under this schedule.

Overall, this proposal represents a new revenue requirement of \$104.8 million related to the State Carbon Reduction Charge, mitigated by a new revenue requirement decrease of \$87.9 million related to the State Carbon Reduction Credit, resulting in a net new revenue requirement of \$16.8 million and an average increase for all customers affected by this tariff change of 3.23 percent in overall bills. A typical residential customer using 64 therms per month would experience an increase of \$3.71 per month or 3.89 percent. A typical Identified Low Income Customer taking residential service using 64 therms per month would experience no impact from this filing as their credits are designed to exactly offset their charges, resulting in an increase of \$0.00 per month or 0.0 percent. Additionally, bill assistance programs are available to qualified customers who need help with their energy bills. PSE customers can go to pse.com or call 1-888-225-5773 to learn if they are eligible. Payment plans are also available.

Please note that work papers submitted with this filing contain valuable commercial information. In accordance with Department of Ecology rule WAC 173-441-150(3), PSE requests that work paper tabs marked confidential be accorded confidential treatment. Pursuant to WAC 480-07-160, they have been marked "Shaded information is designated as confidential per WAC 480-07-160."

The tariff sheets described herein reflect an issue date of June 9, 2023, and effective date of August 1, 2023. Posting of proposed tariff changes, as required by WAC 480-90-193, is being accomplished by posting the proposed tariff sheets on the PSE web site coincident with the date of this transmittal letter. Notice to the public under the provisions of WAC 480-90-194 will be provided within 30 days of the requested August 1, 2023 effective date.

PSE notes that there are four Open Meeting dates between June 9 and August 1; namely June 15 and 29, and July 13 and 27. PSE personnel will be available to discuss this tariff schedule proposal with the Commissioners at any of those four Open Meeting dates.

Ms. Amanda Maxwell

June 9, 2023

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Please contact Birud Jhaveri at birud.jhaveri@pse.com for additional information about this filing. If you have any other questions, please contact me at (425) 456-2142.

Sincerely,

/s/ Jon A. Piliaris

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cc: Lisa Gafken, Public Counsel
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Attachments:

Natural Gas Tariff Sheets, listed above

Work paper – confidential

Work paper – redacted