

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of)	
)	
PUGET SOUND ENERGY)	DOCKETS UE-200780 and
)	UG-200781
)	
For an Order Authorizing Accounting for Costs)	PETITION OF PUGET SOUND ENERGY
Associated with COVID-19 Public Health)	TO AMEND ORDER 03
Emergency)	

I. INTRODUCTION

1. In accordance with WAC 480-07-370(3), Puget Sound Energy (“PSE” or “the Company”) respectfully petitions the Commission for an Order authorizing the accounting detailed in this Petition related to PSE’s actual bad debt expense incurred in 2024 above the bad debt baseline, defined as the amount that is included in customer rates for bad debt expense during the year. This petition represents an Amended Petition to Amend Order 03.
2. Statutes and rules at issue in this Petition include RCW 80.01.040, RCW 80.28.020, WAC 480-90-203, WAC 480-100-203, WAC 480-07-370.
3. PSE is a combined gas and electric utility that provides service to approximately 1,200,000 electric customers and 860,000 natural gas customers in Western Washington.
4. All correspondence related to this Petition should be directed as follows:

Puget Sound Energy
Attn: Susan Free
Director of Revenue Requirements and Regulatory Compliance
P.O. Box 97034, BEL10W
Bellevue, WA 98009-9734
Telephone: (425) 456-2105
E-mail: susan.free@pse.com

II. SUMMARY OF PETITION

5. PSE is requesting in this Petition that the Commission approve deferred accounting treatment for its 2024 bad debt expense that is incurred above the baseline amount included in customer base rates.
6. While PSE will track the 2024 bad debt expense that is incurred above the baseline being collected from customers it will further adjust the deferral after 2024 to recognize the actual amount that is eventually written-off, once finally known. The bad debt expense baseline is the amount that is currently being collected from customers for bad debt during the year which was determined in the 2022 general rate cases.

III. BACKGROUND

7. On September 3, 2020, Puget Sound Energy (PSE or Company) filed with the Washington Utilities and Transportation Commission (Commission) a Petition in these dockets for an Order Approving Deferral of Costs Associated with the COVID-19 Public Health Emergency.
8. The Company filed a revised petition on November 6, 2020, consistent with the requirements set out in the Revised Term Sheet in Docket U-200281.
9. On December 10, 2020, in Order 01, the Commission approved PSE's revised petition, allowing the Company to defer several COVID-19 related expenses, including any amount of bad debt incurred in 2020 to 2022 above its bad debt baseline.

10. On October 19, 2021, Staff opened a rulemaking in Docket U-210800 (“Rulemaking Docket”) to consider possible changes to customer notice, credit and collection rules, late fees, disconnection fees, reconnection fees, and deposits.
11. On March 29, 2022, the Commission issued Order 06 in Docket U-200281, amending Order 03, exempting gas and electric companies from WAC 480-90-113 and WAC 480-100-113, respectively. The Commission’s order extended the suspension of fees and deposits until 30 days after the Commission issues its final order in U-210800.
12. On December 8, 2022, PSE filed a first amended COVID-19 deferral petition (First Amended Petition) in response to the Commission’s decision in Docket U-200281. The First Amended Petition requested approval to modify the previously approved timeframe for its bad debt deferral (2020 to 2022) to extend to December 31, 2023.
13. On December 22, 2022, in Order 02, the Commission approved PSE’s First Amended Petition, allowing the Company to defer several COVID-19 related expenses, including any amount of bad debt incurred in 2020 to 2023, above its bad debt baseline.
14. On December 12, 2023, PSE filed another amended petition to amend Order 02 (Amended Petition to Amend Order 02) in response to the Commission’s decision in Docket U-200281. The Amended Petition to Amend Order 02 requests approval to modify the previously approved timeframe for its bad debt deferral (2020 to 2023) to extend to December 31, 2024.
15. On December 21, 2023, in Order 03, the Commission approved PSE’s Amended Petition to Amend Order 02, allowing the Company to extend the time period to December 31,

2024, to allow for PSE to defer the final amount of write-offs above the baseline for accounts receivable balances that remain outstanding from the period September 2020 to December 2023.

IV. JUSTIFICATION FOR DEFERRAL TREATMENT

16. PSE has been experiencing a growth in arrearage balances since the start of COVID-19 pandemic.
17. The Rulemaking Docket was opened over two years ago and there is no known time for its resolution. PSE's arrearages have continued to grow due to restrictions on changes to the dunning process pursuant to paragraph 40 of the Revenue Requirement Settlement. PSE eventually filed a Petition to Amend Final Order 24 ("2022 GRC Petition") in PSE's 2022 general rate case (Dockets UE-220066, et al) to remove PSE's obligation to continue its existing credit and collection processes until the conclusion of the proceeding currently being conducted in Docket U-210800.
18. Amended Petition to Amend Order 02 only requested the extension of time related to write-offs of bad debt expense applicable to 2023 and prior, and thus, that is what has been approved in Order 03. However, PSE now finds that its estimates of bad debt expense for 2024 continue to be affected by the uncertainty resulting from the unresolved Rulemaking Docket as well as the unresolved 2022 GRC Petition. The estimates are based on the assumption that, even if PSE receives resolution to its 2022 GRC Petition in short order, any changes it may be able to make to its collection practices that may help reduce arrearage balances, those changes would likely not significantly impact PSE's high levels of bad debt expense and eventual write-offs for 2024.

19. Therefore, due to the impacts of proceedings that are still not resolved, PSE is requesting to be allowed to include 2024 write-offs above its baseline in its deferral as well.
20. PSE has taken some steps that it believes are allowed even though the Rulemaking Docket and the 2022 GRC Petition have not been finalized. It has initiated a phased return to field collection operations in May 2022 with a small subset of customers in arrears. The phased return includes only customers with an arrearage of \$1,000 or more and excludes all known and estimated low-income customers. As a result, many customers with arrearages less than \$1,000 may not be able to pay when credit and collection processes resume. Consequently, write-offs and bad debt expense in 2024 are still likely to exceed amounts set in current customer rates.
21. Furthermore, as mentioned, there is no certainty regarding whether PSE would be able to reduce its arrearages with the approved collection processes from these above-mentioned Dockets. Approval of the deferral will preserve the cost and allow PSE to seek recovery of actual write-offs in excess of the bad debt baseline at a later date.
22. Also as PSE intends to progress slowly into disconnection due to the high volume of active arrears, its arrearage balance will certainly continue to be impacted for an extended period of time. Therefore, PSE believes the granting of this Accounting Petition is needed to ensure its ongoing financial health.
23. At the same time this amended petition is being filed, PSE will be filing the results of its Commission Basis Reports for 2023. For electric, PSE's 2023 Commission Basis results reflect a restated rate of return of 6.93 percent which is lower than its pro-rated authorized rate of return for 2023 of 7.17 percent. For natural gas, PSE's Commission

Basis results reflect a restated rate of return of 6.50 percent which is lower than its pro-rated authorized rate of return for 2023 of 7.16 percent.

24. Additionally, PSE's pending general rate case under Dockets UE-240004 and UG-240005 contains testimony of PSE's cash flow constraints and risk of being downgraded by rating agencies.
25. This petition helps address these issues.

V. PROPOSED ACCOUNTING TREATMENT

26. While PSE will track the 2024 bad debt expense that is incurred above the baseline being collected from customers, it will not defer and seek collection of any amount above the actual amount that is written-off. Accordingly, the period for which PSE will assess the final write-offs for 2024 will extend beyond 2024. The bad debt expense baseline is the amount that is currently being collected from customers for bad debt during the year which was determined in the 2022 general rate cases.
27. The Company proposes to record the deferral of costs as a regulatory asset in FERC Account 186 (Other Deferred Debits), and credit the originating FERC Account 904 (Uncollectible Account). The Company proposes that the interest will not accrue on the unamortized balance. These are the same methods used in Docket UE-200780 and UG-200781 to record bad debt expense incurred above the baseline in the deferral balance.
28. The deferral of costs incurred by PSE would begin on January 1, 2024, and continue until the end of 2024.

VI. REQUEST FOR RELIEF

29. For the reasons discussed above, PSE respectfully requests the Commission issue an Order approving the deferred accounting, as set forth in this Petition.

DATED this 29th day of March, 2024.

Puget Sound Energy

By */s/ Susan E. Free*

Susan E. Free
Director of Revenue Requirements and
Regulatory Compliance
Puget Sound Energy
PO Box 97034, BEL10W
Bellevue, WA 98009-9734
425-462-2105 / susan.free@pse.com