

UE-240288

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September 23, 2024

SENT VIA WEB PORTAL

Jeff Killip
Executive Director and Secretary
Washington Utilities and Transportation Commission
621 Woodland Square Loop SE
Lacey, WA 98503

Re: ***In the Matter of the Petition of Puget Sound Energy for Approval of its 2023 Power Cost Adjustment Mechanism Report,***
Docket UE-240288

Dear Jeff Killip:

The Public Counsel Unit of the Washington State Attorney General's Office (Public Counsel) respectfully submits these comments in anticipation of the Thursday September 26, 2024, Open Meeting pursuant to the Washington Utilities and Transportation Commission's (UTC or Commission) above-named open docket.

The Puget Sound Energy (PSE or Company) Power Cost Adjustment (PCA) filing proposes combining the 2023 customer payable with the 2024 customer surcharge for collection beginning in October 2024. Under the current PCA Mechanism, PSE would include the 2023 payable amount to customers beginning in either December 2024 or January 2025 and would not begin collecting the 2024 receivable from customers until December 2025 or January 2026. In practice, the Company is proposing to accelerate the 2024 receivable and begin collecting that amount from customers a year ahead of time.

Public Counsel's Recommendation:

The Commission should reject PSE's proposal to accelerate collection of 2024 Power Costs and set the matter for adjudication.

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Public Counsel opposes Puget Sound Energy's proposal to combine 2023 and 2024 power cost deferrals. The Company's stated rationale for this extraordinary treatment of 2024 power costs is not supported by the requirements in the Power Cost Adjustment Mechanism (PCAM). As the Company notes in its testimony, an accelerated surcharge can be triggered "to address financial needs and to provide customers a price signal to reduce energy consumption."¹ Neither requirement exists in the current circumstances.

A. The Company's PCA proposal is not necessary for the financial health of PSE.

The Company's current general rate case (GRC) filing in Docket UE-240004 & UG-240005 includes a requested rate increase of \$192 million in 2025 and \$285 million in 2026.² The Company's accelerated 2024 PCA surcharge proposal is projected to be worth approximately \$76 million to the Company.³ In other words, the outcome of the GRC will wash out any cash flows that would or would not be accelerated in the PCA. Moreover, sequential clearing per the existing PCA process will not deprive the company of any cash flow, but simply delay it. Beyond that, the Company's testimony in this filing expresses concern for credit metrics, but there is no evidence that PSE will not be able to fulfill its cash flow obligations or will lose access to capital markets. PSE cannot meet its burden to prove such financial need to trigger exceptional processing of the 2024 deferral simply by saying the words "financial need." A full record of extraordinary financial need is required, something lacking in this filing. Absent a fully litigated record to support it, PSE's current cash flow status should not be considered a financial need that customers are obligated to pay for at the discretion of the Company.

B. The Company's proposal to accelerate surcharges will not provide a price signal to ratepayers.

As noted above, the financial impact of the general rate proceeding is much more significant than the PCA surcharge. The general rate case renders PSE's stated concerns about rate stability, price signaling, gradualism, and prevention of pancaking illusory. Under the agreed sequential clearing of the PCA, customers are likely to see a rate increase in January 2025 from the GRC. A modest \$22 million refund of 2023 power costs may partially blunt that January 2025 GRC increase, but it will not eliminate it. If PSE were truly worried about rate shock, the place to smooth out rate increases would be in an agreement to lower or extend its requested rate increases in the GRC. Additionally, the primary cause for the 2024 power cost under-collection is the polar vortex that occurred in January 2024. Ratepayers are not going to receive a price signal that is already nearly one-year delayed from the proximate cause and with a dollar value that is buried under the positive or negative impact of the Company's proposed general rate case.

1 Puget Sound Energy, Petition Exhibit A at 14 (filed Apr. 30, 2024). See also, *in re the Petition of Puget Sound Energy for Accounting Order*, Dockets UE-130583, 130617, 131099, and 131230 (*consolidated*), Order 11: Final Order Attachment A at 2 (Aug. 7, 2015).

2 See, *Wash. Utils. & Transp. Comm'n vs. Puget Sound Energy*, Dockets UE-240004 & UG-240005 (*consolidated*).

3 Direct Test. of Susan E. Free, Exh. SEF-1T at 17-18.

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The Commission should reject PSE's proposal to combine the deferrals from 2023 and 2024 and set the matter for adjudication. As PSE points out, the provision allowing for accelerated collection of a PCA deferral has never yet been invoked; this is the first time PSE has attempted it. Such extraordinary relief demands more than self-serving assertions by the Company. Public Counsel is confident that a full record will prove that neither financial need nor price signaling consideration justify PSE's request.

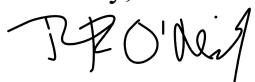
To the extent that PSE desires modification to the 2015 settlement protocol to allow PSE to propose the relief sought here, Public Counsel is willing to engage in discussions with the parties about how that could be accomplished. The current agreement, however, does not permit it.

C. The Commission should consider accelerating power costs adjustments only if ratepayers receive a corresponding benefit.

PSE's filing treats the 2023 and 2024 power adjustments as separate items for applying the sharing bands but combines the two years for collections from ratepayers. Public Counsel believes the two years should be combined for application of the sharing bands. Doing so would save ratepayers approximately \$25 million in rates in exchange for PSE's requested relief. Public Counsel looks forward to submitting substantive testimony detailing these cost savings should the Commission set this matter for adjudication.

Should you have any questions regarding these comments, please do not hesitate to contact the undersigned or Brett Shearer by e-mail at Brett.Shearer@ATG.WA.GOV or by phone at (206) 389-3972.

Sincerely,



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Enclosures

cc: Service List (via E-mail)