

Agenda Date: November 24, 2020
Item Number: A1

Docket: UE-200893
Company Name: Puget Sound Energy

Staff: Jing Liu, Regulatory Analyst
Andrew Roberts, Regulatory Analyst

Recommendation

Take no action, thereby allowing the tariff sheets filed by Puget Sound Energy in Docket UE-200893 to become effective December 1, 2020, by operation of law.

Summary of Filing

On October 30, 2020, Puget Sound Energy (PSE or company) filed with the Washington Utilities and Transportation Commission (commission) a revision to its electric tariff Schedule 95, Power Cost Adjustment (PCA) Clause, with a stated effective date of December 1, 2020. In this filing PSE seeks to recover a \$39.5 million cumulative deferral balance under the PCA mechanism. Including \$2.3 million in accumulated interest, PSE seeks a grossed-up increase in revenue of \$43.9 million,¹ or an average increase of 2.1 percent for schedules subject to Schedule 95 rates. A typical residential customer using 900 kWh per month would experience a bill increase of \$1.92 per month, or 2.1 percent.

Background

On April 30, 2020, PSE filed its PCA Mechanism Annual Report in Docket UE-200398. On July 30, 2020, the commission approved PSE's 2020 PCA Annual Report, including the cumulative deferral balance of \$39.5 million.² Although the cumulative deferral balance exceeded the surcharge trigger of \$20 million, the company did not request immediate recovery of the PCA deferral balance due to concerns about the economic impact of the COVID-19 pandemic on customers.

Citing credit rating concerns as well as continued growth of the PCA deferral balance, PSE now requests recovery of the deferral balance authorized by the commission in July. PSE states that because the unrecovered power cost needs to be financed with debt, delayed recovery will further stress credit metric performance. In addition, PSE expects that it will experience another substantial under-recovery in its PCA mechanism in calendar year 2020, requiring additional company financing and exacerbating the problem even further.

¹ The total increase in revenue of \$43.9 million includes \$2.1 million to gross up for revenue sensitive items.

² *Wash. Utils. & Transp. Comm'n v. Puget Sound Energy*, Docket UE-200398, Order 01 (Jul. 30, 2020) (2020 PCA Order).

Discussion

PSE's PCA mechanism was implemented in 2003. It intended to address the fluctuation of power production costs without frequent rate changes and provide incentives for power cost management through a dead band and sharing bands. The current PCA mechanism is modified through a multi-party collaborative process after the 2013 Power Cost Only Rate Case in Docket UE-130617. In 2015, the commission issued Order 11 approving the Settlement Stipulation on the PCA mechanism that resulted from the collaborative process.³

Since its commencement in 2003, until last year, PSE's PCA deferral balance had never reached the refund or surcharge thresholds. In calendar year 2019, PSE's actual power costs were significantly higher than the allowed baseline power costs, creating an under-recovery of \$67.2 million, \$36.0 million of which was assigned as customers' responsibility.⁴ The 2019 deferral alone constitutes 91 percent of the total PCA deferral PSE seeks to recover in this filing.

Commission staff (staff) has reviewed the filing and believes the revised Schedule 95 rates are appropriate. The PCA deferral balance already has been reviewed and approved by the commission, and PSE's request to recover the deferral balance over one year is consistent with the approved Settlement Stipulation in Docket UE-130617.⁵ Staff believes the timely recovery of PCA deferral is consistent with the commission's recent authorization of the timely cost recovery under the company's Purchased Gas Adjustment mechanism.⁶ Therefore, staff recommends the commission approve the one-year amortization as proposed, starting December 1, 2020.

If the commission remains concerned about rate impacts during the COVID-19 pandemic, the commission may consider extending the amortization period or even postponing PSE's cost recovery. Such authority is explicitly acknowledged in the 2015 PCA Settlement Stipulation, which provides that (1) the surcharging of deferrals can be triggered by the company when the balance of the deferral account reaches \$20 million; and (2) unless otherwise determined by the commission, surcharges or credits will be collected or refunded, as the case may be, over a one year period.⁷ While the commission has extended the amortization periods for regulatory asset accounts to mitigate rate impact during the current pandemic (such as in PSE's 2019 General Rate Case), staff does not recommend extending the amortization period here as doing so would shift even more cost burden on future rate payers, who already are being asked to shoulder a lot.

³ *Wash. Utils. & Transp. Comm'n v. Puget Sound Energy*, Docket UE-130617, Order 11 (Aug. 7, 2015) (2015 PCA Order).

⁴ *Id.*, at ¶3. The \$36.0 million amount reflects the effect of passing the \$67.2 million under-recovery through the PCA mechanism's dead band and sharing bands.

⁵ *Id.*, Appendix A, Attachment A to Settlement Stipulation, § A.3 Timing of surcharges or credits. Appendix A states: "unless otherwise determined by the commission, surcharges or credits will be collected or refunded, as the case may be, over a one-year period."

⁶ On October 29, 2020, the commission approved \$70 million revenue increase for PSE in UG-200717, of which \$32.6 million increase is related to projected gas costs and \$37.4 million increase is related to amortization of the deferral.

⁷ 2015 PCA Order, Appendix A, Attachment A to Settlement Stipulation, § A.3 Timing of surcharges or credits.

Customer Comments

The Company published notice in area newspapers on Nov. 1, 2020, notifying customers of the proposed rate change. Staff received one comment opposing the proposed rate increase. The commenter expressed concern that the notice was published in the newspaper and not included as a bill insert. The commenter opposed the rate increase because of the limited incomes that many individuals are faced with and increasing costs related to the pandemic.

The commenter was notified that they may access relevant documents about this proposal on the commission's website, and that they may contact Andrew Roberts at 1-888-333-9882 or andrew.roberts@utc.wa.gov with questions or concerns.

Conclusion

Commission staff reviewed the filing and concludes the tariff revisions are appropriate. Therefore, staff recommends the commission take no action, thereby allowing the tariff sheets filed by Puget Sound Energy in Docket UE-200893 to become effective December 1, 2020, by operation of law.