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November 22, 2023

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Kathy Hunter, Acting Executive Director and Secretary
Washington Utilities and Transportation Commission
621 Woodland Square Loop SE
Lacey, WA 98503

**Re: Advice No. 2023-56
PSE's Natural Gas Tariff Filing**

Dear Executive Director Hunter:

Puget Sound Energy ("PSE") hereby submits proposed revisions to rates under natural gas Schedule 111, Greenhouse Gas Emissions Cap and Invest Adjustment. This tariff filing, in accordance with 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-C.1	Greenhouse Gas Emissions Cap and Invest Adjustment (Continued)
2 nd Revision	Sheet No. 1111-D	Greenhouse Gas Emissions Cap and Invest Adjustment (Continued)
2 nd Revision	Sheet No. 1111-E	Greenhouse Gas Emissions Cap and Invest Adjustment (Continued)
2 nd Revision	Sheet No. 1111-F	Greenhouse Gas Emissions Cap and Invest Adjustment (Continued)
2 nd Revision	Sheet No. 1111-G	Greenhouse Gas Emissions Cap and Invest Adjustment (Continued)
2 nd Revision	Sheet No. 1111-I	Greenhouse Gas Emissions Cap and Invest Adjustment (Continued)
2 nd Revision	Sheet No. 1111-J	Greenhouse Gas Emissions Cap and Invest Adjustment (Continued)
2 nd Revision	Sheet No. 1111-K	Greenhouse Gas Emissions Cap and Invest Adjustment (Continued)

The primary purpose of this tariff filing is to request cost recovery for the state-required Climate Commitment Act (“CCA”) allowance costs and the pass back of auction proceeds through an increased State Carbon Reduction Credit. Additionally, this filing includes: 1) new tariff schedule language proposing the utilization of a portion of the Company’s benefits from no cost allowances consigned to auction for the funding decarbonization projects, mitigating the cost impacts of PSE’s compliance with the state-required CCA; 2) a revised revenue requirement reflecting costs deferred from January 2023 through September 2023 deferral period; and 3) a re-submission of a document describing a risk-sharing mechanism. Rates under this tariff schedule are proposed to commence on January 1, 2024.

PSE’s previous filing in Docket UG-230756, approved by the Commission, addressed cost recovery and pass back of CCA allowance costs and auction proceeds deferred during the period from January 2023 through September 2023. In light of companies seeking guidance or exemptions from the Department of Ecology for emissions from maritime fuel and downstream uses by customers, PSE revised its Schedule 111 tariff schedule¹ to allow for partial or full exemption or guidance from the State Carbon Reduction Charge for emissions from maritime fuel outside Washington’s jurisdictional waters, exempt under the CCA. Consequently, this tariff filing proposes a revised revenue requirement to account for these exemptions.

As part of this tariff filing, PSE proposes allocating up to \$23 million in no cost allowance revenue benefits from 2024 to fund targeted decarbonization projects to be implemented during the years 2024 through 2026. These projects will mitigate additional cost burdens for PSE’s Identified Low Income Customers, and contribute to lower gas system emissions caused by customers and thus reduce gas utility compliance obligations with the Washington State Greenhouse Gas Emissions Cap and Invest Program.

Decarbonization projects will be designed for Identified Low Income Customers, or multi-family premises with Identified Low Income Customers or multi-family premises in a Named Community, where Named Community means either a Highly Impacted Community or Vulnerable Populations as defined in RCW 19.405.020. Decarbonization projects will also be designed for Small Business Customers in a Named Community, where Named Community means either a Highly Impacted Community or Vulnerable Populations as defined in RCW 19.405.020. Small Business means any business entity, that is owned and operated independently from all other businesses, and that has 50 or fewer employees at that premise. The qualifying Small Business must be a licensed for-profit business having 3-year average gross annual receipts not exceeding \$30.4 million². It is the responsibility of the Customer to provide all evidence to the Company that they meet the qualifications before receiving any benefit or incentive.

¹ Allowed to go into effect by the Commission in Docket UG-230899.

² This definition is consistent with the criteria outlined by the Washington State Legislature and Washington State Office of Minority & Women’s Business Enterprises, and the Officer of the United States Trade Representative; as well as RCW 19.85.020.

PSE will continue to consult with PSE's Low Income Advisory Committee, along with other interested parties and advisory groups, during the first quarter of 2024, to inform project design. To date, engagement with interested parties indicates that many are supportive of PSE investing consigned no cost allowance revenue in these decarbonization projects that target Identified Low Income Customers and Named Communities. Funding would be made available for targeted decarbonization upgrades related to existing low income energy efficiency programs.

As per Staff request, included with this filing is a document describing a Risk-Sharing Mechanism in compliance with Order 01 in Docket UG-230470, which was previously submitted into that docket on October 31, 2023.

The revenue requirement calculation assumed that 70,000 additional low-income gas customers will be enrolled in bill assistance by January 1, 2024.³ To meet the Commission's target, Identified Low-Income Customers receiving the volumetric credit may include estimated low-income customers. This assumes that enrollment occurs with lowest-income tiers first, followed by higher income tiers until the targeted number of customers is reached.

Overall, this proposal represents an increase in revenue of \$45.3 million, an average increase of 4.62 percent for all customers affected by this tariff change. For a typical residential customer using 64 therms per month, the increase amounts to \$1.91 per month or 2.43 percent.

Identified Low-Income Customers, eligible to receive a volumetric credit equal to the State Carbon Reduction Charge, will experience no impact, resulting in a zero increase per month or zero percent. Bill assistance is also available for qualified customers who need help with their energy bills. PSE customers can either go online to www.pse.com or call 1-888-225-5773 to learn if they are eligible and payment plans.

Please be advised 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 November 22, 2023, and an effective date of January 1, 2024. Proposed tariff changes will be posted on PSE's website in compliance with WAC 480-90-193. Notice to the public under the provisions of WAC 480-90-194 will be provided within 30 days of the requested January 1, 2024 effective date.

³ Per Order 01 (August 3, 2023) in Docket UG-230470, PSE is required to enroll a targeted 70,000 customers into energy assistance or bill assistance programs by January 1, 2024.

Kathy Hunter, Acting Executive Director and Secretary

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Page 4 of 4

Please contact Susan Free at (425) 456-2105 or Chris Mickelson at christopher.mickelson@pse.com for additional information about this filing. If you have any other questions, please contact me at birud.jhaveri@pse.com.

Sincerely,

/s/ Birud D. Jhaveri

Birud D. Jhaveri
Director, Regulatory Affairs
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cc: Lisa Gafken, Public Counsel
Sheree Carson, Perkins Coie
Ed Finklea, AWEC

Attachments:

Natural Gas Tariff Sheets (listed above)

Work Papers – Revenue Requirement 2024 (Confidential) & (Redacted)

Work Papers – Revenue Requirement-CCA Deferral 2023 (Confidential) & (Redacted)

Work Paper – Rate Spread Design

Enclosure – Risk-Sharing Mechanism