

**Exh. JDW-5C
UE-240004/UG-240005/UE-230810
Witness: John D. Wilson
REDACTED VERSION**

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY,

Respondent.

**DOCKETS UE-240004, UG-240005,
UE-230810 (*Consolidated*)**

EXHIBIT TO TESTIMONY OF

JOHN D. WILSON

**ON BEHALF OF STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

PSE's Response to Staff DR No. 214, Part (a)

August 6, 2024

CONFIDENTIAL PER PROTECTIVE ORDER – REDACTED VERSION

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

**Dockets UE-240004 & UG-240005
Puget Sound Energy
2024 General Rate Case**

WUTC STAFF DATA REQUEST NO. 214

“CONFIDENTIAL” Table of Contents

	“CONFIDENTIAL” Material
Data Request No. 214	Shaded information in each of Attachment A and Attachment B to PSE’s Response to WUTC Staff Data Request No. 214 is designated as CONFIDENTIAL per Protective Order in Dockets UE-240004 and UG-240005.

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

**Dockets UE-240004 & UG-240005
Puget Sound Energy
2024 General Rate Case**

WUTC STAFF DATA REQUEST NO. 214:

REQUESTED BY: John Wilson

RE: Power Costs

Please refer to Mueller Exh. BDM-1T, p. 29, lines 11-18 and p. 30, lines 11-15; BDM-11C.

- a. Please provide any internal models that PSE uses to forecast future CCA allowance obligations and costs that are not already provided in Exh. BDM-11C.
- b. Please supplement the response to DR-22, and provide working copies of any internal models that PSE uses to track actual CCA allowance obligations and costs. If it is not feasible to provide a working copy, please provide a more detailed explanation of the models than is provided in the response to DR-22.
- c. Please provide a written explanation of the steps used to calculate CCA emissions allowance obligations and the associated costs in Exh. BDM-11C and documentation supporting the models provided in response to parts (a) and (b) of this question.
- d. Please provide any supporting documentation related to the responses to parts (a), (b), and (c) of this question, including but not limited to PSE filings with the WUTC, decisions or comments from the WUTC, or communications between PSE and the Department of Ecology.
- e. If, in any portion of the response to this question, PSE distinguishes between power generated by PSE to serve retail load and power purchased to serve retail customer load, please explain the distinction and provide support that justifies the distinction. For example, if PSE's internal model for tracking actual CCA allowance obligations and costs only includes PSE-owned generation, please explain the decision and justify it.

Response:

- a. The Tenth Exhibit to the Prefiled Direct Testimony of Brennan D. Mueller, Exh. BDM-11C, provides neither a forecast of allowance obligations nor a

forecast of allowance purchase costs of Puget Sound Energy (“PSE”). The worksheet provided as Exh. BDM-11C only estimates

1. the volume and cost of emissions that PSE can avoid economically by not dispatching resources to make wholesale sales when the margin from such sales is insufficient to cover the estimated cost of emissions allowances, and
2. the power cost increase associated with avoiding these wholesale sales as a reduction to secondary sales revenue offset by a reduction to generation fuel cost.

PSE’s power cost forecast does not reflect the estimated reduction to emissions and allowance costs because such costs are not included in the variable power costs tracked in PSE’s power cost adjustment (“PCA”) mechanism. PSE intends to defer any allowance purchase costs that it may incur for compliance with the Climate Commitment Act (“CCA”) compliance pursuant to the accounting petition approved by the Commission in Docket UE-220974.

PSE internally tracks estimated CCA allowance obligations and periodically estimates the potential costs associated with those obligations. Please see Attachment A to PSE’s Response to WUTC Staff Data Request No. 022 for a copy of the report used by PSE to track estimated emissions obligation. Page 4 of that report shows PSE’s estimate of CCA allowance obligations. This obligation is equal to emissions associated with generation from PSE’s coal and natural gas fueled generators not used to serve PSE retail demand.

PSE also provided an estimate of its CCA allowance obligation for electric operations for calendar year 2023 and associated future costs in its 2023 PCA compliance filing in Docket UE-240288.¹ Attached as Attachment A to PSE’s Response to WUTC Staff Data Request No. 214 is the calculation provided in Docket UE-240288 and supporting detail.

- b. The data and calculations behind the tracking report provided as Attachment A to PSE’s Response to WUTC Staff Data Request No. 022 are contained within a Structured Query Language (“SQL”) database. Therefore, it is not possible to provide a working copy of that report in a working format, such as MS Excel. However, the logic used to estimate PSE’s emissions allowance obligation in page 4 of that report is not complex. PSE determines the obligation by stacking PSE’s electric energy supply each month by resource type to determine the

¹ See *In the Matter of the Petition of Puget Sound Energy for Approval of its 2023 Power Cost Adjustment Mechanism Report*, Docket UE-240288, Prefiled Direct Testimony of Brennan D. Mueller, Exh. BDM-1CT, at 20-21, available at <https://apiproxy.utc.wa.gov/cases/GetDocument?docID=49&year=2024&docketNumber=240288>.

resources used to serve retail demand in that month. This stacking methodology uses the following logic:

- Step 1 – PSE retail load is first served with supply from nonemitting electric generation or renewable resources in the PSE electric energy supply.
- Step 2 – If there is remaining PSE retail load after Step 1, then the remaining retail load is served from generation from PSE's interests in Colstrip Units 3 & 4.
- Step 3 – If there is remaining PSE retail load after Step 2, then the remaining retail load is served from generation from PSE's natural gas-fired generating plants.
- Step 4 – If there is remaining PSE retail load after Step 3, then the remaining retail load is served from generation from the Centralia Coal Transition Power Purchase Agreement with TransAlta Energy Marketing (US), Inc.
- Step 5 – If there is remaining PSE retail load after Step 4, then all remaining retail load is served from unspecified sources and market purchases.

The methodology described above is the same resource stacking methodology used in the following:

1. PSE's four-year demand and resource supply forecast to determine the cost-burden effect and the allocation of no-cost allowances pursuant to WAC 173-446-230 reviewed and approved by the Washington Utilities and Transportation Commission in Docket UE-220797;²
2. the Department of Ecology's allocation of no-cost allowances to PSE for electric operations in Publication No. 23-02-031;³
3. PSE's estimate of the indirect power costs associated with considering allowance costs in dispatch decisions when making

² See *In the Matter of the Petition of Puget Sound Energy for an Order Approving Forecasts Pursuant to RCW 70A.65.120*, Docket UE-220797, Order 02 (Approving Petition and Revised Forecast Subject to Condition) (July 27, 2023).

³ See Washington Department of Ecology, *Allowance Allocation to Electric Utilities for the First Compliance Period (Revised)*, Pub No 23-02-031 (Jan. 30, 2024), available at <https://apps.ecology.wa.gov/publications/documents/2302031.pdf>.

wholesale electric sales, as presented in the Tenth Exhibit to the Prefiled Direct Testimony of Brennan D. Mueller, Exh. BDM-11C;

4. PSE's determination of which portion of PSE's thermal generation fleet would include CCA allowance costs in dispatch decisions when making wholesale electric sales, as described in PSE's Response to WUTC Staff Data Request No. 018; and
5. PSE's estimate of its CCA allowance obligation for electric operations for calendar year 2023, as presented in PSE's 2023 PCA compliance filing and provided as Attachment A to PSE's Response to WUTC Staff Data Request No. 214.

PSE developed this resource stacking methodology to maintain compliance with CCA, including the number of no-cost allowances that PSE expects to receive from Department of Ecology, and CETA targets.

- c. As described in subpart a. above, the Tenth Exhibit to the Prefiled Direct Testimony of Brennan D. Mueller, Exh. BDM-11C, provides neither a forecast of allowance obligations nor a forecast of allowance purchase costs.

Attached as Attachment B to PSE's Response to WUTC Staff Data Request No. 214 please find an MS Excel workbook that contains materials and calculations supporting the estimated allowance obligation and costs provided as Attachment A to PSE's Response to WUTC Staff Data Request No. 214.

- d. Please see the documents included in the UTC Case Docket Document Sets for Docket UE-220797, available at <https://www.utc.wa.gov/casedocket/2022/220797/docsets>. Please also see Washington Department of Ecology, *Allowance Allocation to Electric Utilities for the First Compliance Period (Revised)*, Pub No 23-02-031 (Jan. 30, 2024), available at <https://apps.ecology.wa.gov/publications/documents/2302031.pdf>.

The text of the CCA, chapter 70A.65 RCW, the regulations promulgated by the Washington Department of Ecology, chapter 173-446 WAC, and the Concise Explanatory Statement Chapter 173-446 WAC Climate Commitment Act Program (provided as Attachment B to PSE's Response to WUTC Staff Data Request No. 213) all inform PSE's interpretation and understanding of allocation of no-cost allowances to electric utilities under the CCA.

- e. PSE does not distinguish between power generated by PSE to serve retail load and power purchased to serve retail customer load. PSE's obligations under the CCA would apply to all output from PSE generators located within the State of Washington and all electricity imported into Washington for which PSE is the first

jurisdictional deliver, regardless of whether PSE owns the generator or PSE purchases the output from a generator owned by a third party.

Shaded information in each of Attachment A and Attachment B to PSE's Response to WUTC Staff Data Request No. 214 is designated as CONFIDENTIAL per Protective Order in Dockets UE-240004 and UG-240005.

**ATTACHMENTS A – B to
PSE’s Response to
WUTC Staff Data Request No. 214**