

Agenda Date: December 19, 2024

Item Number: A1

Docket: UE-240729

Company: Puget Sound Energy

Staff: David Panco, Regulatory Analyst – Energy Rates and Services

Recommendation

Issue an Order suspending the tariff sheets filed by Puget Sound Energy, on September 30, 2024, in Docket UE-240729, but allow the proposed rates to become effective on January 1, 2025, on an interim basis, subject to review and refund, pending the Commission’s final determination in this docket.

Summary of Filing

On September 30, 2024, in Docket UE-240729, Puget Sound Energy (PSE or Company) filed with the Washington Utilities and Transportation Commission (Commission), proposed revisions to rates under established Colstrip Adjustment Rider Schedule 141COL. The revised tariff sheets bear an effective date of January 1, 2025. In its filing, PSE seeks to revise Schedule 141COL rates to reflect forecasted costs for Colstrip Units 3 and 4 for calendar year 2025.

These revisions to Tariff WN U-60, Schedule 141COL rates would increase PSE’s annual revenues by \$4.1 million, or 0.14 percent. A typical residential customer using 800 kWhs per month would see an increase of \$0.18 per month, or 0.16 percent.

Background

Colstrip Adjustment Rider Schedule 141COL

The Colstrip Adjustment Rider Schedule 141COL was established as provided in the Commission’s Final Order 24/10 in Dockets UE-220066, UG-220067, and UG-210918 (consolidated).

The Company subsequently filed for revised rates on September 29, 2023, with those revisions becoming effective January 1, 2024.

The Clean Energy Transformation Act

In 2019, the Washington State Legislature passed the Clean Energy Transformation Act (CETA),¹ which, among other mandates, requires costs associated with coal-fired generation

¹ LAWS OF 2019, ch. 288, §§ 1–13 and 26. Codified at RCW 19.405.

facilities to be removed from rates no later than December 31, 2025.² This does not include the costs associated with decommissioning and remediation (D&R) for coal-fired facilities which may continue to be included in rates beyond 2025.³ CETA further requires the Commission to “allow in electric rates all decommissioning and remediation costs prudently incurred by an investor-owned utility for a coal-fired resource.”⁴ Legal counsel for Commission staff (Staff) interprets this language such that it necessitates that D&R costs for coal-fired resources be recovered through a tracker with a true-up function.⁵

Discussion

Life-extending Plant Additions

In recent years, utility requests to recover significant new investments at Colstrip in Washington rates – particularly investments made for the purpose of extending the life of the facility beyond 2025 – have been met with challenges of imprudence. Under the Commission’s prudence standard, for an investment to be recovered in rates in Washington the company must demonstrate a need for the investment⁶ and must perform a cost-benefit analysis⁷ demonstrating that the benefits of the investment are commensurate with its costs.⁸

Given that under CETA Washington ratepayers cannot benefit from the continued operation of Colstrip beyond 2025, investments made for the purpose of extending the life of Colstrip beyond 2025 almost certainly would fall short of the Commission’s prudence standard as they likely will not meet an identified need and they likely do not confer benefit to ratepayers, let alone benefits commensurate with cost ratepayers are asked to bear.

Although the Company was responsive to Staff’s informal discovery regarding approximately \$12 million dollars in 2024 capital additions, the record still was not sufficient in its support to make a prudency determination. Staff is unable to confirm these project descriptions in the written record for this docket, and is unable to confirm that the investment does not extend the life of the facilities. Further, Staff wishes to remain consistent with its analysis of this question in both this docket and Docket UE-240891, proposing revision to Avista’s Colstrip tracking mechanism.

² RCW 19.405.030(1). For Avista, this mandate pertains to Colstrip Units 3 and 4.

³ *Id.*

⁴ RCW 19.405.030(1)(b)

⁵ *See, e.g., WUTC v. Puget Sound Energy*, Dockets UE-190529 et al. (Consolidated), Initial Brief of Commission Staff, 57-59, ¶¶ 127-130 (March 17, 2020).

⁶ *Puget Sound Energy*, Dockets UE-111048 & UG-111949 (Consolidated), Order 08, at 148 ¶ 409; *Wash. Utils. & Transp. Comm’n v. Pacific Power & Light Co.*, Docket UE-152253, Order 12, ¶ 94.

⁷ *Puget Sound Energy*, Dockets UE-111048 and UG-111949 (Consolidated), Order 08, at 148 ¶ 409.

⁸ *Wash. Utils. & Transp. Comm’n v. PacifiCorp, d/b/a Pacific Power & Light Co.*, Dockets UE-050684 and UE-050412, Order 04/03, 27-28, ¶ 68 (April 17, 2006). *See also Wash. Utils. & Transp. Comm’n v. Avista Corporation.*, Dockets UE-160228 & UG-160229, Order 6, at 42 ¶ 72 (December 15, 2016).

Why rates subject to refund

While Staff recommends the Commission suspend the revised Colstrip Adjustment Rider Schedule 141COL tariff sheets, Staff recommends that the Commission nevertheless allow the proposed rates to become effective on January 1, 2025, on an interim basis, subject to review and refund. Staff's reasoning is that, given that an adjudication might not be completed until late 2025, suspending the tariff but *not* allowing the revised rates to go into effect subject to refund would possibly require PSE to absorb the costs of the investments at issue even if the Commission were to determine those costs were appropriate for PSE to recover in 2025. Including 2025 investments in rates now subject to refund is necessary to allow PSE to recover those costs in 2025 if the Commission determines that is appropriate.

Customer Comments

As of December 13, 2024, Staff has not received any comments from the public on this filing.

Conclusion

Given Staff's inability to confirm prudence regarding the capital investments PSE includes in its proposed Colstrip Adjustment Rider Schedule 141COL rates, Staff is unable to conclude that the proposed rates are fair, just, reasonable, equitable, and sufficient. Therefore, pursuant to RCW 80.04.130(1), the Commission should suspend the tariff revision and set the matter for hearing.