

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of the

PUGET SOUND ENERGY,

Petitioner,

For an Order Approving Deferral of Accounting
Treatment of PSE's Wildfire Insurance Costs

DOCKET UE-231048

ORDER 01

GRANTING PETITION TO DEFER
ACCOUNTING TREATMENT OF
WILDFIRE INSURANCE COSTS

BACKGROUND

- 1 On December 22, 2023, Puget Sound Energy (PSE or Company) filed with the Washington Utilities and Transportation Commission (Commission) a petition seeking an Accounting Order under WAC 480-07-370(3). Pursuant to RCW 80.28.020 and per WAC 480-100-203 and WAC 480-07-370(3), the Company requests the Commission's approval to defer costs associated with incremental insurance premiums attributable to increases in wildfire-related risk for coverage between December 2023 and November 2024, at the time of filing estimated as \$9.9 million.
- 2 Subsequently, on February 15, 2024, PSE filed a general rate case containing a two-year rate plan with a Wildfire Prevention Tracker (WPT) in Dockets UE-240004 and UG-240005. PSE proposed the WPT to cover wildfire-related insurance premiums and PSE's other Wildfire Mitigation Plan expenses. This filing included a WPT deferral balance estimated at \$10.7 million, which is inclusive of the costs to cover wildfire-related increases in premiums through December 2024.
- 3 On January 15, 2025, the Commission issued Order 09/07 in Consolidated Dockets UE-240004 and UG-240005 and Order 07 in Docket UE-230810, authorizing PSE to establish the WPT to charge customers forecasted wildfire-related costs, including forecasted insurance premiums. Additionally, this Order provided for an annual true up of the costs actually incurred against those incorporated into the WPT's baseline.¹ In Order 09/07 the Commission did not authorize PSE to recover the deferral associated with the

¹ *Wash. Utils. & Transp. Comm'n v. Puget Sound Energy*, Dockets UE-240004 & UG-240005, (Consolidated) Order 09/07 (Jan. 15, 2025)

Petition because the instant docket was not consolidated with the general rate case. Instead it directed Commission Staff (Staff) to bring PSE's petition to an Open Meeting within 30 days.

4 On January 21, 2025, PSE submitted its compliance filing for its GRC, removing the deferral associated with the Petition filed December 22, 2023, in Docket UE-231048.

5 Staff reviewed the Company's Petition and recognized that circumstances are beyond the Company's control. Staff recommends that the Commission grant the Petition because the incremental increase in insurance premiums PSE experienced for coverage from December 2023 through December 2024 were due to increases in wildfire-related costs.

DISCUSSION

6 PSE claims that a liability settlement against PacifiCorp arising from fires in Oregon, as well as fires in California and Maui, led to an abrupt tightening of supply in the insurance market for Western utilities between 2020 to 2023.² As many utility insurers withdrew coverage regionally, PSE was forced to bid into increasingly competitive regional markets. PSE describes itself as a price taker in a virtual duopoly market. PSE states the overall insurance premiums increased at an yearly average rate of 36.5 percent, from \$4.612 million in 2018 to \$19.47 million in 2023. For coverage for the year from December 2023 to November 2024, premiums increased by 95 percent from the previous year.³

7 PSE's Petition requires the Commission to determine three issues: (i) whether to approve the deferred accounting regulatory treatment; and if so: (ii) the period over which the deferral balance should be allowed to accumulate; and (iii) whether the amounts to be deferred reasonably reflect the incremental insurance premium costs specifically attributable to wildfire-related risk.

8 The Commission typically reserves deferred accounting treatment for costs that result from extraordinary circumstances and that have material impact on the Company's financial results.⁴ This generally means that, for the Commission to consider deferred

² Petition, at ¶ 6.

³ Petition, at ¶¶ 8, 17.

⁴ See, *WUTC v. PacifiCorp d/b/a Pacific Power & Light Co.*, Dockets UE-14072, UE-140617, UE-131384, & UE-140094 (*consolidated*), Order 08 (Denying a deferred accounting petition

accounting appropriate, the costs must be beyond the utility's control.

9 Staff believes the Commission's reasoning given in Order 09/07 for approving PSE's WPT (which referred to Avista's request in its recent GRC case) pertains to this deferral:⁵

Our intent in authorizing the account is to track and review actual wildfire expense, encourage the utility to take actions to address the increasing threat of wildfires to the utility and its customers with the knowledge that prudent expenditures will be recovered and at least a portion will be included in rates currently authorized for recovery, and ensure fairness to Avista's customers by monitoring the incremental wildfire expenses collected from them.

10 Staff believes the same reasoning applies to the deferral in this Petition. The deferral represents a temporary approach to responding to wildfire-related increases in premiums, which purpose is served by the WPT from January 31, 2025.

11 The abrupt rise in insurance premiums occurred after the devastation wrought by the Paradise and Camp Fires in California. Beginning in the calendar year of 2021, a wildfire load was assessed in premiums, which grew to eight times this first surcharge by 2023. According to PSE, "[n]o other material changes were anticipated in PSE's operations or exposures, and no material claims activity occurred to negatively affect premium rates."⁶ This indicates that the prices quoted by insurance companies in December 2023 reflect the heightened risk they perceive for wildfire liability based on the extraordinary events of the previous period. Staff does not believe those events, namely costly and expensive wildfires occurring within other states, and the subsequent tightening of insurance supply, were within PSE's control.

12 PSE seeks to defer roughly 10.7 million dollars in costs. This represents 0.03 percent

because the costs were not extraordinary, "a criterion that should apply to a cost referral accounting mechanism at the time requested and at the time any recovery is sought").

⁵ *Wash. Utils. & Transp. Comm'n v. Avista Corp.*, Dockets UE-240006 & UG-240007, Order 09/07, at 74 (Jan. 15, 2025) filed Revisions to Tariff WN U-28 (Electric) and Tariff WN U-29 (Natural Gas) at ¶ 625 (Jan. 18, 2024).

⁶ Petition, at ¶ 13.

of its total revenue requirement.

13 The Petition sought to defer the increases in premiums due to wildfire risk until another solution proposed in the GRC. The deferral should take effect for the period between the filing of the petition and the rate-effective date for the tariffs approved in Order 09/07, and not after.

14 PSE estimates the contribution of wildfires to the insurance premium by assuming a 9 percent increase in non-wildfire costs over the previous period and subtracting it from total premiums. We note that the actual attribution amount is not available from PSE's insurance providers. This is a reasonable amount to account for inflation and other non-wildfire-related increases.

15 PSE appropriately requested to record the deferral in Account 186 and FERC Account 925.

16 Accordingly, we find that PSE has met its burden and agree with Staff that the Petition should be granted.

FINDINGS AND CONCLUSIONS

17 (1) The Commission is an agency of the State of Washington vested by statute with the authority to regulate the rates, rules, regulations, practices, accounts, securities, transfers of property and affiliated interests of public service companies, including electric companies.

18 (2) PSE is an electric company and a public service company subject to Commission jurisdiction. RCW 80.04.010.

19 (3) WAC 480-07-370(3) allows companies to file petitions including that for which PSE seeks approval.

20 (4) Staff has reviewed the Petition in Docket UE-231048 filed on December 22, 2023.

21 (5) Staff believes the proposed accounting order PSE requests is reasonable and should be granted. The request allows PSE to defer extra accounting treatment for \$10.7 million in cost attributable to wildfire liability risk for insurance coverage from December 2023 through December 2025.

- 22 (6) This matter came before the Commission at its regularly scheduled meeting on February 13, 2025.
- 23 (7) After reviewing PSE's Petition filed in Docket UE-231048 on December 22, 2023, and giving due consideration to all relevant matters and for good cause shown, the Commission finds that the Petition should be granted.

ORDER

THE COMMISSION ORDERS:

- 24 (1) Puget Sound Energy's request to defer accounting treatment associated with insurance coverage for wildfire liability risk from December 2023 through December 2025 is granted.
- 25 (2) This Order shall not affect the Commission's authority over rates, services, accounts, valuations, estimates, or determination of costs, on any matters that may come before it. Nor shall this Order granting Petition be construed as an agreement to any estimate or determination of costs, or any valuation of property claimed or asserted.
- 26 (3) The Commission retains jurisdiction over the subject matter and Puget Sound Energy to effectuate the provisions of this Order.

The Commissioners, having determined this Order to be consistent with the public interest, directed the Secretary to enter this Order.

DATED at Lacey, Washington, and effective February 13, 2025.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

ANN E. RENDAHL, Commissioner

MILTON H. DOUMIT, Commissioner