

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY,

Respondent.

DOCKET UG-240884

BRIEF IN SUPPORT OF FULL
MULTIPARTY SETTLEMENT
STIPULATION

I. INTRODUCTION AND RELIEF REQUESTED

1 This Joint Brief in Support of Settlement Stipulation (“Brief”) is submitted in accordance with WAC 480-07-740(2) by the settling parties to this proceeding, i.e., Puget Sound Energy (“PSE” or “Company”), Staff of the Washington Utilities and Transportation Commission (“Staff”), The Alliance of Western Energy Consumers (“AWEC”) (collectively, “Settling Parties” and individually as a “Settling Party”). The Public Counsel Unit of the Washington Attorney General’s Office (“Public Counsel”) is party in this proceeding but does not support or oppose the Settlement Stipulation. This Brief summarizes and explains the terms of the Settlement Stipulation and is not intended to modify any of its terms.

II. NATURE AND SCOPE OF THIS DISPUTE

2 Historically, PSE has used the Nodal Exchange Futures and Average of Daily Settlement prices to represent Washington Carbon Allowance (“WCA”) prices when setting rates in Schedule 111. However, in January 2024, the Washington Secretary of State certified Initiative 2117 (“I-2117”) for inclusion on the ballot for the November 5, 2024,

election. As a result of I-2117, PSE observed significant volatility in forward secondary market prices for WCAs that historically formed the basis for pricing assumptions in Schedule 111. If voters were to approve Initiative 2117 and repeal the Climate Commitment Act (“CCA”), then prices for future WCAs would have likely dropped to zero. If voters were to reject Initiative 2117 and preserve the Cap and Invest Program, then prices for future WCAs would have likely increased significantly.

3 On November 15, 2024, in Docket UG-240884, PSE filed with the Washington Utilities and Transportation Commission (“Commission”), proposed revisions to rates charged under its natural gas Tariff WN U-2, Schedule 111. The primary purpose of the tariff filing was to request cost recovery for state-required WCA costs through the State Carbon Reduction Charge (“Charge”) and to provide the pass back of auction proceeds through State Carbon Reduction Credit for calendar year 2025 as well as to true-up prior periods (2023 through 2024). In order to make the Schedule 111 filing by November 15, 2024, PSE needed to finalize the filing prior to the outcome of the initiative being known. Accordingly, due to the demonstrated volatility in the auctions and secondary market, an alternative source was used to price the WCAs for purposes of developing the Charge and the Credit for the filing.

4 On December 19, 2024, the Commission allowed the proposed rates to go into effect subject to refund but set the matter for adjudication. On March 5, 2025, the Commission held a prehearing conference at which it set a procedural schedule and clarified that the scope of the adjudication was limited to the methodology used by PSE to calculate the rates filed in November 2024 as well as specifically addressing the forecast of allowance prices utilized in the filing. As part of the procedural schedule, PSE and parties engaged in

settlement discussions, and on April 10, 2025, the Settling Parties informed the Commission that they had reached a settlement in principle.

5 Staff saw this first time filing as an opportunity to integrate some lessons learned for future filings. Staff learned from Data Request 8, which ran an alternative scenario using actual prices instead of forecasted prices, that the utility’s choice of forecasts for allowance prices could have a substantial influence on revenue requirement in as little as three months. Principally, Staff viewed it in the public interest to eliminate foreseeable distortions in collections and refunds due to lack of current data and an inappropriately timed true-up just after the tariff revision filing. Staff wanted to have a mechanism by which the tariff revision could be refiled if it would result in a large variance. Staff’s objectives required balancing the effort and time spent on filing by the Parties, with the need for accurate and up-to-date data about a volatile market. Looking ahead, Staff sought to combine with this filing a more detailed record of carbon market transactions as a basis to judge their prudence

III. SCOPE OF THE SETTLEMENT STIPULATION AND ITS KEY ASPECTS

6 This Settlement Stipulation is a resolution of all the contested issues in this docket. As a high level summary, under this Settlement Stipulation, PSE agrees to a revised schedule and procedures for its annual Gas Schedule 111 Filing, which will include an initial annual tariff revision filing (“Initial Filing”) comprised of both actuals and forecasts. If the percent change from the Initial Filing in the bill impact for the typical residential customer using 64 therms per month is greater than or equal to 2 percent, PSE will make an additional filing before rates become effective to update the tariffs and proposed rates from its Initial Filing for changes to the State Carbon Reduction Charge, the State Carbon Credit, and the

Revenue Requirement in December after the fourth quarter Department of Ecology auction results are known.

7 Additionally, PSE agrees to submit a confidential annual report regarding allowance market transactions from the prior rate period that shall comply with the Department of Ecology CCA auction disclosure rules. PSE will also submit a confidential compliance report during each annual rate period with actuals through June of that period for State Carbon Reduction Charge, the State Carbon Credit, and the Revenue Requirement.

8 For its forecasts for the price of allowances, PSE agrees to use futures pricing from the ICE, Nodal Exchange or an equivalent other public, industry-recognized source.

IV. THE SETTLEMENT STIPULATION SATISFIES THE PARTIES’ AND THE PUBLIC’S INTEREST

9 The Settlement Stipulation provides benefits to customers by resolving and concluding this adjudicative proceeding and by providing consistency with regard to PSE’s forecasting of WCA prices and incorporating those prices into customer rates, all while recognizing the use of an alternative pricing source in the existing filing that was used in recognition of the unprecedented situation PSE confronted with regard to I-2117.

10 Because the existing Schedule 111 tariff provides for a true-up to ensure only the actual amounts purchased and proceeds received are charged or passed back to customers for each compliance year, coupled with the fact that the difference between the alternative PSE’s forecasted prices and actual prices have coalesced, no customers are harmed by this approach. Additionally, the Settlement Stipulation meets the public interest by providing additional transparency through added reporting that will allow parties to keep current and monitor the auction and secondary transactions in which PSE is engaging to satisfy its CCA

obligations across multiyear compliance periods. This reporting is intended to facilitate parties' final review and determination of prudence once compliance years and four-year periods are complete.

11 The Settling Parties support this settlement, believe it is in the public interest, and respectfully request that the Commission approve this settlement.

V. LEGAL POINTS THAT BEAR ON PROPOSED SETTLEMENT STIPULATION

12 In WAC 480-07-700, the Commission states its support for parties' informal efforts to resolve disputes without the need for contested hearings when doing so is lawful and consistent with the public interest. The parties have resolved all the issues in dispute between them, and their resolution complies with Commission rules, and, as explained above, is consistent with the public interest.

VI. CONCLUSION

13 The resolution of issues complies with Commission rules, and as explained above, satisfies the Parties' interests and is consistent with the public interest. The Parties request that the Commission approve the Settlement Stipulation in its entirety.

//

//

//

//

//

//

//

Respectfully submitted this 8th day of May, 2025.

NICHOLAS W. BROWN
Attorney General

/s/ Nash Callaghan, WSBA No. 49682
Assistant Attorney General
Office of the Attorney General
Utilities and Transportation Division
P.O. Box 40128
Olympia, WA 98504-0128
360-915-4521
nash.callaghan@atg.wa.gov

Counsel for Washington Utilities and
Transportation Commission Staff

PUGET SOUND ENERGY

/s/ Sophia E. Amberson, WSBA No. 52528
VAN NESS FELDMAN LLP
1191 Second Avenue, Suite 1800
Seattle, WA 98101
206-623-9372
Samberson@vnf.com

Counsel for Puget Sound Energy

ALLIANCE OF WESTERN ENERGY
CONSUMERS

/s/ Sommer J. Moser
Davison Van Cleve, P.C.
107 SE Washington St., Suite 430
Portland, OR 97214
503-241-7242
sjm@dvclaw.com

Counsel for Alliance of Western Energy
Consumers