

September 16, 2024

UG-240708

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Sep 16, 2024

Jeff Killip, Executive Director and Secretary  
Washington Utilities and Transportation Commission  
621 Woodland Square Loop SE  
Lacey, WA 98503

**Re: Advice No. 2024-36  
PSE’s Natural Gas Tariff Filing**

Dear Executive Director Killip:

Puget Sound Energy (“PSE”) hereby submits proposed changes to rates in its Supplemental Schedule 101 - Gas Cost Rates, Supplemental Schedule 106 - Deferred Account Adjustment, and Supplemental Schedule 138 - Voluntary Renewable Natural Gas Service-Purchase Rider in its natural gas tariff. Enclosed, pursuant to RCW 80.28.060 and Chapter 480-80 WAC, are the following proposed revised tariff sheets:

**WN U-2 - (Natural Gas Tariff):**

48 <sup>th</sup> Revision	Sheet No. 1101	Supplemental Schedule 101 - Gas Cost Rates
51 <sup>st</sup> Revision	Sheet No. 1106	Supplemental Schedule 106 – Deferred Account Adjustment
3 <sup>rd</sup> Revision	Sheet No. 1106-C	Supplemental Schedule 106 – Deferred Account Adjustment (Continued)
2 <sup>nd</sup> Revision	Sheet No. 1106-D	Supplemental Schedule 106 – Deferred Account Adjustment (Continued)
5 <sup>th</sup> Revision	Sheet No. 1138	Supplemental Schedule 138 – Voluntary Renewable Natural Gas Service – Purchase Rider
1 <sup>st</sup> Revision	Sheet No. 1138-A	Supplemental Schedule 138 – Voluntary Renewable Natural Gas Service – Purchase Rider (Continued)
1 <sup>st</sup> Revision	Sheet No. 1138-B	Supplemental Schedule 138 – Voluntary Renewable Natural Gas Service – Purchase Rider (Continued)
Original	Sheet No. 1138-C	Supplemental Schedule 138 – Voluntary Renewable Natural Gas Service – Purchase Rider (Continued)

Consistent with the calculation of PSE’s Purchased Gas Adjustment Mechanism (“PGA”) in its Natural Gas Rule No. 26, this filing proposes changes to Supplemental Schedule 101 (“Gas Cost Rates”) and Supplemental Schedule 106 (“Tracker”). The proposed changes reflect updates to wholesale gas and pipeline transportation costs, as well as changes to deferral amortization rates. The proposed changes to Supplemental Schedule 101 result in a revenue decrease of \$2.6

million, or 0.22 percent, primarily driven by a decrease in commodity costs for the upcoming year. In contrast, the proposed changes to Supplemental Schedule 106 result in a revenue increase of \$127.0 million, or 10.84 percent, driven by a reduction in the large rate credit from the past year, as the proposed Tracker rate credit is smaller than the previous year's credit. The combined impact of this filing is a 10.62 percent increase in the amount billed to customers under the Gas Cost Rates and its associated Tracker, resulting in an overall revenue increase of \$124.4 million. PSE offers bill assistance programs to qualified customers who need help with their energy bills. Customers can visit <http://www.pse.com> or call 1-888-225-5773 to learn if they are eligible. Payment plans are also available to help customers manage their energy costs.

### ***Purpose of This Filing***

The primary purpose of this filing is to adjust PSE's Gas Cost Rates and associated Tracker rates. Additionally, this filing includes the 2024 Hedging Plan and Retrospective Report, proposed changes to Supplemental Schedule 138 Voluntary Renewable Natural Gas Service-Purchase Rider, and a RNG report.

#### Gas Cost Rates (Supplemental Schedule 101):

The Gas Cost Rates recover expected gas costs from PSE's sales customers. On an average annual basis, the Gas Cost Rates included in this filing reflect a total average 1.46 percent decrease in commodity and demand gas costs per therm in comparison to last year's filing. The decrease in Gas Cost Rates is mainly due to lower forecasted commodity costs for the upcoming PGA year; wholesale gas prices are 6.98 percent lower than the level reflected in last year's filing. The impacts of the decreased gas costs are an average 0.20 percent decrease in residential gas rates and an average 0.22 percent decrease in all gas rates. The annual dollar amount of the change is a decrease in revenue of \$2.6 million, with a corresponding decrease in expenses resulting in no net change in net operating income to PSE.

PSE uses a probabilistic view of pipeline utilization to estimate gas commodity costs, setting constraints on pipeline capacity to create a least cost supply portfolio that includes supply contracts, storage operations, and transportation for the annual period. PSE has estimated annual gas supply costs for the period November 2024 through October 2025.

The gas cost forecast utilizes a 3-month average (90-day average) of forward price marks, referred to as the "forward strip" for monthly prices from the basins where PSE acquires gas, with the 3-month price mark period being June 1 through August 31, 2024. PSE believes the cost forecast is a reasonable basis for setting Gas Cost Rates, although actual market prices may differ from the forecast used in 2024 PGA filing.

PSE includes Renewable Natural Gas ("RNG") costs as part of its gas costs, as allowed by RCW 80.28.385 Renewable Natural Gas Program and PSE's Natural Gas Rule No. 26. The RNG costs are recovered in the PGA, with the commodity costs and demand costs of RNG subject to a five percent limit of the amount charged to retail customers for natural gas, consistent with RCW 80.28.385(1). PSE began purchasing RNG in July 2020 through an agreement with Klickitat Public Utility District, with additional RNG volumes purchased from other projects. The

calculation of the five percent limit reflects the increased RNG supplies. For more information on PSE's Voluntary RNG Service, see the Voluntary Renewable Natural Gas Service-Purchase Rider (Supplemental Schedule 138) below. The voluntary RNG amounts subscribed through Schedule 138 are accounted for separately from the RNG that flows through the PGA.

Tracker Rates (Supplemental Schedule 106):

In addition to the proposed Gas Cost Rates (Supplemental Schedule 101) changes, this filing proposes changes to the Tracker rate, which adjust the rate for deferred gas costs. The proposed Tracker rate changes result in an average 10.37 percent increase in residential gas rates and an average 10.84 percent overall increase in all gas rates. The annual dollar amount of the change is an increase in revenue of \$127.0 million, with no impact on PSE's net operating income.

The Tracker rates true-up prior over- or under-recoveries of purchased gas expenses. This filing reflects the true-up of actual costs to actual revenue collected through August 31, 2024, and estimated costs to estimated revenue for September 1, 2024, through October 31, 2024. PSE projects the balance in its 191 accounts will be a \$50.3 million over collection at the end of October 2024, with the following breakdown:

Estimated Demand Amortization Balance	(\$0.09) million
Estimated Commodity Amortization Balance	\$2.0 million
Estimated Schedule 106B Amortization Balance	(\$0.2) million
Estimated Commodity Balance	(\$52.0) million
Estimated Demand Balance	(\$0.001) million
Estimated Total Balance	(\$50.3) million

The estimated over-collected commodity cost balance of \$52.0 million is related to differences between actual commodity costs and those estimated in the preparation of the 2023 PGA filing. PSE proposes to transfer all of the balance to the amortization account.

The estimated over-collected demand cost balance of \$0.001 million is related to differences between actual demand costs and those estimated in the preparation of the 2023 PGA filing. PSE proposes to transfer none of the balance to the amortization account, as an over-collected balance is expected at the end of October due to the cyclical nature of demand cost recoveries relative to cost incurrence.

In compliance with PSE's settlement agreement in its 2022 General Rate Case (Docket UG-220067), PSE has returned to customers \$28.1 million, including interest, which was refunded from Northwest Pipeline. The remaining balance of \$0.2 million is proposed to be fully transferred to Supplemental Schedule 106 Rate to be amortized in 2024 PGA year.

The proposed Gas Cost Rates and Tracker rates in this filing reflect allocation factors using results from the Gas Resource Allocation Study performed during PSE's 2022 General Rate Case in Docket UG-220067.

Please note that work papers submitted with this filing contain commercially sensitive information, disclosure of which could adversely affect PSE’s ability to negotiate favorable gas supply agreements and conduct wholesale trading for its customers. Therefore, 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.”

Combined Impact of Proposed Gas Cost Rates and Tracker Rates:

With the proposed Tracker rates, PSE is proposing to increase the rates charged to customers for the period of November 2024 through October 2025, concurrent with the proposed Gas Cost Rates. The overall combined impact of the proposed PGA and Tracker rates is a revenue increase of \$124.4 million, or 10.62 percent. This increase is primarily driven by a reduction in the large rate credit from the past year, as the proposed Tracker rate credit is smaller than the previous year's credit. Although the proposed Gas Cost Rates (Schedule 101) is lower, and the Tracker Rate (Schedule 106) is a credit, the net effect is still a rate increase. This is because the reduction in the Tracker rate credit results in an overall rate increase.

The typical residential customer (Schedule 23) using 64 therms per month would experience an increase of \$8.97 per month, or 9.85 percent, in their bill. The following table summarizes the separate and combined impacts of the proposed Gas Cost and Tracker rates, based on a percentage change in total revenue for each rate schedule:

**Estimated Impact on Annual Bills (% change)**

Rate Schedule	Sch. 101 Gas Cost Impact	Sch. 106 Tracker Impact	Total Impact
Residential			
23	-0.20	10.37	10.17
16	-0.22	11.17	10.95
Commercial and Industrial			
31	-0.22	11.48	11.27
41	-0.65	16.29	15.65
Interruptible			
85	-0.36	20.77	20.40
86	-0.18	17.93	17.74
87	-0.38	28.50	28.11
Total	-0.22	10.84	10.62

***Annual Hedging Plan***

In accordance with the Commission’s March 17, 2020, Hedging Plan Acknowledgment Letter in Docket UG-190726, PSE is submitting its 2024 Hedging Plan and Retrospective Report as part of this filing. The report includes a comprehensive review of PSE’s hedging activities, including all transactions for the November 2023 through July 2024 period, as detailed in Appendix A. Please note that certain sections of the report contain proprietary commercial information and

commercially sensitive information. In accordance with WAC 480-07-160, the pages containing confidential information submitted herewith have been marked with “Shaded information is designated as confidential per WAC 480-07-160”.

### ***Voluntary Renewable Natural Gas Service-Purchase Rider (Supplemental Schedule 138)***

This filing includes proposed changes to the Voluntary Renewable Natural Gas Service-Purchase Rider (Supplemental Schedule 138) that include adjustments to the number of RNG therms purchased per RNG block and the credit amount for conventional natural gas. Additionally, an option is proposed for Customers to purchase therms of RNG at set percentages of 25, 50, 75, or 100 percent of their monthly usage.

Concurrent with RCW 80.28.385, a separate law, RCW 80.28.390 (Tariff-Voluntary Renewable Natural Gas Service), went into effect, requiring gas companies to offer a new optional tariff schedule providing RNG service to all individual natural gas customers, at the customer’s choice. In May 2020, the Commission approved revision to PSE’s Tariff WN U-2 to add a new Supplemental Schedule 138 – Voluntary Renewable Natural Gas Service-Purchase Rider (“Voluntary RNG”), allowing customers to purchase blocks of RNG (see Docket UG-210194). PSE’s RNG contract with Klickitat Public Utility District, along with additional future RNG contracts or projects, will provide an RNG supply that is both adequate for PSE to make optional purchases under RCW 80.28.385(1) and to comply with the separate law RCW 80.28.390(1). See below, for information about a RNG report included in this filing which includes RNG in the Voluntary RNG Service.

The proposed changes to Supplemental Schedule 138 decrease the number of RNG therms purchased from 3.083 to 2.758 and decrease the credit for conventional natural gas from \$1.25688 to \$1.12350, both per \$5.00 block of RNG. These changes are mainly driven by higher forecasted RNG commodity costs for the period of November 1, 2024, to October 31, 2025. As stated in PSE’s WN U-2 natural gas tariff, the participating customer revenue in the Voluntary RNG Service is solely used to fund the ongoing costs of RNG purchases, administration, marketing, and overheads. The Voluntary RNG Service is a self-funded, pass-through service, and this change results in no impact to PSE’s net operating income; any additional revenue is used to help offset RNG costs in the PGA.

### ***RNG Service Reporting***

Consistent with the RNG Policy Statement from Docket U-190818 and Supplemental Schedule 138, PSE uses the Midwest Renewable Energy Tracking System (“M-RETS”) as the third-party entity for its RNG attribute tracking and verification system of Renewable Thermal Certificates (“RTCs”)<sup>1</sup> for both the Voluntary Renewable Natural Gas Service (Schedule 138) under RCW 80.28.390 and the Renewable Natural Gas Program under RCW 80.28.385. PSE has established an M-RETS account and met all the requirements under the M-RETS Operating Procedures<sup>2</sup> for

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<sup>1</sup> Consistent with the RNG Policy Statement from Docket U-190818

<sup>2</sup> Version 2023.3

a Qualified Reporting Entity. Additionally, PSE has registered generators in M-RETS, uploaded volumes, and generated certificates with vintages from July 2020 through August 2024.

PSE understands that in accordance with RCW 80.28.385(2), the Commission will establish and approve procedures for the banking and transfer of environmental attributes PSE looks forward to working with the Commission in the creation of those procedures and rules.

As indicated in its cover letters for the initial and revised Schedule 138 filings (Dockets UG-210194 and UG-210758), PSE is including RNG reporting with its PGA filing, consistent with the methodology used in its prior year filing. This report contains RNG volumes used for the Voluntary RNG Service Schedule 138, as well as, RNG volumes used for PSE's PGA portfolio. For PSE's Voluntary RNG program, PSE has retired RTCs corresponding to customer purchase volumes from program inception in 2021 through 2023, as demonstrated in the attached M-RETS retirement report. For PSE's PGA portfolio, PSE is developing a methodology for retiring RTCs associated with PGA RNG volumes and intends to work with Commission Staff on that methodology. Upon finalizing that methodology, PSE will retire RTCs for current and prior PGA periods.

### ***Customer Notification***

PSE is posting the proposed Supplemental Schedules 101, 106, and 138 tariff changes, consistent with the law and the Commission's rules and regulations, for inspection and review by the public is being completed coincident with the date of this transmittal letter, through web, telephone and mail access in accordance with WAC 480-90-193(1). Notice to the public under the provisions of WAC 480-90-194 will be provided within 30 days of the requested November 1, 2024, effective date.

### ***Conclusion***

PSE's proposed Gas Cost Rates and Voluntary RNG Service conventional gas credit in this filing reflect the Company's best forecast of gas costs for the PGA period November 1, 2024, through October 31, 2025. The proposed Tracker rates reflect the proposed treatment of deferred costs for the same period. The rates proposed in this filing strike a balance between customer impacts and reasonable results for gas utility operations. While actual costs may vary from projections due to market prices volatility and sales volume fluctuations, the proposed rates will provide a reasonable match between gas costs and revenue generated by the revised rates.

Jeff Killip, Executive Director and Secretary

September 16, 2024

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Questions regarding this filing can be directed to Julie Waltari at [julie.waltari@pse.com](mailto:julie.waltari@pse.com). If you have any other questions, or if I can be of any assistance, please contact me at (425) 462-3946.

Sincerely,

*/s/ Birud D. Jhaveri*

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cc: Lisa Gafken, Public Counsel  
Sheree Carson, Perkins Coie  
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Attachments:

Natural Gas tariff sheets (listed above)

Work Paper – Schedule 101 (redacted & confidential)

Work Paper – Schedule 106 (redacted & confidential)

Work Paper – Schedule 138 (redacted & confidential)

RNG Report

PSE 2024 PGA Hedging Plan and Retrospective (redacted & confidential)

Appendix A – Hedging Transactions (redacted & confidential)