

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In The Matter of)	DOCKET UE-230810
)	
PUGET SOUND ENERGY,)	JOINT COMMENTS OF THE
)	ALLIANCE OF WESTERN
Petition for an Order Authorizing Deferred)	ENERGY CONSUMERS AND
Accounting Treatment of Puget Sound)	THE ENERGY PROJECT
Energy’s PPA Costs and Return pursuant to)	
<u>RCW 80.24.410.</u>)	

1 The Alliance of Western Energy Consumers (“AWEC”) and The Energy Project (“TEP”) appreciate the opportunity to submit written comments on Puget Sound Energy’s (“PSE” or “Company”) Petition for Order that Authorizes Deferred Accounting Treatment of Puget Sound Energy’s Power Purchase Agreement (“PPA”) Costs and Return (“Accounting Petition”) related to three 5-year Demand Response PPAs. AWEC and TEP respectfully request a waiver of the timing provisions in WAC 480-07-900(5)(c) for filing written comments. AWEC and TEP plan to provide verbal comments at the Open Meeting as well, but feel that the Commission would also benefit from brief written comments.

2 PSE filed its Deferral Application concurrent with its Power Cost Adjustment baseline update for 2024. The PPAs subject to this filing were executed in 2023 between March 10th and September 27th, with delivery terms beginning as early as April 2023. Cost recovery associated with these PPAs was determined by the Commission at its December 21, 2023 Open Meeting, with the Commission ultimately approving PSE’s requested costs but requiring PSE to

impute \$880,000 in benefits to offset PPA costs.¹ The costs and imputed benefits associated with these contracts were included in rates as of January 1, 2024.

3 The questions currently before the Commission are: (1) whether PSE should be permitted to defer PPA expenses, offsetting benefits, and its authorized rate of return on PPA costs for the period from September 2023 through December 2023, and (2) whether PSE should be permitted to continue to defer a return on these Demand Response PPAs for the period following January 1, 2024, with actual costs embedded in current rates.

4 AWEC and TEP do not dispute that RCW 80.28.410 provides the Commission with discretion to authorize a rate of return on PPAs procured pursuant to a utility's Clean Energy Action Plan ("CEAP") and that PSE's Demand Response PPAs were procured pursuant to its CEAP. However, whether and under what circumstances the Commission should exercise its discretion regarding a rate of return is a significant policy matter that should be addressed in a proceeding that allows for the development of an administrative record, which is not the case in an open meeting forum. Additionally, we understand Staff and PSE to have a different interpretation of the Commission's authority under RCW 80.28.410 to authorize an ongoing rate of return on PPA costs already included in rates, which is an issue that should also be addressed outside of the open meeting process.

5 AWEC and TEP therefore recommend that the Commission make its determination on whether PSE may defer a return on the three Demand Response PPAs for the period from September 2023 through December 2023 as part of the Company's currently

¹ Docket UE-230805, Order 01, at ¶ 16.

pending general rate case, docketed as UE-240004/UG-240005. AWEC and TEP prefer that this issue be addressed as part of PSE's general rate case as the Company has already requested the ongoing recovery of a return on the PPAs as part of that proceeding.²

6 TEP notes that deferring consideration of PSE's request for a return on PPAs specifically related to demand response to the rate case is particularly appropriate given other shareholder incentives related to demand response. Specifically, PSE is subject to a performance incentive mechanism concerning demand response programs that can provide shareholders financial incentives up to \$1 million, and PSE proposes a similar performance incentive mechanism with financial incentives for shareholders in its upcoming rate plan.³ The Commission should consider PSE's proposed return on the PPAs and the performance incentive mechanism together so that it can develop a coordinated policy concerning: 1) the total amount of financial incentives available to shareholders for demand response programs, 2) the portion of the financial incentive attributable to PSE's performance, and 3) the portion of the financial incentive attributable to having an executed contract. TEP finds that resolving these issues in the general rate case will allow for cohesive development of the Commission's policy concerning PSE's demand response programs. Further, in the general rate case parties can develop an administrative record suitable to addressing all the legal and policy issues raised by PSE's request.

² *Wash. Utils. and Transp. Comm. v. Puget Sound Energy*, Dockets UE-240004/UG-240005, Free, Exh. SEF-1T, at 90-91 (Feb. 15, 2024).

³ *Wash. Utils. and Transp. Comm. v. Puget Sound Energy*, Dockets UE-240004/UG-240005, Archuleta, Exh. GA-1T, at 18-22 (Feb. 15, 2024).

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For the foregoing reasons, AWEC and TEP recommend that the Commission refrain from issuing a decision on this case of first impression and look to PSE’s general rate case for the parties to develop a full record on the legal and policy issues implicated by PSE’s request to defer a rate of return on CEAP PPAs.

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Dated this 27th day of March, 2024.

Respectfully submitted,

/s/ Yochanan Zakai

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