

Agenda Date: April 10, 2025  
Item Numbers: A2 and A3

**Dockets:** UE-220196 and UG-220197  
**Company:** Puget Sound Energy

**Staff:** Corey Dahl, Section Manager – Energy Rates and Services  
Corey Cook, Regulatory Analyst

### **Recommendation**

Issue an Order in Dockets U-220196 and UG-220197, approving Puget Sound Energy’s Petition for deferred accounting treatment subject to the condition

1. that carrying costs are not authorized.

### **Background**

In 2021, the Legislature enacted Engrossed Substitute Senate Bill 5295 (ESSB5295), codified as RCW 80.28.430, to update the Washington Utilities and Transportation Commission’s (Commission) regulation of electric and natural gas utilities. In addition to establishing the participatory funding program for energy utilities, the statute states that utilities can recover programmatic costs in rates and that the Commission “shall allow a gas or electrical company to defer” program-related costs.<sup>1</sup>

On March 25, 2022, Puget Sound Energy (PSE or Company) filed a petition for deferred accounting treatment for fund grants disbursed under the one-year Washington Interim Participatory Agreement. In Order 01, entered August 25, 2022, the Commission approved PSE’s accounting petition.

On October 5, 2023, PSE filed a petition to amend the previous accounting order. In this petition, the Company requested an amended accounting order for expenses incurred under the two-year Extended Interim Participatory funding agreement, approved by the Commission on February 9, 2023, and all future participatory funding agreements.<sup>2</sup> The Commission approved PSE’s petition to amend Order 01 in Order 02, entered December 21, 2023. Order 02 authorized deferrals under the Extended Agreement.<sup>3</sup>

On February 25, 2025, PSE filed the Third Amended Petition for deferred accounting treatment related to participatory funding. The Washington Participatory Funding Agreement (Agreement), filed concurrently with this petition, is a proposed three-year agreement terminating on December 31, 2027. The proposed Agreement increases total amount of funding available to

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<sup>1</sup> RCW 80.28.430(3).

<sup>2</sup> Petition, ¶ 12 (filed Oct. 5, 2023).

<sup>3</sup> Order 02, ¶ 17.

intervenors through the Customer Access Fund from \$400,000 to \$500,000. PSE seeks an amendment to the accounting order in this filing to defer costs in excess of the \$200,000 embedded in base rates, approved in PSE's 2024 General Rate Case (Dockets UE-240004 and UG-240005). PSE conditioned its status as a party to the Agreement on the Commission's approval of the amended accounting petition in this docket.<sup>4</sup>

On April 4, 2025, the Company filed its Revised Third Amended Petition for deferred accounting treatment such that deferrals would be either a credit or debit to ratepayers, depending on whether approved fund grants are less or greater than the \$200,000 embedded in base rates on an annual basis.

### **Discussion**

PSE's request for deferred accounting treatment for expenses related to the participatory funding agreement is reasonable and consistent with previous requests. However, statutory language,<sup>5</sup> the specific circumstances of this filing, and PSE's cost recovery mechanism for participatory funding expenses support the position that carrying costs should not be permitted for participatory funding cost deferrals. Order 01 and 02 approved carrying costs at the authorized rate of return.

In 2022 and 2023, fund grant disbursements to intervenors did not exceed \$285,000. Total requests for fund grants are less than \$250,000 in 2024.<sup>6</sup> These totals are significantly less than the Consumer Access Fund cap set at \$400,000 for 2023 to 2024. Based on the available program data and if program years 2025-2027 are relatively consistent with previous years, PSE is likely to collect most or a very large portion of participatory funding expenses. This significantly reduces PSE's cost recovery risks for the participatory funding and should be reflected in approved carrying costs.

RCW 80.28.430(3) states:

The commission shall allow a gas company or electrical company that provides financial assistance under this section to recover the amounts provided in rates. The commission shall allow a gas company or electrical company to defer inclusion of those amounts in rates if the gas company or electrical company so elects.<sup>7</sup>

Although accounting deferrals do not grant prudence determinations or guarantee cost recovery, the language of the authorizing statute excerpted above, is a very strong assurance of recovery.

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<sup>4</sup> U-210595, Petition for Approval of Washington Participatory Funding Agreement at ¶ 7 (filed Feb. 18, 2025)

<sup>5</sup> RCW 80.28.480(3)

<sup>6</sup> At the time of this filing, fund grant requests are outstanding.

<sup>7</sup> RCW 80.28.480(3) (emphasis added)

Furthermore, Order 01 requires the Company to recover participatory funding costs annually,<sup>8</sup> which limits the amount of time it carries these costs.

### **Conclusion**

PSE's request for an amended accounting order is reasonable. However, PSE's request for carrying costs at the authorized rate of return is unreasonable given the reduced risks associated with cost recovery as it relates to participatory funding expenses.

Issue an Order in Dockets U-220196 and UG-220197, approving Puget Sound Energy's Petition for deferred accounting treatment subject to the condition

2. that carrying costs are not authorized.

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<sup>8</sup> Order 01, ¶ 4