



WASHINGTON CONSERVATION ACTION

July 3, 2023

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

Re: Docket U-230470, Proposed Puget Sound Energy Gas Climate Commitment Act Tariff

Dear Director Maxwell:

Thank you for the opportunity to provide comments on Puget Sound Energy's (PSE's) proposed gas tariff revision in response to estimated allowance costs and auction proceeds under the Climate Commitment Act (CCA).

As a statewide advocacy organization, Washington Conservation Action (formerly Washington Environmental Council) works to develop, advocate, and defend policies that ensure environmental progress and justice by centering and amplifying the voices of the most impacted communities. We have worked on carbon pricing for over a decade and are committed to supporting the successful implementation of the CCA. We participated actively in rulemakings for Chapter 173-446 WAC, Chapter 173-446A WAC, and Chapter 173-441 WAC; submitted comments for Docket U-230161 on the Commission's proposed work plan and workshop series on Climate Commitment Act; and participated in PSE's four CCA interested parties meetings held February-May of this year.

We offer the following comments in response to PSE's filing.

The Commission must resolve outstanding issues currently being considered in Docket U-230161 before approving any tariff revision in response to the CCA.

On May 10, 2023, Commission Staff submitted comments on the CCA work plan and future CCA workshops under Docket U-230161. In these comments, Staff noted the need for the Commission to provide guidance on outstanding issues and recommended prioritizing issues based on their importance and urgency. One of the causes for urgency cited by Staff was PSE's stated intent to file a tariff revision in June, seeking to recover CCA costs and distribute revenues from no-cost allowances for 2023.





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Staff's first recommended priority for Commission guidance is the use and oversight of revenues from no-cost allowances: *"Staff believes the most urgent and pressing issue requiring Commission guidance is how IOUs should make decisions to sell, deposit, or transfer no-cost allowances and use any revenues from the sale at auction to benefit ratepayers. The CCA imposes new and significant costs, and guidance on how to equitably protect customers, especially low-income, from the impacts, should be of utmost importance."*¹

Staff's second recommended priority is guidance on cost recovery: *"The Commission should prioritize discussions on how and whether to charge customers for various costs. Some concerns for discussion include:*

- *The determination of prudent decision-making in the administration of no-cost allowances.*
- *The use of trackers, riders, and deferred accounting, rather than incorporation of costs into a general rate case.*
- *The scope of cost impacts that are appropriate for utilities to include in rates...*
- *The best use of rate spread, rate design, carrying costs, accounting treatment, and interest to mitigate impacts."*¹

The necessary guidance outlined above by Commission Staff is directly relevant to the tariff revision under consideration in Docket U-230470, as PSE is seeking to allocate revenue from the sale of no-cost allowances and recover costs incurred by the purchase of allowances.

As the proceeding in Docket U-230161 is still underway — with workshops on cost recovery and use & oversight of revenues scheduled for July 26 and September 15 — there is a mismatch between the Commission's timeline for considering these outstanding issues and the timeline proposed in PSE's tariff revision filing. As this is the first tariff filing seeking to respond to costs and revenues under the CCA, it is important to avoid a piecemeal, cart-before-the-horse approach and ensure that a consistent, transparent, and fair process is in place before moving forward.

In addition to the need for Commission guidance before consideration or approval of tariff revisions in response to the CCA, we also have specific concerns regarding PSE's proposals in this filing to:

- a) pass 100% of its allowance purchase costs to customers in the form of rate increases; and
- b) allocate 100% of its consigned allowance revenue as bill credits to customers, with no provision for the other ratepayer benefits allowed under the CCA, including, but not limited to, weatherization, decarbonization, and conservation and efficiency services.

¹ "Commission Staff comments regarding Climate Commitment Act workplan and future workshops," <https://www.utc.wa.gov/casedocket/2023/230161/docsets>



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We support the comments submitted by NW Energy Coalition and Climate Solutions for this comment period outlining additional specific concerns with PSE's proposed tariff revision and look forward to continued discussion of these and other concerns during engagement in Docket U-230161.

For the reasons outlined above, we request that the Commission reject PSE's proposed tariff revision and direct the company to refile the tariff after the Commission has completed its proceeding in Docket U-230161 and determined necessary guidance and requirements for all investor-owned gas utilities regarding: a) the use of no-cost allowance revenues; and b) cost recovery.

PSE must modify its proposal to identify low-income customers.

RCW 70A.65.130(2)(a) requires natural gas utilities to prioritize use of revenue from consigned no-cost allowances to eliminate the cost burden for low-income customers in the early years of the program. However, PSE's filing proposes to identify and serve only a small fraction of its estimated low-income customers.

PSE estimates that about 250,000 of its approximately 820,000 natural gas customers are income-qualified for the elimination of cost burden under the CCA.² However, PSE has identified only approximately 10,000 of its natural gas customers as known low-income through existing programs. The company estimates that the number of identified low-income customers may increase by approximately 10% per year — about 1,000 customers — under its Bill Discount Rate program beginning in Fall 2023.³

If these numbers are accurate, less than 5% of PSE's current low-income customers will receive the elimination of cost burden required for all low-income customers under RCW 70A.65.130(2)(a). Put another way, if PSE's proposed method is approved, approximately 240,000 Washingtonian gas customers will fail to receive the statutory cost protections provided by law.

PSE staff have shared reasonable concerns regarding the accuracy of using third-party data to identify low-income customers, including a concern that the third-party data source Experian reports 76-90% accuracy levels in identifying customers above versus below a given income threshold.⁴ While using third-party data would certainly present challenges, it would be a dramatic improvement over PSE's proposed method for identifying low-income customers in its tariff filing. If more than 95% of PSE's low-income natural gas customers remain unidentified, it will not be possible to successfully implement the CCA's cost protections for these customers.

² PSE presentation, Implementing Climate Commitment Act Meeting with Interested Parties #3, April 12, 2023.

³ PSE presentation, Implementing Climate Commitment Act Meeting with Interested Parties #2, March 17, 2023.

⁴ PSE presentation, Implementing Climate Commitment Act Meeting with Interested Parties #4, May 2, 2023.



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For these reasons, we support The Energy Project's request for the Commission to order PSE to work with its Low-Income Advisory Committee to automatically identify eligible low-income customers and provide those customers with bill credits to eliminate any cost burden from the CCA.

Thank you for your consideration of these comments. Washington Conservation Action looks forward to continued participation in this docket and appreciates the Commission's ongoing work.

Sincerely,

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