

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

**Dockets UE-240004 & UG-240005
Puget Sound Energy
2024 General Rate Case**

AWEC DATA REQUEST NO. 088:

RE: Climate and Commitment Act and Power Costs

On October 10, 2024, the Washington Department of Ecology (“Ecology”) issued its revised allocation schedule for no-cost allowances to Electric utilities, which can be accessed here: <https://apps.ecology.wa.gov/publications/summarypages/2302031.html>. Regarding this update:

- a. Please describe the impact of Ecology’s updated allocation schedule on PSE’s forecast of allowances needed to cover retail customer load for the first compliance period.
- b. Please confirm that the allocation of no-cost allowances does not include no-cost allowances for administrative costs of the program. If not confirmed, please explain.

Response:

- a. Puget Sound Energy’s (“PSE”) allocation of no-cost allowances was not adjusted by this schedule revision. Therefore, the revised no-cost allowance allocation schedule issued by Ecology on October 10, 2024 has no impact on PSE’s forecast of allowances needed to cover emissions associated with energy supply delivered to retail electric customer load.
- b. Confirmed.

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AWEC DATA REQUEST NO. 089:

RE: Climate and Commitment Act and Power Costs

Please describe PSE’s current understanding of Ecology’s true-up process and methodology for no-cost allowances to “mitigate both direct compliance costs of the Cap-and-Invest Program, associated with a utility’s own electricity imports and generation used to serve Washington customers, and indirect costs associated with purchases of electricity that are covered by the Cap-and-Invest Program upstream of the utility.”¹

Response:

Department of Ecology’s methodology for determining the allocation of no-cost allowances to electric utilities is described in WAC 173-446-230. In general, the process includes an initial allocation of allowances based on forecasted electric supply and retail load followed by an adjustment to that allocation based on actual, after-the-fact reported emissions.

Sections 2(a) through 2(f) of WAC 173-446-230 describe the initial allocation process. The revisions Ecology issued on October 10, 2024 to its *Allowance Allocation to Electric Utilities for the First Compliance Period* addressed only this initial allocation. The initial allocation process and calculation are relatively straight-forward and clearly documented. Puget Sound Energy’s (“PSE”) initial allocation was revised by Ecology on September 7, 2023 to incorporate an updated supply and demand forecast, but there have been no changes to PSE’s allocation since that time.

Section 2(g) of WAC 173-446-230 describes an adjustment to a utility’s initial allocation of no-cost allowances based on actual reported emissions. This adjustment, or “true-up” process, is not clearly defined and Ecology has not provided guidance regarding specifically how, or even if, such an adjustment would be calculated. Ecology’s October 10, 2024 publication did not address the Section 2(g) adjustment nor did it provide any guidance regarding how Ecology may determine the need for or magnitude of an adjustment.

¹ *Allowance Allocation to Electric Utilities for the First Compliance Period*, Publication No. 23-02-031, <https://apps.ecology.wa.gov/publications/documents/2302031.pdf> (Revised Oct. 10, 2024) at 1.

On October 16, 2024 Ecology hosted a public meeting providing additional information and opportunity for questions regarding its allocation of no-cost allowances to electric utilities. During that meeting Ecology staff confirmed that the revised initial allocations issued on October 10, 2024 does not include any adjustments pursuant to Section 2(g). Ecology also stated that it “does not intend to initiate further adjustments accounting for allocation methods, forecasts, or cost burden associated with calendar year 2023, except for administrative costs.” In other words, Ecology does not plan to true-up its initial allocation of 2023 no-cost allowances. Despite this determination, Ecology staff was unable to provide any information regarding how it determined a true-up to the 2023 allocation is unnecessary or whether/how it would make any such determination for subsequent years.

PSE’s understanding of the no-cost allowance true-up process has not changed as a result of Ecology’s October 10, 2024 publication or the October 16, 2024 public meeting. At this time PSE continues to expect that for 2024 through 2026 Ecology will true-up its no-cost allowance allocation such that the number of allowances allocated to PSE is sufficient to cover actual emissions associated with PSE’s retail electric demand. Please see PSE’s Response to WUTC Staff Data Request No. 213 for additional details regarding PSE’s current understanding of the Ecology no-cost allowance allocation and true-up process.

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**Dockets UE-240004 & UG-240005
Puget Sound Energy
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AWEC DATA REQUEST NO. 090

“CONFIDENTIAL” Table of Contents

	“CONFIDENTIAL” Material
Data Request No. 090	Shaded information is designated as CONFIDENTIAL per Protective Order in Dockets UE-240004 and UG-240005 as marked in Puget Sound Energy’s Response to AWEC Data Request No. 090.

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

**Dockets UE-240004 & UG-240005
Puget Sound Energy
2024 General Rate Case**

AWEC DATA REQUEST NO. 090:

RE: Climate and Commitment Act and Power Costs

Please provide an estimate of any change in cost associated with CCA compliance associated with Ecology's guidance. Please describe any assumptions made in performing this analysis.

SHADED INFORMATION IS DESIGNATED AS
CONFIDENTIAL PER PROTECTIVE ORDER IN WUTC
DOCKETS UE-240004 AND UG-240005

Response:

As discussed in Puget Sound Energy's ("PSE") Response to AWEC Data Request Nos. 088 and 089, Ecology's October 10, 2024 publication of revised initial no-cost allowance allocations did not include any adjustments to PSE's allocation of no-cost allowances. Further, neither the October 10, 2024 publication or the subsequent public meeting on October 16, 2024 provided any guidance or insight regarding how or whether Ecology intends to adjust (or "true-up") PSE's no-cost allowance allocation for calendar years 2024 through 2026. Therefore, PSE does not estimate any change in cost associated with CCA compliance in these years. However, Ecology did indicate it has no plans to true-up PSE's no-cost allowance allocation for 2023. Assuming PSE's allocation of 2023 allowances is indeed final and not subject to any true-up, estimated CCA compliance costs for 2023 will change relative to prior estimates.

In its 2023 Power Cost Adjustment Mechanism annual report PSE estimated its 2023 emissions allowance obligation after application of no-cost allowances would be approximately [REDACTED] metric tons¹. This estimate was based on the assumption that Ecology would true-up PSE's initial allocation to equal actual emissions associated with supply used to serve retail load. Absent a true-up to PSE's 2023 no-cost allocation, PSE's actual 2023 emissions obligation is approximately [REDACTED] metric tons after application of no-cost allowances. This approximately [REDACTED] metric ton change in PSE's net compliance obligation will [REDACTED] CCA compliance costs. Assuming an allowance price of approximately \$60.37² per metric ton, the estimated change in total compliance cost is \$ [REDACTED]

¹ Docket UE-240288. Prefiled Direct Testimony of Brennan D. Mueller, Exh. BDM-1T at 20:18

² This is the estimated Tier 1 Auction price for calendar year 2025. See also Exh. BDM-23CT at 29:14 in this Docket UE-240004