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December 19, 2023

Via Electronic Filing

Ms. Kathy Hunter
Acting Executive Director/Secretary
Washington Utilities & Transportation Commission
1300 S. Evergreen Pk. Dr. S.W.
P. O. Box 47250
Olympia, WA 98504-7250

Re: In the Matter of PUGET SOUND ENERGY,
Advice No. 2023-56, Natural Gas Tariff Filing.
Docket UG-230968

Dear Executive Director Hunter:

Please find enclosed the Comments of the Alliance of Western Energy Consumers in the above-referenced docket.

Thank you for your assistance. If you have any questions, please do not hesitate to contact me.

Sincerely,

/s/ Anna V. Congdon
Anna V. Congdon

Enclosure

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the enclosed **Comments of the Alliance of Western Energy Consumers** upon the parties below by electronic mail.

DATED this 19th day of December, 2023.

Davison Van Cleve, P.C.

/s/ Anna V. Congdon
Anna V. Congdon

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**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of) DOCKET UG-230968
)
PUGET SOUND ENERGY,) COMMENTS OF THE ALLIANCE OF
) WESTERN ENERGY CONSUMERS
Advice No. 2023-56, Natural Gas Tariff Filing.)
)
_____)

1 The Alliance of Western Energy Consumers (“AWEC”) appreciates the opportunity to file comments on Puget Sound Energy’s (“Puget,” “PSE” or “Company”) proposed revisions to natural gas rates under Schedule 111, PSE’s Greenhouse Gas Emissions Cap and Investment Adjustment. AWEC has reviewed PSE’s filing and workpapers, as well as PSE’s responses to AWEC’s informal data requests, and recommends that Puget’s Schedule 111 be modified to: (1) remove the proposed \$23 million in funding for decarbonization projects and (2) direct PSE to defer and retain residual credit amounts from implementing the cap on State Carbon Reduction Credits for the benefit of future credit application to the rate schedules responsible for the residual credit amounts. AWEC also requests that the Commission decline to adopt a CCA risk-sharing mechanism as part of this proceeding, given the concerns raised by parties in Docket U-230161, including the need to develop an evidentiary record and opportunity to address legal issues.

A. The Commission should order PSE to use all revenues derived from the consignment of no-cost allowances for the benefit of ratepayers through PSE’s State Carbon Reduction Credits.

2 For the first time since implementing its Schedule 111, designed for PSE to recover its net CCA compliance costs from its natural gas customers, PSE is proposing to defer

\$23 million in CCA revenues derived from the consignment of no-cost allowances to be used for targeted decarbonization projects between 2024 and 2026 – representing approximately 13-14% of the total anticipated 2024 no-cost allowance auction proceeds.¹ PSE admits that it decided on this amount “mostly in response to Interested Parties’ requests to invest some [CCA] auction proceeds on customer decarbonization projects,”² and without analysis demonstrating how these projects will either mitigate additional cost burdens for PSE’s identified low-income customers or how they will contribute to lower gas system emissions caused by customers.³ PSE similarly admits that it does not have supporting documentation due to the fact that it has not selected the final projects that would be implemented during 2024-2026.⁴

3 As an initial matter, AWEC opposes the use of CCA auction proceeds for targeted decarbonization projects. By definition, these projects are not cost-effective⁵ and benefits derived therefrom do not accrue to industrial rate schedules.⁶ Given the magnitude of costs non-Emissions-Intensive Trade-Exposed (“EITE”) industrial customers are facing from PSE’s CCA implementation, diverting benefits away from these schedules should be absolutely avoided. While PSE argues that “there is no requirement that [CCA auction proceeds] directly or indirectly benefit Schedules 85, 85T, 87 or 87T,”⁷ nothing in the CCA precludes this treatment and it is not warranted or appropriate in this case.

4 PSE’s proposal to allocate \$23 million to targeted decarbonization projects lack specificity and are based on generalized assumptions, demonstrating at best that it is premature

¹ PSE’s response to AWEC Informal Data Request No. 001.

² *Id.*

³ PSE’s response to AWEC Informal Data Request No. 002.

⁴ *Id.*

⁵ PSE’s response to AWEC Informal Data Request No. 004.

⁶ PSE’s response to AWEC Informal Data Request No. 003.

⁷ *Id.*

for the Commission to approve PSE's proposal. Nothing in the Climate Commitment Act indicates the Legislature's intent to abrogate standard ratemaking. Here, even though the source of funds for decarbonization projects is from auction proceeds, PSE maintains the obligation of providing evidence in support of its proposal that allows the Commission to evaluate the prudence and reasonableness of costs and revenues reflected in rates.⁸ And the Commission must still ensure that rates are fair, just, reasonable and sufficient.⁹ By its own admission, PSE has not provided a basis for the Commission to make such a conclusion in this proceeding. As such, its proposal to use \$23 million in auction revenues for decarbonization projects should be denied.

5 If the Commission is nevertheless inclined to allow CCA revenues to be directed to targeted decarbonization projects, it should direct PSE to first develop a project proposal for stakeholder and Commission review that justifies the level of auction proceeds requested by PSE. If the Commission is inclined to move forward with PSE's proposal now, it should direct that the \$23 million in funds be taken from auction revenues that are otherwise allocated to the benefiting customer classes (i.e. residential and small commercial). Such treatment ensures that other rate schedules, including industrial rate schedules, are not disproportionately harmed by PSE's proposal relative to the status quo.¹⁰

⁸ *WUTC v. Puget Sound Energy*, Docket UE-031725, Order 12 at ¶ 19 (Apr. 7, 2004) (Commission stating "The test the Commission applies to measure prudence is what a reasonable board of directors and company management would have decided given what they knew or reasonably should have known to be true at the time they made a decision. **This test applies both to the question of need and the appropriateness of the expenditures.** The company must establish that it adequately studied the question of whether to purchase these resources and made a reasonable decision, using the data and methods that a reasonable management would have used at the time the decisions were made.") (Emphasis added).

⁹ RCW 80.28.010(1).

¹⁰ AWEC may also be open to the use of residual State Carbon Reduction Credits, as discussed in the following section, to fund projects if PSE's billing system cannot be reasonably updated to ensure that residual Credits continue to benefit the rate schedules driving the residual amounts.

B. The Commission should direct PSE to track amounts, by rate schedule, that are not able to be passed back to customers due to its cap on the State Carbon Reduction Credits, and retain them for the future benefit of customers in the same rate schedule.

6 In Docket UG-230899, the Commission approved PSE’s proposal to revise the amount of the non-volumetric monthly State Carbon Reduction Credits that may be applied to certain individual customers to address the fact that some below-average-volume customers have received an “excess benefit” from these Credits. PSE thus proposed to cap the amount of State Carbon Reduction Credits that an individual customer could receive at the amount of CCA Charges that the customer pays. In that proceeding, AWEC indicated its support in principle for PSE’s approach and the Commission approved PSE’s tariff filing. Importantly, however, that filing did not address how unused credit amounts would be treated – leaving cap implementation as an issue for a future proceeding.

7 Though not clearly stated in its cover letter in this proceeding, PSE’s response to AWEC’s Informal Data Request No. 005 clarifies that it plans to begin implementing the cap beginning on May 1, 2024, and that “[a]s part of this approach, any residual credit amount will be deferred in aggregate for future credit application under Schedule 111, Greenhouse Gas Emissions Cap and Invest Adjustment, *applied on a total system basis.*”¹¹ In other words, rather than tracking residual amounts by rate schedule and allowing those amounts to be passed back to the same rate schedule, PSE proposes to place those amounts back into the overall benefit pool, to be spread to all customers in a future filing. This is a direct dilution of CCA benefits to all rate schedules other than Schedules 16, 23, 31 and 31T, with a proportional increase in benefits to Schedules 16, 23, 31 and 31T.

¹¹ PSE’s Response to AWEC Informal Data Request No. 005 (attached).
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8 In informal discussions with AWEC, PSE indicated that it would be able to track residual amounts by customers class on an accounting basis, but that its billing system precluded the Company from passing back benefits on a schedule-by-schedule basis. It is perplexing that PSE’s billing system creates a barrier to passing back residual amounts to the rate schedules that caused the residual amounts, and despite informal discussions to clarify the matter, AWEC is still unclear on why PSE’s billing system is driving this issue. The fact that Northwest Natural Gas Company (“Northwest Natural”) does not appear to have the same problem and has even agreed to implement its proposed cap in a way that preserves CCA benefits by rate schedule, drives further scrutiny.¹²

9 The unnecessary, further dilution of CCA benefits to industrial customers should be avoided. PSE industrial customers with facilities not designated as EITEs are facing substantial rate increases due to the CCA. For example, in PSE’s initial cost recovery filing, non-EITE Schedule 87T customers incurred a 75.01%, net of allowance revenues, rate increase.¹³ On November 1, 2023, these customers faced an additional 9.95% rate increase.¹⁴ While the current filing provides some modest relief for non-EITE industrial customers, the fact remains that the magnitude of industrial rates is concerning. The one mitigating factor – the allocation of benefits derived from the consignment of no-cost allowances – should not be further reduced to the benefit of other customer classes.

10 AWEC recommends that the Commission direct PSE to make a compliance filing on or before January 19, 2024, detailing the billing system issues that currently preclude the Company from tracking and passing back residual benefits by rate schedule, as NW Natural is

¹² Docket UG-230819 – AWEC Comments.

¹³ See Docket UG-230470.

¹⁴ See Docket UG-230756.

doing for its customers. To the extent that billing system upgrades are necessary, the Commission should direct PSE to quantify the anticipated costs of doing so and describe the array of benefits that such upgrades would provide. Parties should be given three weeks to file responsive comments and make recommendations to the Commission on appropriate next steps, allowing for a resolution to the extent practicable before May 1, 2024. If it becomes apparent that a resolution cannot be implemented before May 1, 2024, the Commission should at that time direct PSE to delay implementing the cap.

C. The timing is not ripe for a CCA risk-sharing mechanism to be adopted in this proceeding.

11 PSE re-submitted the document it developed addressing a risk-sharing mechanism, originally filed in UG-230470, at the request of Staff.¹⁵ In this document, the Company includes a heavily caveated risk-sharing mechanism proposal, but cautions that it “is premature to impose a risk-sharing mechanism for CCA that will contradict long-standing regulatory principles and make it more difficult to achieve decarbonization goals.”¹⁶ PSE also notes that it has legal concerns with a risk-sharing mechanism for the CCA.

12 As of the time that these comments were submitted, it is not clear whether Staff intends to substantively address or recommend a CCA Risk-Sharing Mechanism as part of its recommendation to the Commission in this case. To the extent that Staff intends to make such a proposal, AWEC notes that it shares many of PSE’s concerns. AWEC’s current position on a CCA Risk-Sharing Mechanism are set forth in its comments in Docket U-230161.¹⁷ From a purely procedural standpoint, if the Commission is inclined to move forward with a CCA Risk-

¹⁵ PSE Advice No. 2023-56 Cover Letter at 3.

¹⁶ PSE Advice No. 2023-56, Risk-Sharing Mechanism Enclosure at 16.

¹⁷ Docket U-230161 – AWEC’s November 3rd Comments; AWEC’s September 7th Comments.

Sharing Mechanism ahead of finishing its process in Docket U-230161 and on an *ad hoc* basis for PSE, it must do so based on an evidentiary record with an opportunity to seek data and engage in analysis of various proposals, as well as respond to other parties on both issues of fact and law. The current proceeding, absent being set for adjudication, does not allow for such an opportunity. If the Commission remains inclined to adopt a CCA Risk-Sharing Mechanism, it should do so after issuing guidance on both substance and process in Docket U-230161.

13

Dated this 19th day of December, 2023.

Respectfully submitted,

DAVISON VAN CLEVE, P.C.

/s/ Sommer J. Moser

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