

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY,

Respondent.

DOCKETS UE-220066/UG-220067 and
UG-210918 (Consolidated)

SETTLEMENT STIPULATION AND
AGREEMENT ON TACOMA LNG

In the Matter of the Petition of

PUGET SOUND ENERGY

For an Order Authorizing Deferred
Accounting Treatment for Puget Sound
Energy's Share of Costs Associated with the
Tacoma LNG Facility

I. INTRODUCTION

1. This Settlement Stipulation and Agreement addresses issues in Puget Sound Energy's ("PSE") general rate case related to the Tacoma Liquefied Natural Gas ("LNG") Facility ("Settlement" or "Tacoma LNG Settlement") and is entered into by and between the following parties in this case: (i) PSE, (ii) the regulatory staff of the Washington Utilities and Transportation Commission ("Commission Staff"),¹ (iii) Alliance of Western Energy Consumers ("AWEC"), (iv) Walmart, Inc. ("Walmart"), (v) Kroger, Co. ("Kroger"), and (vi) Nucor Steel Seattle, Inc. ("Nucor") as of August 26, 2022 (the "Settlement Date"). These parties are

¹ In formal proceedings, such as this, the Commission's regulatory staff participates like any other party, while the Commissioners make the decision. To assure fairness, the Commissioners, the presiding administrative law judge, and the Commissioners' policy and accounting advisors do not discuss the merits of this proceeding with the regulatory staff, or any other party, without giving notice and opportunity for all parties to participate. See RCW 34.05.455.

hereinafter collectively referred to as “Settling Parties” and individually as a “Settling Party.” This Settlement constitutes a partial multiparty settlement as that term is defined in WAC 480-07-730(3)(b). The Settling Parties who enter into this Settlement have also entered into the accompanying Settlement Stipulation and Agreement on Revenue Requirement and All Other Issues Except for Tacoma LNG and Green Direct (“Revenue Requirement Settlement”).

2. The following parties neither join nor oppose the Tacoma LNG Settlement: The Energy Project and The Joint Environmental Advocates (NWEC, Sierra Club, Front & Centered).

3. The following parties oppose the Tacoma LNG Settlement: The Puyallup Tribe of Indians and the Public Counsel Unit of the Attorney General’s Office (“Public Counsel”).

4. The Tacoma LNG Settlement is outside the scope of the following parties’ intervention, and they do not participate in the Tacoma LNG Settlement: Microsoft, Federal Executive Agencies, Coalition of Eastside Neighborhoods for Sensible Energy (“CENSE”), and King County.

5. This Settlement is subject to review and disposition by the Washington Utilities and Transportation Commission (“Commission”). Section III of the Settlement is effective on the date of the Commission order approving it (unless the Commission establishes a different effective date). The remainder of the Settlement is effective as of August 26, 2022.

II. BACKGROUND AND NATURE OF THE DOCKET

6. On November 24, 2021, PSE filed an accounting petition in Docket UG-210918, seeking an order authorizing deferred accounting treatment for PSE’s share of costs associated with the Tacoma LNG Facility (“Tacoma LNG”).

7. On January 31, 2022, PSE filed with the Commission, in Dockets UE-220066 and UG-220067, a general rate case (“2022 GRC”), which proposed a three-year multiyear rate plan. PSE’s prefiled direct testimony addressed the prudence of Tacoma LNG and sought recovery of costs related to Tacoma LNG, among other issues.

8. On February 10, 2022, the Commission suspended operation of the as-filed tariff schedules in Dockets UE-220066 and UG-220067, commenced discovery, and set the matter for hearing in Order 01.

9. On February 28, 2022, the Commission convened a virtual prehearing conference. The Commission granted party interventions and set a procedural schedule in the Prehearing Conference Order, served on March 3, 2022.

10. On April 27, 2022, Commission Staff filed a motion to consolidate the accounting petition filed in Docket UG-210918 with PSE’s general rate case. On May 12, 2022, the Commission consolidated the proceedings.

11. On July 28, 2022, Commission Staff, Public Counsel and Intervenors filed response testimony.

12. The parties to PSE’s general rate case participated in several virtual settlement conferences, including on June 13, 14, and August 10 and 12. In addition, settlement discussion continued by email during this time period.

13. On August 5, 2022, a partial multiparty settlement on the Green Direct program was filed with the Commission, along with supporting testimony. The parties to that settlement are PSE, Commission Staff, Public Counsel, King County, and Walmart. No party opposes the Green Direct settlement.

14. On August 12, 2022, the parties notified the Commission that two settlements in principle had been reached: one that specifically addressed Tacoma LNG issues, which is this Settlement, and the Revenue Requirement Settlement.

15. On August 18, 2022, Nucor agreed to join the settlements in principle reached on August 12, 2022.

16. On August 18, 2022, the Commission convened a Status Conference to discuss a schedule for filing settlement documents and testimony supporting and opposing the settlements.

17. On August 22, 2022, the Commission issued a revised procedural schedule for the Settlement hearing.

III. AGREEMENT

18. The Settling Parties agree to the following terms that relate to Tacoma LNG:

A. **Revenue Requirement:** PSE's revenue requirement increases set forth in the Revenue Requirement Settlement assumes the following with respect to the Tacoma LNG Facility:

1. PSE will continue the Tacoma LNG deferral until recovery of the plant and deferral commences within the tracker proposed below.
2. PSE will start amortization of deferred Tacoma LNG costs as requested in Docket UG-210918 in the tracker proposed below.
3. PSE will move recovery of LNG costs identified below to a separate tracker, which will be aligned with the timing of annual Purchased Gas Adjustment ("PGA") filings. The costs associated with the Tacoma LNG Facility (i.e., excluding any distribution investments) will be recovered through this tracker until agreed to otherwise by the Settling Parties.
4. LNG distribution costs will be recovered in base rates.

B. **Prudence:** The Settling Parties accept a determination that the decision to build the regulated portion of the Tacoma LNG Facility was prudent, thus PSE has met its threshold prudence requirement to demonstrate that the investment can be provisionally included in rates in a tracker. All parties retain all rights to challenge LNG costs when PSE files tariff revisions for the tracker.

C. **Gas Rate Spread and Rate Design:** In addition to the gas rate spread and rate design set forth in the Revenue Requirement Settlement, the following terms regarding Tacoma LNG are agreed to by the Settling Parties in the Tacoma LNG Settlement:

1. The Tacoma LNG revenue requirement will be spread only to sales customers.
2. Tacoma LNG-related rates will only be charged to sales customers.
3. For Schedule 87 charges, rates will be calculated for the Tacoma LNG tracker using test year weather normalized actual volumes and blocking in both rate years. Beginning after the conclusion of PSE's next general rate case, Schedule 87 rates within the tracker would be calculated based on test year loads from the most recently concluded general rate case.

D. **Tacoma LNG Tracker:** PSE will subsequently file a proposed tariff to request recovery of the costs associated with the Tacoma LNG Facility contemporaneously with its 2023 PGA filing. A description of the costs included in the tracker and an estimate of those costs are shown in the table below.

Item	Remove from GRC 2023	Remove from GRC 2024	Estimate Include in Tracker*
Net plant rate base	\$ (231,584,793)	\$ (226,267,319)	\$ 226,267,319
Net deferral rate base	(7,336,158)	(5,240,113)	12,544,589
Total rate base	(238,920,951)	(231,507,431)	238,811,907
Settlement Rate of Return	7.16%	7.16%	7.16%
Settlement Weighted Average Cost of Debt	2.55%	2.55%	2.55%
Federal Tax Rate	21%	21%	21%
Return on net plant rate base	(17,106,740)	(16,575,932)	17,098,933
Impact on NOI for removal of:			
Operating and maintenance expenses (O&M)	3,875,835	3,954,859	(3,954,859)
Depreciation expense	4,028,605	4,028,605	(4,028,605)
Amortization of deferrals for return, depreciation and O&M	6,106,359	6,106,359	(11,087,336)
Tax Benefit of Interest	(1,279,422)	(1,239,722)	1,278,838
Total before revenue sensitive fees and taxes	(29,838,118)	(29,426,033)	34,890,894
Conversion Factor	0.754801	0.754801	0.754801
Total revenue requirement	\$ (39,531,105)	\$ (38,985,153)	\$ 46,225,289
Total net revenue change	(39,531,105)	545,952	46,225,289

* Annualized amounts. 2023 will be prorated for only November and December

IV. GENERAL PROVISIONS

19. Entire Agreement. This Settlement is the product of negotiations and compromise amongst the Settling Parties. This Settlement constitutes the entire agreement of the Settling Parties with respect to the issues in the Tacoma LNG Settlement. Accordingly, the Settling Parties recommend that the Commission adopt and approve the Tacoma LNG Settlement in its entirety as a full resolution of contested issues related to Tacoma LNG. This Settlement will not be construed against any Settling Party on the basis that it was the drafter of any or all portions of this Settlement. This Settlement supersedes any and all prior oral and written understandings and agreements on such matters that previously existed or occurred in this proceeding, and no such prior understanding or agreement or related representations will be relied upon by the Settling Parties to interpret this Settlement or for any other reason.

20. Confidentiality of Negotiations. The Settling Parties agree that this Settlement represents a compromise in the Settling Parties' positions. As such, conduct, statements, and documents disclosed during the negotiation of this Settlement are not admissible in this or any other proceeding and will remain confidential. Notwithstanding the foregoing, the Settlement itself and its terms do not fall within the scope of this confidentiality provision, and each Settling Party is free to publicly disclose the basis for its own support of the Settlement.

21. Precedential Effect of Settlement. The Settling Parties enter into this Settlement to avoid further expense, uncertainty, inconvenience, and delay. The Settling Parties agree that this Settlement does not serve to bind the Commission when it considers any other matter not specifically resolved by this Settlement in future proceedings. Nothing in this Settlement compels any Settling Party to affirmatively intervene or participate in a future proceeding.

22. Positions Not Conceded. In reaching this Settlement, the Settling Parties agree that no Settling Party concedes any particular argument advanced by that Settling Party or accedes to any particular argument made by any other Settling Party. Nothing in this Settlement (or any testimony, presentation, or briefing supporting this Settlement) shall be asserted or deemed to mean that a Settling Party agreed with or adopted another Settling Party's legal or factual assertions in this proceeding.

23. Manner of Execution. This Settlement will be deemed fully executed when all Settling Parties have signed it. A designated and authorized representative may sign the Settlement on a Settling Party's behalf. The Settling Parties may execute this Settlement in counterparts. If the Settlement is executed in counterparts, all counterparts shall constitute one agreement. A Settlement signed in counterpart and sent by facsimile or emailed as a pdf is as effective as an original document. A faxed or emailed signature page containing the signature of a Settling Party is acceptable as an original signature page signed by that Settling Party. Each Settling Party shall indicate the date of its signature on the signature page. The date of execution of the Settlement will be the latest date indicated on the signature page(s).

24. Approval Process and Support of Settlement. Each Settling Party agrees to support the terms and conditions of this Settlement in this proceeding. Each Settling Party agrees to support the Settlement during the course of whatever proceedings and procedures the Commission determines are appropriate for consideration of the Settlement. Each Settling Party agrees to make available one or more witnesses to testify in support of the Settlement.

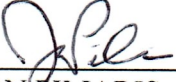
25. Commission Approval with Conditions. In the event the Commission approves this Settlement, but with conditions not proposed in this Settlement, the provisions of WAC 480-07-750(2)(b) will apply.

26. Commission Rejection. In the event the Commission rejects this Settlement, the provisions of WAC 480-07-750(2)(c) will apply. In that event, the Settling Parties agree to jointly and promptly request that the Commission convene a prehearing conference to address procedural matters, including a procedural schedule for resolution of the case at the earliest possible date.

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Dated this 26th day of August, 2022.

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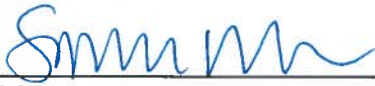
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