

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of

PUGET SOUND ENERGY,

Petitioner,

For Approval of 2023 Power Cost
Adjustment Annual Report

DOCKET UE-250318

ORDER 01

APPROVING POWER COST
ADJUSTMENT ANNUAL REPORT;
SUBJECT TO CONDITIONS

BACKGROUND

- 1 On April 30, 2025, Puget Sound Energy (PSE or Company) filed with the Washington Utilities and Transportation Commission (Commission) a petition seeking approval of the Company's 2024 Power Cost Adjustment Mechanism (PCA) Report (Petition), including direct testimony from several witnesses. PSE filed the PCA Report consistent with the Commission's Twelfth Supplemental Order in Dockets UE-011570 and UG-011571, in which the Commission approved a PCA mechanism for PSE (2002 PCA Order). The Company's 2024 Power Cost Adjustment Mechanism Report (2024 PCA Report) provides the Company's proposed methodology for recovering the customer deferral via Tariff Revisions to WN U-60 Schedule 95, Power Cost Adjustment Clause, and Schedule 139, Voluntary Long Term Renewable Energy Purchase Rider.
- 2 PSE must file a report on its preceding calendar year annual PCA mechanism and Green Direct accounting activities in a review filing with the Commission by April 30 of each following year. Commission staff (Staff) receives a 150-day period to evaluate the results of the deferral period net power cost (NPC) variances and Green Direct Program accounting.
- 3 In this filing, the revised PCA Schedule 95 tariff sheets propose to true-up the 2024 NPC overcollection of \$4.2 million forecasted in last year's annual review filing beginning October 1, 2025, and ending December 31, 2025, while also seeking approval for recovery of actual 2025 NPC through July 1, 2025, as well as forecast 2025 NPC through December 31, 2025, where an under-collection of \$102.8 million is anticipated, beginning on October 1, 2025, and ending on December 31, 2026. This results in two rate adjustments for a typical residential ratepayer consuming 800 kWh per month. First

an increase of \$3.03 per month or 2.2 percent on October 1, 2025, and a decrease of \$2.31 per month or 1.7 percent on January 1, 2026. Over those two time periods this represents a cumulative period rate increase of \$0.72 or 0.5 percent.

- 4 Also in this filing, the revised Green Direct Program Schedule 139 tariff sheets propose an energy charge credit rate decrease of \$0.003669 per kWh as of October 1, 2025, and an increase of \$0.003024 per kWh as of January 1, 2026, resulting in an average increase of 1.22 percent.
- 5 Additionally, the Company seeks approval of multiple new resource contracts including the management and storage of distributed solar power, short-term and mid-term market power purchase agreements, acquisition of portions of public utility district hydropower production, wind energy facilities, and a tolling agreement for a natural gas generating plant.
- 6 Staff reviewed the Company's filing as it pertains to the Green Direct Program and power purchase agreements (PPAs) included in the PCA.¹ Staff notes the Company has shown all costs and benefits associated with the Green Direct Program were allocated only to customers voluntarily participating and all associated costs and benefits associated with PPAs related to the program were treated the same.
- 7 Staff further reviewed and analyzed the variance between the 2024 Actuals, and the 2025 Forecast. The baseline rate for 2024 power costs was set in late 2023 and was \$53.970 per megawatt-hour.² Actual power cost for the period was \$59.994 per megawatt-hour. This \$123.3 million expected variance was described and discussed in detail within last year's PCA annual review.³ In 2024 the Company for the first time in the history of the PCA requested accelerated recovery as it is authorized to do when projected variances exceed \$20 million early within the calendar year deferral period.⁴

¹ Docket UE-160977, Order 1 at ¶ 10 (Sept. 28, 2016) (As part of Docket UE-160977, in which the Commission approved Tariff Schedule 139 for the Green Direct program, the Commission noted that the Company has committed to track all costs and benefits of Schedule 139 separately and identifiably in its PCA mechanism).

² WUTC v. Puget Sound Energy, Docket UE-230805, Order 01 (December 22, 2023).

³ See Staff's Open Meeting Memorandum, Docket UE-240288 (September 26, 2024).

⁴ WUTC v. Puget Sound Energy, Docket UE-130583 (*consolidated UE-130617, UE-131099, and UE-131230*), Multiparty Settlement Stipulation at 3(b) (March 27, 2015).

8 As this had never occurred before, the Commission exercised nonprecedential discretion to permit the request within the PCA review and not require an additional special filing.⁵ The Commission approved this accelerated recovery at its Open Meeting on September 26, 2024.⁶ Actual 2024 net power costs were \$4.2 million lower than the updated forecast. The actual customer deferral including interest for 2024 resulted in a pre-volumetric true-up adjustment variance of \$2.9 million, or 3.21 percent. Staff supports the Company's decision to retain this residual in the deferral account to balance the reasonably anticipated future volumetric true-up adjustment and offset final ratepayer deferral balances for the 2024 period.

9 The baseline rate for 2025 power costs was set in early 2025 as a result of the Company's 2024 general rate case and was \$58.614 per megawatt-hour. Before passing through the PCA mechanism, 2025 actual power costs are expected to be \$131.2 million higher than the power costs currently being recovered in rates. Initially the customer imbalance for 2025 was anticipated to be \$72.4 million. This was from a combination of three factors. First, for the first 28 days of 2025 the effective power cost rate still reflected a forecast of 2024 power costs, and this lower PCA baseline revenue in January contributed approximately \$9.5 million to the Company's actual 2025 variance. Second, secondary market prices are expected to contribute much less revenue than anticipated, upwards of \$50 million or more. Third, as of March 31, 2025, the Company estimated that the net costs of the Gray's Harbor Energy Center (GHEC), which was not included in baseline 2025 rates, would be \$43 million. The Company updated its filing on August 1, 2025, to reflect actual power costs through June 2025 and revised forecasts through December 31, 2025, showing reduced actual generation from hydroelectric resources and a deteriorating regional water supply outlook increasing power costs by \$24 million.

10 In sum, Staff recommends that the Commission issue an order:

- (1) Approving the revised Schedule 95 tariff sheets as filed on August 1, 2025, with rate effective dates of October 1, 2025, and January 1, 2026.
- (2) Approving the revised Schedule 139 tariff sheets as filed on August 1, 2025, with rate effective dates of October 1, 2025, and January 1, 2026.

⁵ Though it could have interpreted the Settlement's language differently (*see Id. p.14, item 3b*).

⁶ Docket UE-240288, Order 01 (September 27, 2024).

- (3) Approving the actual 2024 power cost customer imbalance of \$90,323,885.
- (4) Approving the actual and forecast 2025 power cost customer imbalance \$93,593,627.
- (5) Approving the regulatory accounting for the Green Direct program.
- (6) Approving as prudent all of the new resource contracts presented in this filing.

11 As of September 19, 2025, Public Counsel filed comments in this docket recommending the Commission order PSE to return the \$2.9 million of over-collected funds from 2024 to ratepayers and return to the traditional annual sequential clearing of power costs for 2025. Public Counsel also recommends the Commission provisionally approve the Grays Harbor Tolling Agreement, subject to a full prudence determination in PSE's next general rate case.⁷

12 On September 25, 2025, Staff presented its memo and recommendations at the regularly scheduled Open Meeting. The Commission heard comments from Staff, PSE, and Public Counsel. Staff reiterated its recommendation, and PSE expressed its support for Staff's position. Public Counsel reiterated its recommendation that over-collected funds be refunded immediately, and expressed concerns that a filing this complex is being considered with only Staff, PSE, and Public Counsel commenting. Public Counsel further expressed concerns that PSE is essentially altering the power cost baseline in this filing, something the Commission recently disallowed in the most recent Avista general rate case. Public Counsel also explained that its concerns with Grays Harbor are whether the contract will impede PSE's ability to build or acquire CCA compliant resources.

13 PSE explains that the Grays Harbor contract is currently limited, with the ability to extend. PSE further reiterated that of the resources available, Grays Harbor was the only resource available to cover the loss of coal fired generation from PSE's portfolio at the end of this year. PSE also explained that a portion of this filing is forecasting what power costs will be, rather than engaging in sequential clearing, and is needed because of increased market volatility.

⁷ Public Counsel Comments, at pg. 2 (Sep. 19, 2025).

DISCUSSION

- 14 The Company determines its monthly net power cost (NPC) variances by calculating the difference between actual and authorized NPC. Net variance values receive deferred accounting treatment and accrue interest at the quarterly FERC rate, currently approximately 7.5 percent.
- 15 Supplemental Order 12 in Dockets UE-011570, *et al. (consolidated)* authorizes the Company to implement a PCA that structures adjustments to rates by tracking and recovering NPC variances that exceed an authorized deadband and accrue to an established surcharge or pass-back balancing account threshold of \$30 million.⁸ On March 27, 2015, a multiparty settlement stipulation and Order 11 was entered in Dockets UE-130583, *et al. (consolidated)* leading to modifications to the PCA mechanism including sharing band design with a deadband equal to 2.32 percent of variable NPC, defining variable production costs, excluding fixed production and other costs, and lowering the balancing account threshold to \$20 million or about 0.9 percent of base retail revenues at that time.⁹
- 16 Variances for NPC beyond the authorized deadband are distributed asymmetrically between the utility and customers through two sharing bands that extend equally from forecasted baselines.¹⁰ The Company determines its monthly variance values by calculating the difference between actual and authorized NPC. This amount receives deferred accounting treatment and accrues interest at the quarterly FERC rate which is 7.5 percent as of September 1, 2025.¹¹

⁸ *WUTC v. Puget Sound Energy*, Docket No. UE-011570 (*consolidated UG-011571*), Supplemental Order 12 (June 20, 2002).

⁹ *WUTC v. Puget Sound Energy*, Docket No. UE-130583 (*consolidated UE-130617, UE-131099, & UE-131230*), Multiparty Settlement Stipulation at 3(a) (March 27, 2015).

¹⁰ See Figure 1: PSE Power Cost Adjuster Visual Model

¹¹ To simplify, the quarterly FERC rate is calculated using the arithmetic mean of the Prime Rate for the preceding three months. The Prime Rate is the interest rate used by the financial system's largest commercial banks when loaning to their lowest-risk and highest-creditworthiness corporate customers.

NPC Baseline	10% Utility 90% Ratepayer	Sharing Band 2	+\$40,000,001	NPC Variance
	50% Utility 50% Ratepayer	Sharing Band 1	+\$40,000,000 +\$17,000,001	
	100% Utility	Upper Deadband	+\$17,000,000	
	100% Utility	Lower Deadband	-\$17,000,000	
	35% Utility 65% Ratepayer	Sharing Band 1	-\$17,000,001 -\$40,000,000	
	10% Utility 90% Ratepayer	Sharing Band 2	-\$40,000,001	

Figure 1: PSE Power Cost Adjuster Visual Model

17 We note that this filing is extremely complex. We also note that we generally are not happy with the Company's filing or the process of evaluating such a complex filing through an open meeting. Moving forward, absent significant circumstances, we expect PSE to simplify the filings it seeks the Commission to review at its open public meetings, regardless of whether or not any party requests a full adjudication, which no interested person did here.

18 We also expect PSE to return to sequential clearing with regard to its PCA balances as the Commission considers this to remain regular order for the mechanism's operation. While this Commission authorized extraordinary treatment for the 2024 PCAM balance, it did so based on extraordinary circumstances. To the extent that PSE believes that authorization allowed permanent departure from regular order, or set precedent outside of the peculiar circumstances of the 2024 power-cost year, PSE misunderstands what the Commission did and what it intended. While what PSE did here is technically permissible, we expect PSE to deal with future PCAM imbalances caused in significant part by the addition of generating capacity by filing a power cost only rate case to properly set the power cost baseline, not requesting a surcharge to collect the imbalance before it has fully materialized.

19 With those things said, we must resolve PSE's filing in a way consistent with the public

interest. RCW 80.01.040(3). Here, the public interest requires us to balance PSE's need for cost recovery with customers' need for affordable rates. And we must make that decision in the context of PSE's currently authorized multi-year rate plan, which authorizes a not-insignificant rate increase for customers on January 1, 2026.

- 20 We find that adopting Staff's recommendation with modifications strikes the balance that will serve the public interest. Staff's recommended course of action should smooth and reduce rate impacts to customers. It will allow PSE to begin collecting the 2025 PCA balance on October 1, 2025, and stretch PSE's recovery of that balance over a longer-than-usual 15-month period. We therefore adopt Staff's proposal, with minor modifications described below to ensure customers gain the benefit of the over-collection from 2024, to avoid increasing the PCA costs further in conjunction with the rate increase that will go into effect on January 1, 2026, under the Company's current multi-year rate plan.
- 21 The Company's proposal to collect a customer net deferral balance of \$76 million amortized over 15 months is permissible within the Commission's 2002 PCA Order as well as the 2015 PCA Settlement. The deferral calculation appropriately adjusted the allowed actual power costs, baseline power costs, and load. Accordingly, we agree that PSE's 2024 PCA Report, the deferred balance, and proposal to recover the deferred balance are reasonable and should be approved. However, we do not agree with Staff's recommendation to allow PSE to retain \$2.9 million in overcollections for the 2024 PCA in the deferral account to balance the reasonably anticipated future volumetric true-up adjustment and offset final ratepayer deferral balances for the 2024 period. Doing so precludes customers from the benefits anticipated under the PCA. Accordingly, we find PSE should be required to revise its filing to return the over collected balance effective January 1, 2026.
- 22 Lastly, we agree with and adopt by reference Staff's analysis of the PPAs at issue in this filing, including: (1) the GHEC Tolling Agreement, (2) Radial Power; (3) Prologis; (4) Brookfield Energy; (5) Priest Rapids Project; (6) Wells Dam; and (7) Stateline Wind.¹² These new contracts increase PSE's capacity in a cost effective manner. The renewable non-emitting resource acquisition directly supports Company progress towards meeting its clean energy targets. The acquisition of non-emitting generation helps to address the Company's resource adequacy requirements while reducing both reliability risk and secondary market volatility exposure during peak load events. Further, we determine

¹² Staff memo at 5-6.

that the record before the Commission supports a finding that the Tolling Agreement is prudent. PSE is losing significant dispatchable resources from its generation portfolio within months. The capacity addition provided to PSE by the Tolling Agreement will ensure its ability to provide reliable service over the near term, giving it the flexibility to pursue additional CETA compliant resource opportunities. We expect the Company to take full advantage of that flexibility.

FINDINGS AND CONCLUSIONS

- 23 (1) The Commission is an agency of the State of Washington vested by statute with the authority to regulate the rates, rules, regulations, practices, accounts, securities, transfers of property and affiliated interests of public service companies, including electric companies.
- 24 (2) PSE is an electric company and a public service company subject to Commission jurisdiction.
- 25 (3) WAC 480-07-370(1)(b) allows companies to file petitions, including the petition filed in this Docket for which PSE seeks approval.
- 26 (4) Staff has reviewed the petition filed in Docket UE-250318, including related work papers.
- 27 (5) This matter came before the Commission at its regular open meeting on September 26, 2025.
- 28 (6) After reviewing PSE's petition filed in Docket UE-250318 on April 30, 2025, as revised on August 1, 2025, and giving due consideration to all relevant matters and for good cause shown, the Commission finds that it is in the public interest to approve the Petition seeking approval of the PCA filing, subject to conditions, for the reasons noted in paragraphs 17 through 21 of this Order.
- 29 (7) After review of PSE's petition and Staff's recommendations, and giving due consideration to all relevant matters and for good cause shown, the Commission finds the 2024 regulatory accounting of the power purchase agreements supporting the Green Direct program should be approved.

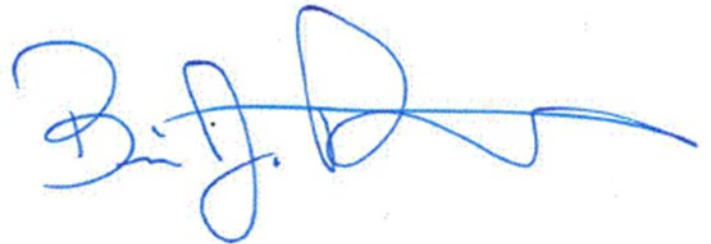
ORDER

THE COMMISSION ORDERS:

- 30 (1) The Commission grants Puget Sound Energy's Petition, including: the revised
Schedule 95 tariff sheets as filed on August 1, 2025, with rate effective dates of
October 1, 2025, and January 1, 2026; and the revised Schedule 139 tariff sheets
as filed on August 1, 2025, with rate effective dates of October 1, 2025, and
January 1, 2026, subject to the condition that Puget Sound Energy file revisions
of the Schedule 95 tariff sheets, before October 1, 2025, reflecting that Puget
Sound Energy will pass back to customers pre-volumetric true-up adjustment
variance in over collected 2024 PCA costs on October 1, 2025, keeping Schedule
139 ring fenced.
- 31 (2) The Commission approves the Power Cost Adjustment (PCA) mechanism report
for 2024.
- 32 (3) The Commission approves the proposed methodology for recovery of the
updated estimated 2025 customer deferral.
- 33 (4) The Commission grants the requested regulatory accounting for the Green Direct
program.
- 34 (5) The Commission determines all of the new resource contracts presented in this
filing are prudent.
- 35 (6) This Order shall not affect the Commission's authority over rates, services,
accounts, valuations, estimates, or determination of costs, on any matters that
may come before it. Nor shall this Order be construed as an agreement to any
estimate or determination of costs, or any valuation of property claimed or
asserted.
- 36 (7) The Commission retains jurisdiction over the subject matter and Puget Sound
Energy to effectuate the provisions of this Order.

DATED at Lacey, Washington, and effective September 26, 2025.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

A handwritten signature in blue ink, appearing to read "B. J. Rybarik", with a long horizontal flourish extending to the right.

BRIAN J. RYBARIK, Chair

A handwritten signature in blue ink, appearing to read "Ann E. Rendahl", written in a cursive style.

ANN E. RENDAHL, Commissioner

A handwritten signature in blue ink, appearing to read "Milton H. Doumit", written in a cursive style.

MILTON H. DOUMIT, Commissioner