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UE-220066

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January 4, 2023

Amanda Maxwell, Executive Director and Secretary  
Washington Utilities and Transportation Commission  
621 Woodland Square Loop SE  
P.O. Box 47250  
Olympia, WA 98503-7250

Re: *Washington Utils. and Transp. Comm'n v. Puget Sound Energy*  
Dockets UE-220066, UG-220067, UG-210918 (*consolidated*)

Dear Ms. Maxwell:

On December 27, 2022, PSE submitted compliance filings for electric and natural gas service, with tariff sheets effectuating the terms of Final Order 24/10. On January 3, 2023, Staff filed a letter confirming that the Company's filings complied with the Final Order 24/10. After Staff submitted its compliance letter, the Commission filed a Notice Permitting Additional Responses to Compliance Filing (Due by 5 p.m. January 4, 2023) to all parties requesting that Staff clarify how the revenue increases discussed in Staff's letter comply with Final Order 24/10.

In its compliance letter, Staff inadvertently referred to the revenue increases as *base* revenue increases. The amounts included in Staff's compliance letter and cited in the Commission's subsequent notice included changes to other price schedules. The *base* rate increase for electric service is \$375.7 million for 2023 and \$32.9 million for 2024, while the *base* rate increase for natural gas service is \$90.0 million for 2023 and \$20.2 million for 2024.

Tables 1 and 2 below show the base rate changes as well as the impact of the changes to other price schedules.

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**Table 1. Electric base rate change and changes to other price schedules.**

DESCRIPTION	2023 RATE YEAR 1	2024 RATE YEAR 2
Base Rates Change	\$ 375,724,971	\$ 32,939,621
Bring changes to Other Price Schedules into the model:		
Schedule 95 - PCORC	(67,923,000)	
Schedule 139	(4,741,000)	(20,000)
Schedule 141C - Colstrip Tracker	50,253,000	3,352,000
Schedule 141A - Recovery of Schedule 139 Energy Charge Credit	35,309,000	373,000
Impact of Changes in Load	879,001	(3,370,021)
Net Change	13,777,001	334,979
Net Deficiency	\$ 389,501,971	\$ 33,274,600

**Table 2. Natural gas base rate change and changes to other price schedules.**

DESCRIPTION	2023 RATE YEAR 1	2024 RATE YEAR 2
Base Rates Change	\$ 90,054,045	\$ 20,217,625
Bring changes to Other Price Schedules into the model:		
Set Schedule 149 Gas CRM to zero	(22,562,813)	
Schedule 141D Distribution Pipeline Prov Recovery Adjustment	2,999,203	(104,947)
Impact of Changes in Load	307,177	(624,557)
Rounding		
Net Change	(19,256,433)	(729,504)
Net Deficiency	\$ 70,797,612	\$ 19,488,121

As the Commission observed in its Synopsis in Final Order 24/10, the Settling Parties agreed to, and the Commission approved, an increase to electric rates of \$223 million in rate year one and \$38 million in rate year two; and an increase to natural gas rates of \$70.6 million in rate year one and \$18.8 million in rate year two. These, however, do not refer to the base rate increases; rather, these refer to the rate increases after changes to other schedules. Table 3 below compares the amounts in the settlement to the amounts set out in PSE's compliance filing and cited in Staff's compliance letter.

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**Table 3. Comparison of settlement revenue requirements to compliance revenue requirements.**

<b>Electric</b>	<b>2023</b>	<b>2024</b>
Settlement	\$ 223.0	\$ 38.0
Compliance	\$ 389.5	\$ 33.3
Difference	\$ 166.5	\$ (4.7)
<b>Natural Gas</b>	<b>2023</b>	<b>2024</b>
Settlement	\$ 70.6	\$ 18.8
Compliance	\$ 70.8	\$ 19.5
Difference	\$ 0.2	\$ 0.7

The \$166.5 million increase in electric revenue requirement is due almost entirely to an increase in pro forma power supply costs which, in Final Order 24/10, the Commission authorized PSE to update on compliance. A majority of the increased power costs (\$135.8 million of the \$166.5 million increase) are associated with the impacts related to the company’s compliance with the Climate Commitment Act (“CCA”) in accordance with Paragraph 28 of the Final Revenue Requirement Settlement.

The Company ran its power cost model with and without CCA compliance to demonstrate the CCA’s impact on power costs. Table 4 below compares 2023 power costs including CCA compliance to 2023 power costs without CCA compliance. CCA compliance and the increased costs associated with carbon emissions are projected to lower volumes at Colstrip and natural gas plants. As a result, the Company’s power cost model estimates that the company will need to make an additional \$148.2 million more in market purchases and forego an estimated \$279.1 million in market, EIM, and hedging sales. CCA compliance also increased other revenues by approximately \$801,000 due to changes in gas hedges and transport market-to-model resulting from increases in pipeline capacity associated with the projected decrease in gas plant dispatch.

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**Table 4. Comparison of Pro Forma Power Supply Costs in 2023 with CCA Compliance and Without CCA Compliance (in Millions).**

	Rate year 2023 with CCA	Rate year 2023 without CCA	Difference
Coal fuel	\$ 38,112	\$ 65,691	\$ (27,579)
Natural gas fuel	237,100.49	500,342.45	(263,241.96)
Wind and solar purchases	76,315.42	76,315.42	-
Hydro purchases	218,065.53	218,065.53	-
Market purchases	232,244.01	84,004.75	148,239.25
Other contract purchases	449,217.68	449,217.68	-
Secondary sales	(202,982.36)	(482,089.57)	279,107.21
Transmission	135,104.27	135,051.87	52.40
Other revenues	(131,067.70)	(130,266.76)	(800.94)
Other power supply expense	16,711.59	16,711.59	-
<b>Total Rate Year Power Costs</b>	<b>\$ 1,068,820.62</b>	<b>\$ 933,043.53</b>	<b>\$ 135,777.09</b>

The additional \$30.7 million increase to power costs is the result of rising natural gas prices, increased costs from Mid-C hydroelectric contracts, and two new power purchase agreements. PSE's share of output from the Mid C Priest Rapids Project is priced at an annual auction. This year's prices were much higher, resulting in higher costs. Costs for the Mid C Rocky Reach and Mid C Rocky Island contracts increased as well. These costs change regularly and are tied to the costs that the plant owners incur. Since its initial filing, the Company signed additional power purchase agreements. As of November, these Powerex Winter PPAs are receiving deliveries which will continue through March 2024 expanding the Company's peak capacity in winter.

Sincerely,

/s/ Jeff Roberson, WSBA No. 45550  
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LJR/emd  
 cc: Parties