

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY,

Respondent.

DOCKETS UE-220066 and UG-  
220067 (*Consolidated*)

ORDER 26

DOCKET UG-210918

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

ORDER 12

REJECTING COMPLIANCE FILING,  
IN PART; REQUIRING REVISED  
COMPLIANCE FILING; PROVIDING  
FOR FURTHER PROCESS

**BACKGROUND**

- 1 On December 22, 2022, the Washington Utilities and Transportation Commission (Commission) entered Final Order 24/10, Rejecting Tariff Sheets; Approving Settlements, with Conditions; Authorizing and Requiring Compliance Filing (Final Order 24/10).
- 2 In Final Order 24/10, the Commission approved three partial multi-party settlements that, considered together, resolved all of the outstanding issues in the general rate case filed by Puget Sound Energy (PSE or Company). In its Synopsis, Final Order 24/10 observed that 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, for a total of \$350.4 million, companywide, for both years combined. Final Order 24/10 also approved the Revenue Requirement Settlement, which provided that power cost increases embedded in the revenue requirement were assumed equal to the amounts in PSE's initial filing, reduced for the Northwest Pipeline Settlement, and provided for a power cost update at the compliance filing stage in this proceeding.<sup>1</sup>

3 On December 23, 2022, Sierra Club, Front and Centered, and NW Energy Coalition filed a notice accepting the conditions imposed by the Commission in Final Order 24/10. The remaining settling parties filed similar notices accepting the Commission's imposed conditions by December 28, 2022.

4 On December 27, 2022, PSE submitted compliance filings for electric and natural gas service effectuating the terms of Final Order 24/10, which represents "an overall dollar amount increase of \$389.5 million in 2023 and \$33.3 million in 2024," and "represents overall dollar percentage increases of 16.95% and 1.26%, respectively."

5 In its compliance filing, PSE attributed a large portion of the increase in final revenues as compared to the revenues authorized by Final Order 24/10 to increased power costs. PSE asserted that "[t]he vast majority, or \$135.8 million of the \$166.5 million increase in power costs," was related to the impact of the Climate Commitment Act (CCA)<sup>2</sup> on the Company's dispatch of natural gas and coal-fired resources.

6 PSE later submitted revised tariff sheets on December 28, 2022, and January 3, 2023, to correct errors.

7 On January 3, 2023, Commission staff (Staff) filed a letter responding to the Company's compliance filing. Staff opined that the revised tariff sheets comply with Final Order 24/10 and should be allowed to take effect on January 5, 2023. Staff noted, similar to PSE, that the "revisions to Tariff WN U-60 reflect a base electric revenue increase of \$389.5 million in 2023 and \$33.3 million in 2024, which represents increases of 16.95 percent and 1.26 percent respectively. The revisions to Tariff WN U-2 reflect a \$70.8 million increase in natural gas base revenue in 2023 and a \$19.5 million increase in 2024, which represents increases of 6.4 percent and 1.65 percent respectively."

8 On January 3, 2023, the Commission issued a Notice Permitting Additional Responses to Compliance Filing (Notice). The Commission indicated that Staff and other parties may

---

<sup>1</sup> Revenue Requirement Settlement ¶ 23.d.

<sup>2</sup> See generally RCW chapter 70A.65.

provide additional responses clarifying the rate increase set forth in the Company's compliance filing as compared to the findings set forth in Final Order 24/10.

- 9 On January 4, 2023, PSE and Staff submitted additional responses, both of which attribute significant increases in power costs to the impacts of the Climate Commitment Act on the Company's forecasted dispatch modeling. PSE also provided supporting workpapers with its clarifying response.

### DISCUSSION

- 10 By this Order, we reject PSE's compliance filing, in part, and require the Company to submit a revised compliance filing that removes \$135.8 million in power costs related to the Company's modeling of CCA's impacts on its use of natural gas and coal-fired resources. For the reasons explained below, we find that PSE's power cost update, submitted with its compliance filing after the evidentiary record in this proceeding was closed, fails to comply with both the final revenue requirement authorized by Final Order 24/10 and the 2023 forecasted power cost increases represented in the Revenue Requirement Settlement.
- 11 WAC 480-07-880(2) provides that a compliance filing does not become effective automatically on its stated effective date. The Commission must approve or accept any compliance filing before it can become effective.<sup>3</sup> If no party disputes a filing's compliance with a final order, the Commission may issue a notice or letter allowing the filing to become effective.<sup>4</sup> The Commission may alternatively enter an order approving a compliance filing, rejecting the compliance filing in whole or in part, or providing for additional process.<sup>5</sup>
- 12 Final Order 24/10 approved three-multiparty settlements that, considered together, resolved all the issues in this consolidated proceeding. The Order provided an increase in 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, for a total of \$350.4 million, companywide, for both years combined. With respect to power costs, the Order accepted the Settling Parties' agreement to largely adopt the Company's January 31, 2022, initial filing for 2023 power costs subject to certain adjustments and a compliance filing update.
- 13 Specifically, the Settling Parties agreed that "[p]ower cost increases embedded in the revenue requirement are assumed to equal PSE's filed case (\$125.5 million in 2023)

---

<sup>3</sup> WAC 480-07-880(2).

<sup>4</sup> WAC 480-07-880(5).

<sup>5</sup> WAC 480-07-880(6).

reduced for the electric portion of the Northwest Pipeline Settlement (\$4.6 million, after grossing up for revenue sensitive items).<sup>6</sup> The Settlement continued, “The power cost update that will occur at the compliance filing in this case will use these power costs as the reference point for projected 2023 power costs.”<sup>7</sup> The Settlement then provided for a power cost update, which included updated contract prices, updated resources, and the impacts of the CCA on dispatch decisions, among other items.<sup>8</sup> Final Order 24/10 accepted the Revenue Requirement Settlement’s terms regarding power costs subject to a condition not at issue in this Order.<sup>9</sup>

- 14 PSE’s compliance filing departs from the findings of Final Order 24/10 in at least two significant respects. PSE now seeks an electric rate increase of \$389.5 million in rate year one alone. This represents an increase in electric rates for rate year one that is *74 percent higher* than the rates approved by the Final Order.<sup>10</sup> This is a substantial and material departure from the rates the Commission determined were equitable, fair, just, reasonable, and sufficient.
- 15 PSE’s compliance filing also requests an additional \$166.5 million increase in power costs, of which \$135.8 million is attributable to the Company’s modeling of the CCA’s impacts on its use of natural gas and coal-fired resources. The amount attributable to CCA costs represents *more than twice* the \$125.5 million increase in 2023 forecasted power costs assumed by the Settling Parties and approved by the Commission in connection with the Settlement. As such, PSE cannot reasonably contend that it used the Company’s \$125.5 million forecasted increase in 2023 power costs as a “reference point”<sup>11</sup> for calculating the CCA-related power costs, or that the Settlement contemplated this outcome. For these reasons, PSE’s compliance filing fails to comply with the terms of Final Order 24/10.
- 16 In making this determination, the Commission reflects on the purpose of regulating in the public interest and the competing interests at stake. The Commission has been granted the

---

<sup>6</sup> Final Order 24/10, App. A ¶ 23.d (Revenue Requirement Settlement).

<sup>7</sup> *Id.* (footnote omitted).

<sup>8</sup> *Id.* ¶ 28(b).

<sup>9</sup> Final Order 24/10

<sup>10</sup> The Commission calculates the 74 percent increase as reflecting \$389.5 million (the increase to electric rates for rate year one in PSE’s compliance filing) minus \$223 million (the increase to electric rates in rate year one authorized by the Commission), multiplied by 100, and divided by \$223 million.

<sup>11</sup> *Id.*

discretion to determine equitable, fair, just, reasonable, and sufficient rates.<sup>12</sup> Although PSE has submitted a power cost update that attempts to reflect the impacts of the CCA on its dispatch of resources, the Settlement does not bind the Commission, or Washington customers, to accept dramatically higher rate increases that were neither reviewed nor authorized on the record in this general rate case.

- 17 To hold otherwise and suggest that the Commission was *required* to accept this power cost update submitted by the Company, regardless of its magnitude, would undermine the purpose of Commission review and the integrity of the adjudication process. It would allow a single line-item in a post-Final Order power cost update, largely devoid of any supporting testimony or exhibits, to significantly impact Washington customers. Specifically, it would subject the average customer to an approximately \$14.98 bill increase, compared to the approximately \$7.75 bill increase as authorized by Final Order 24/10, without any meaningful review or oversight.<sup>13</sup> Although the Commission has approved the non-precedential Revenue Requirement Settlement, it ultimately remains the Commission's prerogative and duty to regulate in the public interest.
- 18 To be clear, PSE's compliance filing is the first time in this proceeding that the Company has presented conclusions from modeling the impacts of the CCA on its future use of natural gas and coal-fired resources. The CCA became effective on July 25, 2021,<sup>14</sup> several months before the Company filed this general rate case. The CCA provides for a declining cap on greenhouse gas emissions,<sup>15</sup> but it also provides for no-cost allowances to utilities to mitigate the cost burdens on customers.<sup>16</sup> In its initial filing on January 31, 2022, the Company anticipated a \$125.5 million increase in power costs for 2023.<sup>17</sup> But

---

<sup>12</sup> *WUTC v. Avista Corp., d/b/a Avista Utils.*, Dockets UE-160227 and UG-160228, Order 06 ¶ 79 (Dec. 15, 2016) (“[T]he Commission’s ultimate goal is to set rates that are fair to customers and to the Company’s shareholders; just in the sense of being based solely on the record developed in a rate proceeding; reasonable in light of the range of possible outcomes supported by the evidence; and sufficient to meet the needs of the Company to cover its expenses and attract necessary capital on reasonable terms.”).

<sup>13</sup> The calculated Rate Year 1 (2023) Typical Residential Electric Bill Impacts is based on the Company’s general rate case filings, workpapers, and its most recent compliance filing. These figures are approximate.

<sup>14</sup> Laws of 2021, ch. 16.

<sup>15</sup> RCW 70A.45.020(1).

<sup>16</sup> See RCW 70A.65.110(1).

<sup>17</sup> *E.g.*, Revenue Requirement Settlement ¶ 23.d.

the Company submitted that it was not yet able to determine the costs of complying with the CCA while the Department of Ecology's rulemaking was still pending.<sup>18</sup>

19 Although the Department of Ecology issued its CR-102 and proposed rule language on May 16, 2022,<sup>19</sup> the Company did not present any detailed testimony regarding the impact of the CCA on its power costs. In rebuttal testimony, Company witnesses merely indicated their support for the Revenue Requirement Settlement's compliance filing power cost update, referring to the CCA by statute rather than any specific regulation.<sup>20</sup>

20 While understandable that PSE had difficulty modeling CCA impacts at the time of its initial testimony, the fact remains that the power cost update for CCA impacts on the dispatch of resources remains a single line-item in the Settlement, devoid of any support in the record. The Company did not provide any evidence in its testimony supporting the Settlement regarding the potential magnitude of CCA on its dispatch of resources or the potential controversy of its modeling of CCA impacts.<sup>21</sup>

21 For these reasons, the Commission rejects PSE's compliance filing, in part. The Commission requires PSE to file a revised compliance filing consistent with the findings of Final Order 24/10. The Company must apply the other adjustments noted in its compliance filing, such as the \$30.7 million impact associated with updated natural gas prices and the costs of executed hedge contracts. However, the Commission denies PSE's request to recover \$135.8 million in power costs related to its modeling of CCA impacts in rates from customers, and PSE must remove this forecasted increase in power costs from its compliance filing.

22 By this Order, the Commission also establishes a further process for review as contemplated by WAC 480-07-880(6). Insofar as the Commission has rejected PSE's compliance filing with respect to the modeling of CCA impacts on dispatch of resources and its request for an increase of \$135.8 in forecasted 2023 power costs, the Company may elect to either (1) defer the \$135.8 million in related projected power costs in question and request review of these costs in its 90-day power cost compliance filing in this proceeding for 2024 or (2) petition for Commission review of these costs in a separate proceeding.

---

<sup>18</sup> See Piliaris, Exh. JAP-1T at 20:2-21:10.

<sup>19</sup> See WSR 22-11-067.

<sup>20</sup> Joint Testimony, Exh. JAP-SEF-JJJ-1JT at 6:16-19.

<sup>21</sup> The Commission has emphasized that a compliance filing stage update should be a "straightforward, mechanical, and non-controversial process." *WUTC v. Puget Sound Energy, Inc.*, Docket Nos. UE-060266 & UG-060267, Order No. 08 at ¶ 104 (Jan. 5, 2007).

**ORDER**

23 THE COMMISSION ORDERS That:

- 24 (1) Puget Sound Energy's compliance filing in these Dockets submitted on December  
27, 2022, and supplemented on December 28, 2022, and January 3, 2023, is  
rejected, in part, as discussed in paragraphs 21 and 22 of this Order.
- 25 (2) Puget Sound Energy may elect to either (1) defer the \$135.8 million in related  
projected power costs in question and request review of these costs in its 90-day  
power cost compliance filing in this proceeding for 2024 or (2) petition for  
Commission review of these costs in a separate proceeding.

DATED at Lacey, Washington, and effective January 6, 2023.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chair

ANN E. RENDAHL, Commissioner

MILTON H. DOUMIT, Commissioner