

Attachment A, Power Cost Narrative, to PSE's January 21, 2025, compliance filing in UE-240004.

Paragraphs 381 and 531 of Order 09/07 in Docket UE-240004 ("the Order") allow Puget Sound Energy ("PSE") to follow the status quo for updating power costs within the multiyear rate plan approved in the docket. PSE is following the same process as was done in its last multiyear rate plan ("MYRP") approved in Docket UE-220066, whereby an update to power costs is conducted in the compliance filing to set initial rates for the MYRP. See PSE's January 9, 2023, compliance filing in Docket UE-220066 that was accepted by the Commission.

This narrative provides an overview of the changes made in the power cost update included in this January 21, 2025, compliance filing to set initial rates in this docket, Docket UE-240004, as compared to PSE's rebuttal filing. The tables in PSE's electric cover letter for this filing demonstrate that the changes made since the time of PSE's rebuttal filing for power costs represent a \$59.6 million increase to revenue requirement, or \$56.6 million on a cost basis. Of note is that the adjustments for Colstrip dispatch cost discussed in paragraph 150 of the Order and WEI market costs discussed in paragraph 151 of the Order were already incorporated into PSE's rebuttal power costs and so additional changes were not necessary for these items.

Page 5 of the rebuttal testimony of Brennan D. Mueller, Exh. BDM-23CT provides the list of items that are allowed to be made in this power cost update. Of the items listed below, the updates made in this compliance filing are shown in blue. The items that were not updated either have not changed or, in the case of #5, are only appropriate for the power cost update to be performed for rates effective January 1, 2026.

1. Costs associated with Mid-C hydro contracts,
2. Costs associated with upstream pipeline capacity,
3. Planned outage schedules and forced outage rates,
4. BPA rates,
5. PSE's retail electric demand forecast,
6. Variable O&M costs,
7. The price of emissions allowances for compliance with the Climate Commitment Act,¹
8. Hedges and physical supply contracts,
9. Natural gas prices,
10. Changes to terms of current resources, and
11. Any new and updated resources (including transmission contracts).

Related to item #11, new and updated resources, the power cost update process provides that prudence of these resources will be reviewed in PSE's April 30, 2025, annual power cost update filing. PSE will provide detailed information on the new contracts at that time and parties will have the right to request that prudence be postponed to a future general rate case if needed.² For this compliance filing, PSE has provided a copy of the new contracts for informational purposes.

¹ The CCA allowance price is an input to PSE's Aurora electric price forecast model. This update combined with the update to natural gas prices drive changes to electric prices in this compliance filing forecast relative to the electric prices in PSE's rebuttal filing.

² Mueller, Exh. BDM-23CT at 24:6-11. See also Final Order paragraphs 372, 373 and 530.

The below table provides additional detailed information about the changes resulting from the power cost update made in this compliance filing. Certain of the items highlighted above were not material enough to be shown separately.

<i>Summary of changes in Compliance filing power cost update relative to forecast in Rebuttal filing</i>					
	<i>\$ in millions</i>				
	Total power costs in Rebuttal filing	\$1,165.1			
1	New summer capacity PPA	\$11.8	New resources and resource updates	Item 11	\$17.0
2	New Stateline Wind PPA energy	\$1.3		Item 11	
3	New Stateline Wind PPA transmission	\$0.9		Item 11	
4	New Chelan on-peak, clean energy purchase	\$2.3		Item 11	
5	Vantage wind PPA shape correction	\$0.7		Item 11	
6	Gas pipeline demand charges	\$23.0	Contract rates	Item 2	\$7.2
7	BPA transmission loss charges	(\$1.7)		Item 4	
8	BPA capacity call contract escalation	\$0.1		Item 10	
9	Chelan PUD contract budget update	\$2.3		Item 1	
10	Grant PUD contract budget update	(\$10.0)		Item 1	
11	Douglas Wells PPA allocation update	(\$0.4)		Item 1	
12	Mid-C Canadian Entitlement Allocation change	(\$6.0)		Item 10	
13	Dispatch and fuel cost changes	(\$14.1)	Prices and hedges	Items 7&9	\$32.4
14	Fixed price power hedges	\$12.8		Items 7,8&9	
15	Fixed price gas hedges	\$26.3		Items 8&9	
16	Physical power premiums	\$2.0		Item 8	
17	Physical gas premiums	\$4.3		Item 8	
18	Incremental cost of diesel	\$0.2		Items 7&9	
19	Clay Basin storage benefit	\$0.8		Item 9	
20	Net total increase	\$56.6			
21	Total power costs in Compliance filing	\$1,221.8			

PSE's work papers have been served on parties, the Administrative Law Division and the Commission's policy staff. Additional notes regarding the above detail are included in the work paper titled 240004-05-PSE-WP-BDM-RECONCILIATION-TO-REBUTTAL.xlsx.

There are two new contracts included in the power cost update – lines 1 and 4 above – that were not provided in PSE's rebuttal filing.³ Copies of these contracts have been included in the confidential work paper titled "240004-05-PSE-WP-BDM-NEW-ELECTRIC-SUPPLY-CONTRACTS(C).xlsx".

³ There is one additional new contract that has been entered into since PSE's rebuttal filing. However, this third new contract is not being included in this compliance filing update as PSE has filed an accounting petition for this contract under Docket UE-240982.