Service Date: December 11, 2025

BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Petition of PUGET SOUND ENERGY, Petitioner, For Order Regarding Seattle University Thermal Energy Network Pilot Project	DOCKET UG-250455 ORDER 01 AUTHORIZING ALTERNATIVE PROCESS; ACKNOWLEDGING COMPLIANCE

BACKGROUND

1 On November 4, 2025, Puget Sound Energy (PSE or Company) filed with the Washington Utilities and Transportation Commission (Commission) a Petition for Order Regarding Seattle University Thermal Energy Network Pilot Project (Petition). The purpose of the Company's Petition is to continue pursuing a proposed thermal energy network (TEN) pilot project with Seattle University (SU) in Seattle, Washington (SU Project) and receive grant funding from the Washington Department of Commerce (Commerce).

2 In 2024, the Washington State Legislature passed legislation intended to promote TEN.[1] The legislation allowed existing natural gas companies to pursue TEN projects within their service territories provided that the companies timely notified the Commission in writing of the their intent to do so.[2] On June 26, 2025, the Commission issued an acknowledgment letter acknowledging that PSE's June 5, 2025 filing complied with the notification requirements in RCW 80.28.460(2)(a) and that PSE had priority to develop pilot projects at SU and the King County Maleng Regional Justice Center as designated in this docket.

[1] RCW 80.28.450-480.

[2] RCW 80.28.460(2)(a).

3 PSE's Petition requests that the Commission take five actions:

(1) Find that PSE has submitted the SU Project for review and validation of cost assessment pursuant to RCW 80.28.450(1), thereby allowing PSE to proceed with the SU Project;

(2) Find that PSE has provided the information required for review under RCW 80.28.460(3) and (6);

(3) Validate the cost assessments of the SU Project, thereby allowing PSE to propose to recover the costs of building and operating the SU Project in a rate case, pursuant to RCW 80.28.450(2);

(4) Determine the cost difference between PSE's lowest reasonable cost resources under its current business practices and the costs of building and operating the TEN pilot project, as required by RCW 43.31.033(4) to allow Commerce to award PSE a grant for the SU Project under RCW 43.31.033; and

(5) Approve PSE's alternative process to estimate the cost to deploy the SU Project, pursuant to RCW 80.28.470(2).

4 Commission Staff (Staff) has reviewed the Company's Petition and supporting information and recommends that the Commission issue an order:

(1) Accepting PSE's request to use an alternative TEN pilot project process under RCW 80.28.470(2);

(2) Validating the costs associated with the PSE's proposed TEN pilot project at SU as required under RCW 80.28.450(1) and RCW 80.28.450(2);

(3) Finding that PSE has submitted the necessary considerations in compliance with RCW 80.28.460(3) and RCW 80.28.460(4);

(4) Finding that PSE has proposed a series of metrics to evaluate the TENs SU Project in compliance with RCW 80.28.460(6);

(5) Finding that the cost difference between PSE's lowest reasonable cost resources under current business practices and the cost of building and operating a thermal energy pilot project is at least $18.5 million.

5 With respect its first recommendation, Staff contends that PSE's proposal to use an alternative process under RCW 80.28.470(2) is the only practical means for PSE to advance the SU Project, because there is insufficient time for the Company to issue a request for proposal and perform a cost comparison analysis under RCW 80.28.470(1). Given the legislative intent to, at minimum, explore a TEN pilot project, other statutory deadlines that contemplate construction by the end of 2026, and the need to seek grant funding, Staff suggests that the process under RCW 80.28.470(1) is not presently feasible.

6 Staff further asserts that the alternative process proposed by PSE is reasonable. Staff notes that the Company has hired a large thermal energy engineering and operational partner with substantial designing and operating experience to develop a 30 percent design, which is a common practice in developing thermal energy projects. Staff also examined the Company's filing and cost estimates and has determined that they are suitably reasonable, clear, and verifiable such that they are an appropriate alternative process under RCW 80.28.470(2).

7 Regarding the second recommendation, Staff states that the Commission should validate PSE's proposed cost estimates. Staff notes that the thermal energy firm has extensive experience constructing and operating thermal energy projects, including projects in British Columbia and Bellingham, Washington and Staff's review generally confirmed the accuracy of the Company's cost estimates. Staff also did independent research and consulted with stakeholders regarding technical and non-technical details to confirm the reasonableness of the proposed project design. Staff further emphasizes that validation does not constitute a determination that the proposal is prudent or used and useful, and that the Commission will have an opportunity to review the project in a subsequent general rate case.

8 Turning to the third recommendation, Staff indicates that PSE has considered all of the 12 required factors under RCW 80.28.460(3) that the Commission must consider in its review of a TEN pilot project, as well as the five factors the Commission may consider in its review of a TEN pilot project under RCW 80.28.460(4). Staff explains that while it has some concerns regarding PSE's analysis regarding the statutory factors, the Company's proposal incorporates consideration of all the statutory factors and is reasonable for the purpose of pursuing grant funding from Commerce.[3] Staff clarifies that while RCW 80.28.460(3)-(4) state that the factors apply to the Commission's review for

[3] RCW 43.41.033(5).

"approval" of a TEN pilot project, at this stage the Commission is essentially acknowledging the Company's compliance with the statute, and that final "approval" will occur in a subsequent rate case. Staff maintains that the Commission's finding that the Company has submitted the necessary statutory considerations under RCW 80.28.460(3)-(4) does not imply that the Commission fully agrees with the Company's analysis or that the project has been preapproved.

9 As to the fourth recommendation, Staff states that PSE's proposed metrics are a reasonable baseline and suggests that the metrics will continue to be refined and reviewed as the project advances. Insofar as TENs are an issue of first impression for utilities and stakeholders, Staff anticipates that the development of TEN metrics will be an ongoing, iterative process. As with the second and third recommendations, Staff highlights that the Commission's finding that PSE has proposed a series of metrics that complies with RCW 80.28.460(6) does not indicate that the Commission fully agrees or supports the proposed metrics, or that the Commission could not add, remove, or modify the metrics in the future.

10 Concerning the fifth recommendation, Staff states that the Company's preliminary estimated project capital costs of at least $18.5 million represents a reasonable calculation of the difference between its lowest reasonable cost resources under its current business practices and the cost of the pilot project. Staff explains that PSE also provided calculations that support a cost difference of approximately $27 million, but that calculation contains assumptions regarding the rate design associated with pilot project operational costs that may change. As a practical matter, Staff notes that the grant funding available from Commerce is significantly less than PSE's lowest estimated cost difference of $18.5 million.[4]

11 On December 5, 2025, Public Counsel filed comments in this docket. While Public Counsel does not object to PSE's Petition provided that Public Counsel retains the ability to evaluate the prudence of the pilot in a subsequent proceeding, it raises two concerns. First, Public Counsel states that the Company is proposing to issue an RFP based on a 30 percent design proposal to estimate costs, which raises questions about whether the projected benefits of the pilot outweigh the costs, whether a full design RFP process would provide greater cost certainty relative to PSE's proposal, and whether the costs are prudent. Second, Public Counsel voices concerns regarding whether the benefits realized

[4] *See also*, Petition at 8:12-15 (stating that the maximum amount of grant funds available from Commerce is $4.85 million).

from the pilot will be equitable distributed, suggesting that the Company could consider pursing the pilot by entering into a contract with SU and existing TENs companies to reduce the cost burden on other natural gas customers. Public Counsel further notes that similar projects already exist in PSE's service area and other college campuses in the United States.

12 On December 11, 2025, this matter came before the Commission at its regularly scheduled open meeting.

DISCUSSION

13 The Commission agrees with and adopts Staff's recommendations regarding PSE's Petition. The Commission concurs with Staff's assessment that it is appropriate to allow PSE to use an alternative process in order to facilitate the development of the pilot project and finds that PSE's proposed alternative process is reasonable. Based on the analysis presented, the Commission further finds that the costs associated with the Company's SU project should be validated, that the Company has submitted the necessary considerations in compliance with RCW 80.28.460(3)-(4), and that PSE has proposed a series of metrics to evaluate the TEN pilot project that complies with RCW 80.28.460.

14 However, the Commission clarifies that these findings do not constitute final approval from the Commission or a determination that the proposals are not subject to further input or change. Rather, these determinations only reflect the Commission's determination that the material presented complies with the statutory requirements described in the Petition and Staff's analysis for the more limited purpose of further developing the pilot project and seeking grant funds from Commerce. Finally, the Commission finds that PSE has demonstrated that the cost difference between its lowest reasonable cost resources under current business practices and the cost of building and operating the thermal energy pilot project is at least $18.5 million.

15 Consequently, the Commission should issue an order adopting the recommendations described by Staff above.

FINDINGS AND CONCLUSIONS

16 (1) The Commission is an agency of the State of Washington vested by statute with the authority to regulate the rates, regulations, practices, accounts, and affiliated interests of public service companies, including gas companies.

17 (2) PSE is engaged in the business of providing gas services within the state of Washington and is a public service company subject to Commission jurisdiction.

18 (3) This matter came before the Commission at its regularly scheduled meeting on December 11, 2025.

19 (4) The Commission accepts PSE's request to use an alternative TEN process under RCW 80.28.470(2).

20 (5) The Commission validates the costs associated with the Company's proposed SU Project as required under RCW 80.28.450(1)-(2). This finding does not constitute a determination that such costs are used and useful or prudent, which will be determined in a subsequent general rate case.

21 (6) The Commission finds that PSE's pilot proposal considers the statutory factors in RCW 80.28.460(3)-(4). This finding should not be interpreted as final approval of the project or complete agreement with the Company's evaluation.

22 (7) The Commission finds that PSE has proposed a set of metrics to evaluate the TEN pilot project in compliance with RCW 80.28.460(6). This finding should not be interpreted as complete agreement with the metrics or that the metrics are not subject to further refinement and modification.

23 (8) The Commission finds that the cost difference between PSE's lowest reasonable cost resource under current business practices and the costs of building and operating the SU Project is at least $18.5 million.

ORDER

THE COMMISSION ORDERS:

24 (1) Puget Sound Energy's is authorized to use the alternative TEN pilot process under RCW 80.28.470(2) proposed in its Petition.

25 (2) The costs associated with Puget Sound Energy's proposed SU Project are validated as required by RCW 80.28.450(1)-(2).

26 (3) Puget Sound Energy has submitted the necessary considerations for its SU Project in compliance with RCW 80.28.460(3)-(4).

27 (4) Puget Sound Energy has proposed a series of metrics to evaluate the SU Project in compliance with RCW 80.28.460(6).

28 (5) Puget Sound Energy has demonstrated that the cost difference between its lowest reasonable cost resources under current business practices and the costs of building and operating the SU Project is at least $18.5 million.

29 (6) 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 December 11, 2025.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

BRIAN J. RYBARIK, Chair

ANN E. RENDAHL, Commissioner

MILTON H. DOUMIT, Commissioner

NOTICE TO PARTIES: This is a final order of the Commission. In addition to judicial review, administrative relief may be available through a petition for reconsideration filed within 10 days of the service of this order pursuant to RCW 34.05.470 and WAC 480-07-850, or a petition for rehearing pursuant to RCW 80.04.200 or RCW 81.04.200 and WAC 480-07-870.