BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, **Complainant,** **v.** **PUGET SOUND ENERGY,** **Respondent.**	**Docket UE-220066** **Docket UG-220067** **(consolidated)**
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**	**Docket UG-210918** **PUGET SOUND ENERGY'S MOTION FOR CLARIFICATION OF ORDER 32/18**

I. INTRODUCTION

1. Pursuant to WAC 480-07-835, Puget Sound Energy ("PSE") hereby requests that the Washington Utilities and Transportation Commission ("Commission") clarify one matter set forth in its Order 32/18, issued in this proceeding on May 16, 2024 ("Order 32/18"). In Order 32/18 the Commission granted PSE's Petition to Amend Final Order 24/10 to reinstate PSE's dunning process, subject to conditions. PSE requests the Commission clarify language contained in paragraph 55 of Order 32/18 that deems certain arrearages as bad debt

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and authorizes PSE to collect such arrearages in rates. PSE is not seeking through this motion to change the outcome with respect to this matter, but merely to clarify such authorization in light of other Commission orders.

II. DISCUSSION OF REQUEST FOR CLARIFICATION

2. Consistent with WAC 480-07-835(1), PSE's request for clarification is timely and intended to "resolve inconsistencies." An inconsistency exists regarding the Commission's granting of deferred accounting treatment for $60 million in arrearage costs and its prior granting of deferred accounting treatment in Orders UE-200780/UG-200781. PSE requests that the Commission clarify the arrearages related to COVID-19 deemed bad debt and subject to collection in rates shall be tracked consistent with Order 01 in UE-200780/UG-200781.

3. On April 6, 2020, PSE filed revised tariffs under Schedule 129, Low Income Program in Dockets UE200331/UG-200332, establishing a Supplemental Crisis Affected Customer Assistance Program ("CACAP") which ultimately distributed $9.2 million[1] in customer funding. This tariff was approved on April 10, 2020.

4. On September 3, 2020, PSE filed a petition for the deferral of costs associated with the COVID-19 Public Health Emergency in Dockets UE-200780/UG-200781 and on November 6, 2020, filed a revised petition. Among other things, PSE requested deferred accounting treatment for any amount of bad debt expense incurred in 2020-2022 above the

[1] Exh. CLW-13T at 5:4.

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bad debt baseline, defined as the amount that is currently being collected from customers for bad debt during the year. While PSE tracks the bad debt expense that is incurred above the baseline being collected from customers today, it proposed to only defer and seek collection of any amount above the baseline that is written-off. PSE also requested deferred accounting treatment for costs to fund a COVID-19 bill payment assistance program set at one percent of annual retail revenues, of which approximately $22.6 million[2] was distributed to customers. While that petition was granted in Order 01, the Order does not approve any specific methodology for measuring deferred costs and revenue, including bad debt expense.

5. On October 15, 2021, PSE filed revised tariffs under Schedule 129, Low Income Program, in Dockets UE-210792/UG-210793, establishing a Supplemental CACAP which ultimately distributed $27.7 million[3] in customer funding. This tariff was approved on November 12, 2021.

6. On December 8, 2022, PSE filed a revised petition in Dockets UE-200780/UG-200781 requesting approval to modify the previously approved timeframe for its bad debt deferral to extend from December 31, 2022, through December 31, 2023. That petition was granted in Order 02.

7. On December 12, 2023, PSE filed an amended petition to amend Order 02 in response to the Commission's decision in Docket U-200281. The amended petition to amend Order 02 requests approval to modify the previously approved timeframe for its bad

[2] Exh. CLW-13T at 5:9.

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debt deferral to allow PSE to defer the final amount of write-offs above the baseline for bad debt expense balances that remain outstanding until December 2024 on accounts receivable from the period September 2020 to December 2023. That petition was granted on Order 03.

8. On March 24, 2024, PSE filed a revised petition in Dockets UE-200780/UG-200781 requesting approval to modify the previously approved timeframe for its bad debt deferral to extend from December 31, 2023, through December 31, 2024. The Commission has yet to rule on this revised petition.

9. Based on the approvals of the petitions in Orders 01, 02, and 03, PSE began deferring bad debt expense in September 2020 that was above the bad debt baseline being collected in rates from customers and has continued this deferral through the present date. PSE has not yet sought recovery of this balance for numerous reasons, but largely due to the ongoing, significant overdue customer balances, which have neither been collected nor written-off due to the suspension of traditional collection and disconnect practices. As the recovery of the deferral is contingent on actual write-offs, PSE cannot yet determine the final bad debt deferral amount through present date.

10. In December 2022, the Washington State Legislature appropriated $100 million for public and private water, sewer, garbage, electric and natural gas utilities arrearages, of

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[3] Exh. CLW-13T at 6:1.

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which PSE was allocated $29.4 million.[4] PSE applied this funding to residential customer arrearages accrued between March 1, 2020, and December 31, 2021.

11. While unprecedented customer arrearages have accrued since the COVID-19 pandemic was declared in March 2020, there have been significant efforts to provide customer bill assistance during this period. PSE has distributed over $88 million[5] for customer assistance against customer billings incurred between March 2020 and December 2021.[6]

12. The effect of the significant customer assistance, focused on arrearages accrued in 2020 and 2021, was a significant reduction in the outstanding arrearages and amounts written-off for these periods. However, without additional assistance and the restrictions on disconnecting customers for non-payment, arrearages have grown since the end of 2021, as described by Witness Wallace in this proceeding,[7] and are almost exclusively related to 2022 through 2024.

13. An additional impact of the significant customer assistance was minimal bad debt deferrals recorded under UE-200780/UG-200781 related to 2020 and 2021. However, like the arrearage balance, write-offs have increased in 2022 and 2023 without additional customer assistance, leading to higher bad debt deferrals under UE-200780/UG-200781.

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[4] Exh. CLW-13T at 6:6-8.
[5] Exh. CLW-13T at 6:9.
[6] Exh. CLW-13T at 6:9-15.
[7] Exh. CLW-13T at 4:16 through 6:15.

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14. The current bad debt deferrals are recorded to FERC account 186 Other Deferred Debits, under UE-200780/UG-200781. However, as the deferrals will ultimately be based on actual write-offs, and as significant customer arrearages have accrued related to 2022, 2023 and 2024, these deferral amounts will likely increase as more write-offs occur on existing arrearages.

15. In its Order 32/18, the Commission stated that arrearages from the COVID-19 disconnection moratorium from March 2020 to December 2021 in the amount of $60 million shall be deemed bad debt and subject to collection in rates:

> First, the arrearages from the COVID-19 disconnection moratorium, from March 2020 to December 2021, shall be deemed bad debt and subject to collection in rates. PSE indicates that arrearages from this same time period currently amount to $60 million. The Commission grants deferred accounting treatment for these costs on its own motion, and the Company may accrue interest on this debt, at the Company's cost of debt as authorized in Final Order 24/10, beginning on the first day of the month following the entry of this Order. The Company shall record this bad debt amount to FERC Account 182.3. We find that treating arrearages from this time period as bad debt strikes a reasonable balance among the interests of the Company, customers with past-due balances, and other PSE customers. The COVID-19 pandemic represented extraordinary circumstances that justified state-wide prohibitions on disconnections and likewise justifies spreading costs for this time period across PSE's customer base.[8]

16. The $60 million in arrearages from March 2020 to December 2021 provided in Order 32/18 is based upon BE-12 (Bench Request No. 12) which, in subpart e., requested the "[t]otal cumulative arrearage amounts from the period March 1, 2020, through Dec. 31,

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[8] Order 32/18 at ¶ 55 (internal citation omitted).

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2021, that the Company has deemed 'uncollectable' or that 'have been written off'." The preamble to the subparts of BE-12 asks PSE to, "[p]lease provide the following information concerning the appropriation of these funds in Dec. 2022, as well as any currently outstanding residential customer arrearages accrued during the period of March 1, 2020, through Dec. 31, 2021?"[9] However, PSE did not believe this language, specifically "currently outstanding", applied to subpart e. because it requests amounts deemed uncollectable or that have been written-off. Amounts written-off are no longer deemed outstanding from customers because they are removed from customer account balances and the general ledger at the point of write-off.

17. With this understanding PSE provided balances that were uncollectable or written-off related to arrearages accrued from March 1, 2020, through December 31, 2021, regardless of whether they were currently outstanding or not. Additionally, the $60 million figure included amounts that were uncollectable from customers but that were subsequently recovered through means other than the customer, such as CACAP or Department of Commerce funds. Based on paragraph 55 of Order 32/18, it appears the Commission interpreted the $60 million amount as the amount currently outstanding and that had not been recovered through any means.

18. If the Commission is seeking amounts currently outstanding or written-off related to billings from the period of September 2020 through December 2021, which were not recovered through any means, such amount is approximately $25.8 million. Of this total,

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[9] Emphasis added.

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only $1.3 million is currently outstanding. The remaining amount is not currently outstanding, as accounts written-off have been removed from PSE's general ledger and customer account balances.

19. Granting recovery of customer accounts written-off as is directed in Order 32/18, regardless of amounts collected through rates for bad debt expense, would be inconsistent with PSE's accounting petition and the UTC Staff Proposed COVID-19 Response Term Sheet in Docket U-200281.

20. Continuing to measure actual write-offs compared to baseline bad debt expense built into rates appropriately balances what PSE is already recovering from customers compared to the actual and extraordinary bad debt amounts due to the COVID-19 pandemic. It will also allow PSE to execute the targeted outreach, as ordered in paragraph 56, to collect as much as possible from the originating customer without needing to defer these balances and seek recovery from all other customers.

21. As noted above, unprecedented customer assistance has largely resolved customer arrearages for 2020 and 2021, but PSE's inability to disconnect customers under a certain threshold has effectively pushed the COVID-19 arrearage issue to 2022 and beyond. This is evidenced through the extraordinary outstanding customer balances discussed in this proceeding.

22. Therefore, PSE would like to clarify Order 32/18 to expressly provide that PSE is authorized to transfer the existing deferrals recorded under UE-200780/UG-200781 of $20.0

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million[10] from FERC account 186 to Account 182.3 and to continue to record additional amounts under this petition through December 2024[11] to Account 182.3. PSE will subsequently seek recovery of this balance when customer billings for the period of 2020 through 2024 have either been fully collected or written-off, at which point the deferral recorded in FERC 182.3 will be final.

III. CONCLUSION

23. For the reasons set forth above, PSE respectfully requests that the Commission enter an order clarifying Order 32/18 with respect to the above-referenced issue.

[10] Further details supporting this figure are available upon request.

[11] Based on the results of the targeted outreach approved in Order 32/18, PSE may request an extension of the deferred accounting treatment through December 2025.

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