

BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Petition of	DOCKETS UE-220196 and UG-220197
Puget Sound Energy,	ORDER 03
Petitioner,	
For an Order Authorizing Accounting for Costs Associated with Participatory Funding Agreements Pursuant to RCW 80.28.430, and the Commission’s Policy Statement and Order 02 in Docket U-210595	GRANTING ACCOUNTING PETITION

**BACKGROUND**

- 1 On March 24, 2022, Puget Sound Energy (PSE or Company) filed with the Washington Utilities and Transportation Commission (Commission) a petition seeking an Accounting Order (Petition) under WAC 480-07-370(3) authorizing the accounting treatment detailed in the Petition for financial assistance distributed under the Washington Interim Participatory Funding Agreement (Agreement). On October 5, 2023, PSE filed with the Commission a Petition for an Amended Order. On November 1, 2023, PSE filed with the Commission a revision to its Petition for an Amended Order. Both petitions were granted by the Commission (Order 01).
- 2 The Agreement and Order 01 set the funding level for the first year of participatory funding for PSE at \$300,000, consistent with the Policy Statement. RCW 80.28.430(3) provides that the Commission shall allow a utility to defer this funding. Order 01 provides that amounts in any deferred account will include a carrying cost equal to a utility’s authorized rate of return, until the deferral is amortized, at which time it will receive a return at the current Federal Energy Regulatory Commission (FERC) rate.<sup>1</sup> To mitigate the impact of carrying costs on ratepayers, the Commission in Order 01 required that utilities file an annual tariff filing to recover these deferred amounts.
- 3 On February 16, 2023, in Docket U-210595, the Commission issued Order 02 approving the Washington Revised Extended Interim Funding Agreement (Extended Agreement). Order 02 requires the Company to file a deferred accounting petition for each year.

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<sup>1</sup> *Id* at ¶ 10 (Feb. 24, 2022).

- 4 On February 25, 2025, PSE filed with the Commission a newly revised petition (February Petition) seeking to amend the previously Amended Petition to extend the deferred accounting treatment for three years, through the end of the newly proposed Participatory Funding Agreement (Proposed Agreement) filed on February 18, 2025, in Docket UE-210595.
- 5 On April 4, 2025, PSE filed its Revised Third Amended Petition (April Petition). PSE revised its February Petition indicating that the deferral will result in a credit or debit to ratepayers based on recovery relative to the amount recovered for participatory funding in base rates approved in PSE's most recent rate case in Dockets UE-200004 and UG-240005.
- 6 In 2021, the Washington State Legislature enacted Engrossed Substitute Senate Bill 5295 (ESSB 5295), codified as RCW 80.28.430, which requires, when requested, electric and natural gas utilities to enter into one or more written funding agreements to provide financial assistance to organizations that represent broad customer interests to participate in regulatory proceedings before the Commission. Broad customer interests can include, but are not limited to, organizations that represent low-income, industrial customers, or highly impacted and vulnerable communities. On November 19, 2021, the Commission issued a policy statement (Policy Statement) under U-210595<sup>2</sup> to clarify the Commission's interpretation of the statute.
- 7 Per RCW 80.28.430, the Commission is directed to determine the amount of financial assistance, if any, that may be provided to any organization; the way the financial assistance is distributed, the way the financial assistance is recovered in a utility's rates, and other matters necessary to administer the agreement.<sup>3</sup> Investor-owned electric and natural gas companies subject to Commission jurisdiction, along with several organizations representing customer interests, developed the Agreement and presented that to the Commission on February 24, 2022. The Commission approved the Agreement with modifications in Order 01 in Docket U-210595.
- 8 In its February petition, the Company proposes to defer all financial assistance distributed under the Proposed Agreement and record the deferral as a regulatory asset

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<sup>2</sup> See generally Docket U-210595, Order 01 (Feb. 24, 2022).

<sup>3</sup> See Docket U-210595, Order 01 ¶ 2 (Feb. 24, 2022).

in FERC Account 182.3 (Other regulatory assets), consistent with the Policy Statement. The offsetting credit will be to FERC Account 407.4, Regulatory Credits. Consistent with Order 01, the Company proposes that interest will accrue on the deferred balance at the Company's authorized net of tax rate of return grossed up for federal income tax until the deferral is approved for recovery and begins amortizing. Once approved for recovery, PSE requests that the unamortized balance accrue interest at the then published FERC rate, which is updated quarterly.

9 The Commission requires that companies requesting to defer costs through accounting petitions demonstrate that such treatment is necessary due to extraordinary circumstances that have a material impact. In this instance, however, the applicable statute specifically allows deferral of financial assistance provided by the utilities, and Order 01 specifically addresses allowable carrying charges.

10 Commission staff (Staff) has reviewed the February Petition, as amended on April 4, 2025, and finds the amended accounting petition reasonable. However, Staff finds that PSE's request for carrying costs at the authorized rate of return is unreasonable given the reduced risks associated with cost recovery as it relates to participatory funding expenses. Staff recommends that the Commission should approve PSE's petition subject to the condition that carrying costs are not authorized.

### DISCUSSION

11 PSE's request for deferred accounting treatment for expenses related to the participatory funding agreement appears reasonable and consistent with previous requests.

12 However, Staff argues that the circumstances of this filing and statutory language governing cost recovery for participatory funding expenses indicate that PSE should not be authorized to collect carrying costs. Staff refers to RCW 80.28.430(3), which states that the Commission shall allow utilities to recover costs. Thus, Staff believes that this statutory language reduces a utility's risk of recovery for these costs.

13 Staff also indicates that PSE is authorized to collect \$200,000 in base rates annually for participatory funding expenses. In 2022, fund grant disbursements to intervenors were \$280,331. Total requests for fund grants in 2023 and 2024 are \$115,350 and \$252,516,

respectively.<sup>4</sup> These totals are significantly less than the Consumer Access Fund cap set at \$400,000 for 2023 to 2024. The Commission has already authorized recovery for a significant portion of expected or potential payments to intervenors. As a result, PSE's recovery risk for these costs is low. While Orders 01 and 02 approved carrying costs at the authorized rate of return, Staff argues that carrying costs are not appropriate here on the basis of likelihood that the Company will be permitted to recover these costs.

14 The Commission believes this change, departing from carrying costs authorized at rate of return, is appropriate because RCW 80.28.430(3) states that the Commission shall allow utilities to recover amounts provided to participants through rates, but does not require the Commission approve carrying costs. Accordingly, we do not find that carrying costs at the authorized rate of return are appropriate or in the public interest at this time. Accordingly, we find that PSE should not accrue interest as recommended by Staff, reflecting the reduced risk for over- or under-recovery.

15 PSE's April Petition amends its request for deferred accounting treatment such that the deferral account could result in a credit or debit to ratepayers. If total fulfilled fund grant requests are less than the currently authorized \$200,000 in PSE's base rates, then customers would be refunding the difference and vice versa. RCW 80.28.480 contemplates utilities being able to recover the costs associated with participatory funding programs. Therefore, it follows that ratepayers should not be charged for participatory funding expenses that are not disbursed to intervenors. To that end, PSE's April Petition to accommodate customer credits or debits based on actual program costs is reasonable and in the public interest.

16 We clarify that although accounting petitions do not contemplate recovery, the Commission expects PSE to comply with Order 01 in Docket U-210595 and file an annual true-up to recover any costs deferred under this Petition. This annual true-up mechanism is an essential component of Order 01 as it prevents deferred costs from accumulating for long periods of time. We also reiterate that approval of the deferred accounting petition is not approval of payment, and all deferred funds are still subject to review and challenges on the basis of prudence by any party.

## FINDINGS AND CONCLUSIONS

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<sup>4</sup> At the time of this filing, fund grant requests are outstanding.

- 17 (1) The Commission is an agency of the State of Washington vested by statute with the authority to regulate the rates, rules, regulations, practices, accounts, securities, transfers of property, and affiliated interests of public service companies, including natural gas companies.
- 18 (2) PSE is an electric and natural gas company providing service within the state of Washington. As a public service company, it is subject to Commission jurisdiction.
- 19 (3) WAC 480-07-370(3) allows companies to file petitions, including that for which PSE seeks approval.
- 20 (4) Staff has reviewed the Petitions filed in Dockets UE-220196 and UG-220196, including related work papers.
- 21 (5) Staff believes the proposed accounting order PSE requests is reasonable and should be granted, and that the Petition is consistent with the public interest.
- 22 (6) This matter came before the Commission at its regularly scheduled meeting on April 10, 2025.
- 23 (7) After reviewing PSEs Petitions filed in Dockets UE-220196 and UG-220197 on February 25, 2025, and giving due consideration to all relevant matters and for good cause shown, the Commission finds that the Petition should be granted, subject to the condition that PSE shall not accrue interest, consistent with the public interest and reflecting the reduced risk for over- or under-recovery. The Petition provides a way for the Company to track costs incurred to fund the Participatory Funding Program for potential future recovery and is thus in the public interest.

## ORDER

### THE COMMISSION ORDERS:

- 24 (1) Puget Sound Energy's request to use deferred accounting for financial assistance distributed through the Agreement terminating December 31, 2027, with no carrying costs authorized, is granted.

- 25 (2) This Order shall not affect the Commission's authority over rates, services,  
accounts, valuations, estimates, or determination of costs, on any matters that  
may come before it. Nor shall this Order granting the Petition be construed as  
an agreement to any estimate or determination of costs, or any valuation of  
property claimed or asserted.
- 26 (3) 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 April 11, 2025.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION



BRIAN J. RYBARIK, Chair



ANN E. RENDAHL, Commissioner



MILTON H. DOUMIT, Commissioner