

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

|  |   |
|--|---|
| In the Matter of the Petition of                               | DOCKET UE-220797                        |
| PUGET SOUND ENERGY,  | ORDER 01                                |
| For an Order Approving Forecasts<br>Pursuant to RCW 70A.65.120 | APPROVING SUPPLY AND<br>DEMAND FORECAST |

**BACKGROUND**

1 In 2021, the Washington State Legislature passed the Climate Commitment Act (CCA) through Engrossed Second Substitute Senate Bill 5126 into law, codified as RCW 70A.65, to reduce greenhouse gas (GHG) emissions. Also referred to as “Cap and Invest,” the law establishes a declining cap on GHG emissions from covered entities, and is intended to reduce emissions in the state by 95 percent by 2050.<sup>1</sup> The CCA allows electric utilities, which are subject to the Clean Energy Transformation Act (CETA), to receive no-cost allowances to mitigate the cost burden of the Cap and Invest Program on electric customers.<sup>2</sup> The CCA required the Department of Ecology (Ecology) to adopt rules, in consultation with the Washington Utilities and Transportation Commission (Commission) to establish the methods and procedures for allocating allowances for investor-owned electric utilities (IOUs).<sup>3</sup>

2 On September 29, 2022, Ecology published final rules under Chapter 173-446 of the Washington Administrative Code (WAC), the Climate Commitment Act Program. WAC 173-446-230 specifies that Ecology will use utility-specific four-year demand and resource supply forecasts to determine the cost-burden effect and the allocation of no-cost allowances to each electric utility.

3 WAC 173-446-230(2)(g) provides that the initial allocation of allowances will be adjusted as necessary to account for any differential between actual GHG emissions and forecasted GHG emissions.<sup>4</sup> Commission staff (Staff) and other parties refer to this

---

<sup>1</sup> See [Climate Commitment Act - Washington State Department of Ecology](#).

<sup>2</sup> WAC 173-446-230(1).

<sup>3</sup> RCW 70A.65.120.

<sup>4</sup> WAC 173-446-230(2)(g).

informally as the true-up mechanism (true-up). Ecology has clarified that it will not subtract allowances if actuals are less than forecasted emissions, but rather it would give the utility proportionately fewer allowances the next year.

4 On September 30, 2022, the Commission served a Notice Requiring Petitions Requesting Approval of Forecasts Pursuant to RCW 70A.65.120 (Notice) to the electric IOUs, which asked each utility to file for approval its most likely four-year demand and resource supply forecast by October 31, 2022.<sup>5</sup> The Notice indicated that the forecasts should be derived from sources that most accurately and best predict how each IOU will comply with CETA, which may include a Clean Energy Implementation Plan (CEIP)<sup>6</sup> or Integrated Resource Plan (IRP). Further, the Notice asked the IOUs to address whether the Commission should permit annual updates to the four-year demand and resource supply forecasts.

5 On October 31, 2022, Puget Sound Energy (PSE or Company) filed with the Commission a Petition for an Order Approving Forecasts Pursuant to RCW 70A.65.120, which was assigned to Docket UE-220797. PSE used its 2021 CEIP as the source for its forecast for all years, extending the modeling from its CEIP through 2026. PSE's final 2021 CEIP was filed in Docket UE-210795 and the matter is set for an evidentiary hearing beginning on January 1, 2023. As stated in the Notice, the outcome of this forecast docket should have no bearing on the ongoing CEIP adjudication. PSE forecasts 22,160,079 MWh of total load in 2023; 22,502,456 MWh in 2024; 22,700,927 in 2025; and 22,928,549 in 2026.

6 On November 10, 2022, the Commission issued a Notice of Opportunity to File Written Comments and Notice of Recessed Open Meeting, providing an opportunity for interested parties to provide input on PSE's forecast.

7 NW Energy Coalition (NWEC), Public Counsel, and Climate Solutions filed comments in response to the Notice, which are discussed in detail below. No commenter recommended rejecting the companies' forecasts.

8 Staff has reviewed PSE's forecast and believes that it is consistent with WAC 173-446-230 and Commission expectations but recommends that the Commission approve the forecast subject to the condition that, beginning in 2023, if substantive changes to

---

<sup>5</sup> Notice Requiring Petitions Requesting Approval of Forecasts Pursuant to RCW 70A.65.120, filed November 16, 2023, in Dockets UE-220770, 220789, & 220797.

<sup>6</sup> The compliance period for the utilities' CEIPs is 2022-2025, which differs by one year from the 2023-2026 compliance period.

emissions estimated by this forecast are expected in a future year, the Company must refile by June 15 of that year.

- 9 The Commission held a recessed open meeting to discuss the IOUs' CCA forecasts on January 23, 2023. Public Counsel and NWECA made oral comments regarding the general process for approving forecasts, issues related to the standard for "substantive" changes requiring an update per Staff's suggested condition, and the potential uncertainty in a "most likely" standard for approving the forecasts. Public Counsel also requested that the Company update specific line-item entries to separate zero-emission resources from carbon emitting resources in future forecasts.

### DISCUSSION

- 10 As a threshold matter, we approve PSE's forecast. After hearing discussion on the value of a condition requiring an update that may duplicate the reporting required by Ecology, we grant our approval subject to the modified condition that the Company must notify the Commission if there are any substantive changes, as that term may be defined by the Commission in a subsequent proceeding.

#### *Forecast Sources*

- 11 WAC 173-446-230(2)(c)(i) states that the preferred source for these forecasts should be a forecast "approved" by the Commission, although other sources, such as filed CEIPs and IRPs, are also included in the rule as appropriate sources for forecasts. While PSE's CEIP has not yet received final Commission approval, the Commission nevertheless believes that CEIPs and IRPs are the best basis for CCA forecasts because they represent the best estimate of the utility's demand and supply. In the past, Staff, the Company, and other parties have discussed using power cost forecasts as the basis for CCA forecasts, as these are typically also approved by the Commission. However, the interlocking, iterative, and robust public processes between CEIPs and IRPs provide more transparency to the Commission and interested persons and are more likely to result in continuous improvement, while power cost forecasts are typically only used within the context of rate cases.
- 12 Secondly, the ongoing discussions in the CEIPs make them more current than power-cost-based forecasts. Moreover, should the Commission require changes to targets or methodologies in CEIP or IRP discussions that substantively change emissions and allowance expectations, the notification condition provided in this Order should help resolve any discrepancies.

*Annual Updates and True-Up Mechanism*

- 13 PSE recommends that the Commission should allow, but not require, electric utilities to submit an update to the demand and resource supply forecasts if needed. We agree. Since Ecology’s final rules include a “true-up” mechanism, the Commission should not require annual updates to the forecasts, because the “true-up” is intended to account for any differences between forecasted emissions and actuals, rendering an annual update unnecessary, neither should we require continuous updates on an as-needed basis. We thus approve these forecasts, subject to the condition detailed above regarding notification in the event of substantive changes affecting the forecasts. The Commission reserves the right to determine the definition of substantive changes requiring notification, and trusts that PSE will open a dialogue with Staff regarding any arguably substantive changes. This approach strikes a balance that ensures that the most updated forecast is publicly available and that the true-up mechanism can work as an administrative buffer, rather than as a fix for large discrepancies.

*Other Issues Raised by Interested Parties*

- 14 Several related issues were raised by interested parties in response to the Commission’s invitation to comment on the forecast. These issues include the use of the social cost of greenhouse gas in dispatch costs; increases in unspecified market purchases; leakage, as defined in RCW 70A.65.010(43); and the use of allowances to mitigate impacts to ratepayers. We appreciate parties raising these issues, agree that these issues are important, and that we should, and will, address them going forward.

**FINDINGS AND CONCLUSIONS**

- 15 (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 electric companies.
- 16 (2) PSE is an electric company and a public service company subject to Commission jurisdiction.
- 17 (3) PSE is an investor-owned electric utility subject to the requirements of Chapter 19.405 RCW.
- 18 (4) PSE properly calculated its four-year demand and resource supply forecast.

- 19 (5) PSE's 2023-2026 demand and resource supply forecast should be approved pursuant to 70A.65.120, subject to the condition that the Company must notify the Commission in the event of any substantive changes, as that term may be defined by the Commission in a subsequent proceeding.
- 20 (6) This matter came before the Commission at its recessed open meeting on January 23, 2023.
- 21 (7) After reviewing PSE's petition and forecast and giving due consideration to all relevant matters and for good cause shown, the Commission approves PSE's four-year demand and resource supply forecast.

**ORDER**

**THE COMMISSION ORDERS:**

- 22 (1) The Commission grants Puget Sound Energy's Petition Requesting Approval of Forecasts Under RCW 70A.65.120, subject to the condition described in paragraph 10.
- 23 (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.
- 24 (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 January 24, 2023.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVE W. DANNER, Chair

ANN E. RENDAHL, Commissioner

MILTON H. DOUMIT, Commissioner