



STATE OF WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

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November 5, 2024

RE: *In re Puget Sound Energy's Multi-Year Rate Plan Annual Report,*
Dockets UE-220066, UG-220067, UG-210918 (consolidated)

TO ALL PARTIES:

On December 22, 2022, the Washington Utilities and Transportation Commission (Commission) issued Order 24/10¹ in the above referenced dockets. Among other things, Order 24/10 required Puget Sound Energy (PSE or Company) to file a Multi-Year Rate Plan Annual Report (“the Report”) to allow the Commission and parties to the case the opportunity to review whether capital included provisionally in rates has been placed in service during the rate-effective period and to assess whether the costs for those projects or services for that year were prudently incurred. If so, the Commission considers that those costs should no longer be subject to refund,² and that the Company transfers the revenue requirement associated with the project from “subject to refund” (Schedule 141R) to “not subject to refund” (Schedule 141N). PSE is also required to report on the Inflation Reduction Act (IRA) and Infrastructure Investment and Jobs Act (IIJA) funding options and offsetting benefits in all retrospective reviews of capital projects.

¹ UE-220066, etc. Order 24/10, Rejecting Tariff Sheets; Approving Settlements with Conditions; Authorizing and Requiring Compliance Filing in the above-referenced dockets. The procedure for the review applied this year is stipulated in the Settlement Agreement to the 2022 General Rate Case. Order 24/10 p. 237 referencing UE-220066, etc. Prefiled Direct Testimony of Susan Free, Exh-SEF-1T.

² 2U-190531 Policy Statement on Property that Becomes Used and Useful after Rate Effective Date. To allow flexibility in utility operations, under the stipulated procedure the costs should be evaluated on a portfolio basis subject to a test for significance of the variance for under-investing. If the portfolio fails this "threshold test," the difference between forecasted and actual costs representing the amount under-invested may be refunded to customers as well as any significant imprudent expenditures, Prefiled Direct Testimony of Susan Free, Exh-SEF-1T p 143 Table 1.

On March 29, 2024, the Company submitted its second annual Report, which concerns PSE's actual 2023 capital investments compared to what was used to set provisional rates in accordance with Order 24/10.

After reviewing PSE's compliance filing, Commission staff (Staff) issued informal data requests and met with the Company to discuss variances between forecasts and actual costs for several of the capital projects. Staff's review identified deficiencies in PSE's initial filing, including an error in the categorization of a project and a lack of documentation to support the prudence of the significant cost variance associated with the Energize Eastside project. In the course of discovery, PSE stated that expenditures on AMI and the Energize Eastside project were not as initially reported. Rather, AMI was not underspent at all and Energize Eastside overspent less than reported.

After those discussions, PSE refiled its report on October 18, 2024, correcting the errors and withdrawing its request to deem the costs for the Energize Eastside project "not subject to refund." Instead, PSE will continue to recover the costs of the Energize Eastside project provisionally. The Company will submit its full support for the prudence of Energize Eastside's costs when it files its 2024 Report.

On October 28, 2024, Staff filed a letter in this docket informing the Commission that it reviewed the Company's compliance filing and believes that the Report and accompanying workpapers meet the requirements of Order 24/10, including the Commission's conditions for IRA and IJA. Therein, Staff believes PSE provided sufficient information regarding IRA and IJA opportunities the Company is considering. PSE indicated no off-setting benefits for 2023. In the letter, Staff also expressed concerns regarding challenges faced during the relatively novel retrospective plant review, which utilized the recently adopted portfolio basis review approach. Specifically, Staff is concerned that the burden of establishing prudence, which according to long-time Commission standards lies with the utility, becomes effectively transferred to Staff for each year after the initial year of a rate plan.

The Commission affirms Staff's position that PSE's compliance filing complies with Order 24/10 in Docket UE-220066, entered December 22, 2022. However, the Commission notes that the burden to show prudence in these filings remains with the Company, and strongly encourages the Company provide Staff with the data needed to review these filings in the future, to reduce the burden placed on Staff in this filing and meet the burden which is the Company's to carry.

JEFF KILLIP
Executive Director and Secretary