



Puget Sound Energy
P.O. Box 97034
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PSE.com

October 30, 2020

Filed Via Web Portal

Mr. Mark L. Johnson, Executive Director and Secretary
Washington Utilities and Transportation Commission
621 Woodland Square Loop SE
Lacey, WA 98503

**Re: Advice No. 2020-39
PSE Electric Tariff Revision - Filed Electronically**

Dear Mr. Johnson:

Puget Sound Energy (“PSE”) hereby submits proposed revisions to its electric Schedule 95, Power Cost Adjustment Clause. This filing, pursuant to RCW 80.28.060 and Chapter 480-80 WAC, proposes revisions to the following electric tariff sheets.

WN U-60, Tariff G - (Electric Tariff):

- Original Sheet No. 95-E.3 – Power Cost Adjustment Clause (Continued)
- Original Sheet No. 95-E.4 – Power Cost Adjustment Clause (Continued)
- Original Sheet No. 95-E.5 – Power Cost Adjustment Clause (Continued)
- Original Sheet No. 95-E.6 – Power Cost Adjustment Clause (Continued)
- Original Sheet No. 95-E.7 – Power Cost Adjustment Clause (Continued)
- Original Sheet No. 95-E.8 – Power Cost Adjustment Clause (Continued)
- Original Sheet No. 95-E.9 – Power Cost Adjustment Clause (Continued)

On July 30, 2020, the Washington Utilities and Transportation Commission (“Commission”) approved a petition filed by PSE requesting approval of its Power Cost Adjustment Mechanism Annual Report (“PCA Annual Report”) in Docket UE-200398. The approved PCA Annual Report covers the calendar year ending December 31, 2019. During 2019, actual power costs were higher than baseline power costs, thereby creating an under-recovery of \$67,232,138. Under the terms of the PCA’s sharing mechanism for under-recovered power costs¹, PSE absorbed \$31.2 million of the \$67.2 million under-recovered amount, and customers are responsible for the remaining \$36 million, or \$37 million including interest. As PSE had an

¹ Per the terms of the PCA mechanism, for the under-recovered amount of \$67.2 million PSE absorbs 100 percent of the first \$17 million, 50 percent between \$17 million and \$40 million (or \$11.5 million), and 10 percent of the amount between \$40 million and \$67.2 million (or \$2.7 million).

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approved balance owing from customers including interest at the start of 2019 totaling \$4.7 million², the approved cumulative deferral balance for the PCA as of December 2019 is \$41.7 million in the surcharge direction.

Under the mechanism, PSE could have proposed in its testimony filed April 30, 2020, to initiate a surcharge to collect the outstanding balance at the time of the approval of the petition in Docket UE-200398. However, due to concerns about the economic impact of the COVID-19 pandemic on customers, PSE voluntarily, with Commission Staff support, delayed filing an increase to its Schedule 95 rates. Specifically, PSE chose to defer the recovery of these balances because it was concerned about the potential of compounding the impacts of recovering these balances on top of substantial rate increases expected in PSE's pending general rate case in Dockets UE-190529 and UG-190530 ("2019 GRC").

The Commission rendered its final Order 8 in PSE's 2019 GRC on July 8, 2020, providing effectively no net rate increase in the case. The rating agency response to this decision was swift. Over the course of the next month few weeks, all three rating agencies issued guidance that acknowledged the GRC decision was credit negative and will strain future cash flows and place downward pressure on credit metric performance. S&P briefly put the company on credit watch negative as a result of the order and Fitch and S&P have both since reaffirmed their ratings outlook on the company as negative.

Compounding its cash flow pressures, PSE is now forecasting that it will have another substantial under-recovery in its PCA mechanism in calendar year 2020 that will result in the need to collect another large receivable from customers. These balances are expected to continue to grow until PSE's rates are reset to better align with its growing power cost expenses. Unrecovered power and gas costs alike, need to be financed with debt. Increasing debt levels will further stress credit metrics. It is imperative that past unrecovered PCA cost get included in rates quickly to reduce debt levels and pave the way to recover current and future under-recoveries until the PCA baseline rate can be adjusted in a future rate proceeding.

Accordingly, in response to its deteriorating credit quality and growing deferred balances owed from customers, this filing begins the process of recovering PSE's approved PCA imbalance from 2019 in order to begin amortizing these substantial and growing deferred balances.

As stated, this filing is set to collect the customer's share of the cumulative 2019 imbalance in PSE's PCA mechanism. This is structured as a supplemental rate under the schedule in order to separately track the PCA imbalance recovery from rates that may be set as part of a potential future Power Cost only Rate Case, which does not require tracking. Overall, this proposal represents a \$43.9 million increase in revenue, which represents the cumulative imbalance with interest of \$41.7 million grossed up for revenue sensitive items, or an average 2.10 percent for all schedules, except retail wheeling customers under Schedules 448, 449, 458 and 459, and customers under special contracts. The typical residential customer using 900 kWh per month would experience an increase to their monthly bill of \$1.92, or 2.05 percent.

² Docket No. 200398, Exh. SEF-4 page 4, cells K11:K27

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The tariff sheets described herein reflect an issue date of October 30, 2020, and effective date of December 1, 2020. Posting of proposed tariff changes, as required by law and the Commission's rules and regulations, is being completed through web, telephone and mail access in accordance with WAC 480-100-193. Notice to the public under the provisions of WAC 480-100-194 will be provided within 30 days of the December 1, 2020, effective date.

Please contact Veronica Martin at (425) 457-5624 or veronica.martin@pse.com for additional information about this filing. If you have any other questions, please contact me at (425) 456-2142.

Sincerely,

/s/ Jon A. Piliaris

Jon A. Piliaris - Director, Regulatory Affairs

Puget Sound Energy

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cc: Lisa Gafken, Public Counsel
Sheree Carson, Perkins Coie

Attachments:

Electric Tariff Sheets (listed above)

Work Papers