

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of	)	
	)	
PUGET SOUND ENERGY	)	Docket UE-25 _____
	)	
For an Order authorizing specific accounting	)	PETITION OF PUGET SOUND ENERGY
treatment for Climate Commitment Act ("CCA")	)	
electric allowance costs	)	

I. INTRODUCTION

1. Puget Sound Energy ("PSE" or "the Company") respectfully petitions the Washington Utilities and Transportation Commission ("Commission") for an Order authorizing specific accounting treatment for Climate Commitment Act ("CCA") electric allowance costs. This petition is filed in accordance with WAC 480-07-370(3) and along with other filings being made, serves to implement Order 01 in Docket UE-250321.¹

2. This petition establishes the accounting methodology needed to include CCA electric allowance purchase costs in PSE's Power Cost Adjustment ("PCA") mechanism under Schedule 95, while returning the market value of no-cost allowances to customers through Schedule 111-E.²

3. Statutes and rules at issue in this Petition include RCW 70A.65, RCW 80.01.040, RCW 80.28.020, WAC 480-100-203, WAC 480-07-370, and WAC 173-446.

¹ See the cover letter filed on October 1, 2025, for the description of the inter-related filings made for compliance with Order 01 in Docket UE-250321.

² PSE's October 1, 2025, compliance filing report in Docket UE-250321 provides a full overview of the proposed treatment that results in the need for this petition.

4. PSE is a combined gas and electric utility that provides service to approximately 1,200,000 electric customers and 880,000 natural gas customers in Western Washington.
5. All correspondence related to this Petition should be directed as follows:

Puget Sound Energy
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II. SUMMARY OF PETITION

6. PSE requests Commission approval of accounting treatment for four key CCA-related transactions: (1) Initial Valuation and Rate Setting; (2) Monthly Entries; (3) Annual True-up for Schedule 111-E; and (4) Interest on Schedule 111-E net deferral balance.
7. Specifically, in PSE's compliance filing in Docket UE-250321, PSE seeks authorization to: (a) include forecasted CCA electric allowance purchase costs in Schedule 95 PCA variable costs; (b) transfer no-cost allowances needed for compliance to Schedule 95 at market price; (c) credit customers for the market value of no-cost allowances through Schedule 111-E; and (d) utilize for compliance or consign and return proceeds of any surplus no-cost allowances to customers via Schedule 111-E.
8. PSE is simultaneously filing its Schedule 95 2026 power cost update in Docket UE-250326 and will soon file a revision to Schedule 111-E to operationalize this accounting treatment. This petition provides the accounting framework supporting PSE's proposal filed in the October 1, 2025, compliance filing in Docket UE-250321.

III. BACKGROUND

9. In Commission Order 01 in Docket UE-250321, the Commission directed PSE to collaborate with parties to amend the PCA mechanism to propose a different solution for recovery of CCA allowance costs rather than the previous approach of crediting all wholesale revenue to customers through the PCA and then seeking separate tariff recovery for allowance costs.³
10. The Climate Commitment Act (RCW 70A.65) requires electric utilities to comply with greenhouse gas emission reduction requirements effective January 1, 2023. Under RCW 70A.65.120, the state must allocate allowances at no cost to electric utilities for the benefit of their ratepayers.
11. PSE developed a proposal to include all electric CCA allowance purchase costs, including a value for no cost allowances, in PCA variable costs while ensuring customers receive the benefit of the full value those of no-cost allowances through Schedule 111-E. PSE conducted stakeholder consultations on August 27 and September 15, 2025, as required by Commission Order 01.

IV. JUSTIFICATION FOR ACCOUNTING TREATMENT

12. The requested accounting treatment is essential to implement PSE's proposal to address Order 01 in Docket UE-250321 while ensuring compliance with the Climate Commitment Act and generally accepted accounting principles (GAAP). PSE's proposal does not result in recognizable transactions from a GAAP perspective, therefore, without specific direction from the Commission there is no value attributed to no-cost

³ See paragraph 20(c) of Order 01.

allowances and the accounting to recognize PSE's proposal would not occur. As such, PSE is filing this petition in order to establish the grounds on which to properly account for its proposal.

13. PSE's proposal allows customers to receive the full benefit of no-cost allowances while enabling PSE to properly match the costs and revenues from wholesale power sales that create CCA compliance obligations within the PCA.

V. PROPOSED ACCOUNTING TREATMENT

14. PSE seeks authorization for accounting treatment of CCA compliance within the PCA mechanism as detailed in PSE's October 1, 2025, compliance filing in Docket UE-250321.
15. As noted in that filing, PSE proposes to include forecasted total electric CCA allowance costs in the PCA mechanism as a variable power cost in baseline rates. To account for electric CCA no-cost allowances ("NCAs") provided to PSE by the Washington State Department of Ecology ("Ecology") for the benefit of PSE customers, PSE's proposal utilizes Schedule 111–Electric ("Sch. 111-E") to pass back the value of no-cost allowances used for CCA compliance equal to the level of CCA allowance costs recovered through the PCA mechanism until the NCAs are fully utilized.
16. In the compliance filing in Docket UE- 250321 and in the 2026 Power Cost Update filing within Docket UE-250326, PSE is requesting authorization to establish the annual framework for no-cost allowance rate-setting by valuing all no-cost allowances

needed for its forecasted emissions compliance in the following year ~~2025~~⁴. PSE will incorporate the gross forecasted CCA allowance costs into the PCA baseline rate through its 2026 power update filed October 1, 2025, under UE-250326.

Simultaneously, PSE will incorporate the offsetting forecasted market value of no-cost allowances into Schedule 111-E through a rate filing on October 31, 2025, with both rates effective January 1, 2026. This establishes the annual budget for both allowance costs in the PCA and customer credits in Schedule 111-E.

17. Monthly Recognition of Allowance Costs: Building on the annual forecasts established in rates discussed above, PSE requests authorization for monthly journal entries that operationalize the no-cost allowance accounting. Each month, PSE will record the load-shaped portion of the annual no-cost allowance valuation by debiting PCA costs Account 555 and crediting regulatory liability Account 254. This monthly entry recognizes the usage of forecasted no-cost allowances, valued as noted above in paragraph 17, in the PCA costs and as a regulatory liability to customers. These entries will serve to balance the accounts as customers are charged via the PCA and credited via Schedule 111-E.

Journal Entry - Transfer of No-Cost Allowances to PCA:

Dr. PCA Variable Costs (Account 555)

Cr. Other Regulatory Liabilities (Account 254)

⁴ PSE's proposal is currently a one-year proposal for 2026 only. The pricing included in PSE's 2026 Power Cost Update filing made October 1, 2025, in UE-250326 is the average nodal exchange prices over the 7-days ended September 5, 2025. Currently, Nodal exchange pricing is the most indicative pricing, but valuation entries included in this petition could use better sources if eventually determined. For instance, in the event that ICE pricing data becomes available to PSE and is determined to be a better source of information, valuations could be done using the more representative data source.

18. To recognize the monthly amortization of the regulatory liability created in the preceding paragraph, PSE will record a journal entry to offset monthly revenues from Schedule 111E and reduce the regulatory liability as the value of NCAs are passed back through rates.

Journal Entry - Schedule 111-E Credit Billings:

Dr. Revenues (Account 440)⁵

Cr. Customer Accounts Receivable (Account 142)

Dr. Other Regulatory Liabilities (Account 254)

Cr. Revenues (Account 407.4)

19. To reconcile the forecast set in rates with actual operations, PSE requests authorization for monthly journal entries that address variances between forecasted and actual no-cost allowance usage. PSE will compare the quantity of no-cost allowances actually required for monthly emissions against the forecasted quantities recognized used for setting rates (which will be the same quantities in the monthly entries described above in paragraph 18). Should PSE's emissions obligation during a month exceed the emissions obligation included in the power cost forecast used to establish the PCA variable baseline rate, PSE would credit the Sch. 111-E regulatory liability account and debit power costs in an amount equal to the daily average of Nodal exchange⁶ market allowance prices for that month multiplied by the volume by which emissions obligation exceeds the forecast.
- The opposite accounting would be recorded if PSE's emissions obligation for a month

⁵ It is necessary to debit and credit revenue in the same entry for two reasons. First, as PSE's billing system is configured to debit revenues when customers are billed. Second, to allow for transparent tracking in the system.

⁶ Currently, Nodal exchange pricing is the most indicative pricing, but valuation entries included in this petition could use better sources if eventually determined. For instance, in the event that ICE pricing data become available to PSE and is determined to be a better source of information, valuations could be done using the more representative data source.

were less than the emissions obligation included in the power cost forecast used to establish the PCA variable baseline rate. These adjustments will modify the regulatory liability in Account 254 to ensure customers receive credits based on the actual number of no-cost allowances used for compliance.

Monthly Journal Entry – No Cost Allowances to Cover Emissions – Where the Forecast used to Set Rates is Greater Than Actuals:

Dr. Other Regulatory Liabilities (Account 254)

Cr. PCA Variable Costs (Account 555)

Journal Entry – No Cost Allowances to Cover Emissions – Where the Forecast used to Set Rates is Less Than Actuals:

Dr. PCA Variable Costs (Account 555)

Cr. Other Regulatory Liabilities (Account 254)

20. Annual True-Up: Schedule 111-E includes an annual true-up mechanism similar to other tracker schedules. This mechanism will address: (a) differences between forecasted and actual no-cost allowance allocations from the Department of Ecology; (b) variances between forecasted and actual emissions volumes and market values calculated in paragraph 20, as well as calculated when PSE's final emissions and compliance obligation are known and approved; (c) variances in revenues passed back versus what was set in rates; and (d) any proceeds from the consignment of surplus no-cost allowances should PSE be required to consign.
21. The net result of items (a), (b), and (c) will be the variance between the value of no-cost allowances set in rates and the actual no-cost allowances used to cover emissions. Item (d) may result in incremental amounts owed to customers and tracked in the Schedule

111-E regulatory liability account. This net balance, positive or negative, will be passed back or collected from customers in Schedule 111E in a future period.

Journal Entry – If PSE is Required to Consign Surplus No-Cost Allowance for Return to Customers:

Dr. Cash (upon sale)

Cr. Other Regulatory Liabilities (Account 254)⁷

22. PSE's compliance report filed in Docket UE-250321 discusses requests the specific treatment to allow true-ups within PSE's PCA Mechanism.
23. Interest Accrual: Interest will accrue on the net deferred balance in Account 254, which is related to amounts being passed back in Schedule 111E, including potential proceeds from the consignment of surplus allowances. In PSE's upcoming Schedule 111E filing, it will request that the accrual-rate will equal the FERC interest rate in order to be in alignment with the rate currently approved for PSE's PCA mechanism.

Journal Entry - Interest on deferral balance:

Dr. Interest Expense

Cr. Regulatory Liability – Interest

24. Note, allowance purchases that are required to be purchased once no-cost allowances are no longer available will be recorded as a debit to PCA costs, credit to cash/accounts payable. As described in PSE's proposal, these purchased allowance costs will flow through the PCA. No special accounting treatment is requested for these standard transactions.

⁷ For clarity, this account will be kept separate from the one previously discussed that tracks amounts currently in rates.

VI. REQUEST FOR RELIEF

25. For the reasons discussed above, PSE respectfully requests the Commission issue an Order approving the requested accounting.

DATED this 1st day of October, 2025.

Puget Sound Energy

By /s/ Susan E. Free

Susan E. Free

Director of Revenue Requirements and
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