

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of)	
)	Docket UG-230471
PUGET SOUND ENERGY)	
)	AMENDED PETITION OF PUGET
For an Order Authorizing Puget Sound Energy’s)	SOUND ENERGY TO AMEND
Accounting Treatment for the Cost Recovery and)	ORDER 01
Pass Back of Natural Gas Costs and Proceeds)	
Associated With the Climate Commitment Act in)	
RCW 70A.65)	

I. INTRODUCTION

1. In accordance with WAC 480-07-370(3), Puget Sound Energy (“PSE” or “the Company”) respectfully petitions the Commission for an Order amending the Commission’s Order 01 in the above-referenced docket to authorize the accounting detailed in this Amended Petition (“Amended Petition”) related to the cost recovery and pass back of Natural Gas costs and proceeds associated with PSE’s compliance with the Climate Commitment Act (“CCA”) in RCW 70A.65, that was approved in Senate Bill 5216 (2021) and signed into law by Governor Jay Inslee on May 17, 2021.
2. Statutes and rules at issue in this Petition include RCW 70A.65, RCW 80.01.040, RCW 80.28.020, WAC 480-90-203, WAC 480-07-370, and WAC 173-446.
3. PSE is a combined gas and electric utility that provides service to approximately 1,200,000 electric customers and 860,000 natural gas customers in Western Washington.
4. All correspondence related to this Petition should be directed as follows:

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II. SUMMARY OF PETITION

5. PSE currently has deferred accounting for the recovery and pass back of 2023 Natural Gas CCA costs and auction proceeds approved in Order 01 under Docket UG-230741. As the current approved accounting treatment will end December 31, 2023¹ and revenue charges and credits for the CCA starting in 2024 were not yet addressed under PSE's existing accounting petition, PSE is now requesting an amendment to its original accounting petition to address deferred accounting related to its Gas Schedule 111 Tariff filing ("2024 Schedule 111 Filing") submitted at the same time as this Amended Petition. In its 2024 Schedule 111 Filing, PSE is proposing to update its tariff for 2024 as well as to seek approval to withhold an amount from its estimated 2024 auction proceeds for decarbonization projects. PSE also proposes in this Amended Petition to continue treating Schedule 111 as a pass-through tariff for 2024 and beyond. PSE is requesting that the accounting treatment in this petition stay in effect as long as pass-through recovery is provided, in full or in part, for PSE's compliance with gas CCA.

III. BACKGROUND

6. Senate Bill 5126, also known as the Climate Commitment Act, which became effective July 25, 2021 and which was codified in RCW 70A.65, is designed to ensure state

¹ Order 01, paragraph 4, UG-230471.

Greenhouse Gas (“GHG”) emissions are reduced by covered entities consistent with the state’s GHG limits. In order to ensure that GHG emissions are reduced by covered entities consistent with the limits established in RCW 70A.45.020, the legislation requires the department to implement a cap on GHG emissions from covered entities and a program to track, verify, and enforce compliance through the use of compliance instruments.

7. RCW 70A.65.070 required the department to commence the program by January 1, 2023, by determining an emissions baseline establishing the proportionate share that the total GHG emissions of covered entities for the first compliance period bears to the total anthropogenic GHG emissions in the state during 2015 through 2019. As PSE is a covered entity, as defined in RCW 70A.65.080, PSE must participate in the compliance program.
8. Per RCW 70A.65.130, for the benefit of ratepayers, allowances must be allocated at no cost to covered entities that are natural gas utilities. The department adopted rules under WAC 173-446, in consultation with the Washington Utilities and Transportation Commission, which established the methods and procedures for allocating allowances to natural gas utilities. The rules provide for a natural gas utility to be allocated allowances at no cost to cover ninety-three percent of their emissions allocation baseline in year one of the program and decline proportionally with the cap, consistent with RCW 70A.65.070.² Allowances allocated at no cost to natural gas utilities must be consigned to

² WAC 173-446-240(2)

auction for the benefit of ratepayers, deposited for compliance, or a combination of both.³ Starting in 2024, 70 percent⁴ of the no cost allowances must be consigned to auction for the benefit of customers, including at a minimum eliminating any additional cost burden to low-income customers from the implementation of the chapter.⁵ Subsequently, the percentage of allowances consigned to auction must increase by five percent each year until a total of 100 percent is reached.⁶

9. Per RCW 70A.65.100 and WAC 173-446-300(1), the department shall hold a maximum of four auctions annually, plus any necessary reserve auctions.
10. Per WAC 173-446-300(2)(b)(iii)(A), revenues from allowances consigned by natural gas utilities and sold at auction must be returned by providing nonvolumetric credits on ratepayer utility bills, prioritizing low-income customers, or used to minimize cost impacts on low-income, residential, and small business customers through actions that include, but are not limited to, weatherization, decarbonization, conservation and efficiency services, and bill assistance.
11. On December 29, 2022, PSE filed with the Commission a petition in Docket UG-220975 seeking an accounting order under WAC 480-07-370 authorizing PSE to utilize deferred accounting treatment for allowance purchase costs and auction proceeds associated with the Company's compliance with the CCA in RCW 70A.65.
12. On February 28, 2023, the Commission granted PSE approval to defer the cost of

³ WAC 173-446-240(3)

⁴ WAC 173-446-300(2)(b)(ii)(B)

⁵ WAC 173-446-300(2)(b)(iii)

⁶ WAC 173-446-300(2)(b)(ii)(A) through (H)

purchasing allowances to comply with the CCA and the proceeds from no-cost allowances consigned to auction beginning January 1, 2023 in Order 01 under Docket UG-220975.

13. On June 9, 2023, PSE filed a new Gas Schedule 111 Tariff with the Commission (“2023 Schedule 111 Filing”) to collect from customers the costs associated with purchasing natural gas allowances for compliance with the CCA corresponding to projected emissions from August to December 2023 as well as to effectuate the pass back of auction proceeds projected to be received in calendar year, but proportional to the August through December timeline.
14. Also on June 9, 2023, PSE filed with the Commission a petition seeking an Accounting Order authorizing the following accounting treatment in Docket UG-230471. First, to begin accounting for Schedule 111 as a pass-through tariff on the date rates become effective in the 2023 Schedule 111 Filing (October 1, 2023). Second, the deferred accounting treatment that was previously approved in Order 01 under Docket UG-220975 would end. Third, to defer the difference between (a) the Schedule 111 charge and the recorded allowance expense, (b) Schedule 111 credit and the recorded auction proceeds, and (c) volume differences between the amounts set in rates and the actual amounts that were charged/passed back to customers to be trued-up each time rates are set under Schedule 111.
15. On August 3, 2023, the Commission issued Order 01 under Docket UG-230470 granting approval of PSE’s 2023 Schedule 111 Filing subject to conditions. Subsequently, the Company filed replacement pages for the tariff, clarifying the effective date would be

October 1, which would give the Company enough time to fix its billing system in line with the Commission's Order.

16. On August 10, 2023, the Commission granted approval for PSE's requested accounting treatment in Order 01 under Docket UG-230471. The order provided the approved accounting treatment would be in effect between August 2023, and December 31, 2023.

IV. JUSTIFICATION FOR REQUESTED ACCOUNTING TREATMENT

17. This Amended Petition is necessary in order to true-up customer rates to the appropriate level for 2024 and beyond for this state mandated program while pass-through recovery, in full or in part, is provided for PSE's compliance with the CCA.
18. In the 2024 Schedule 111 Filing, PSE is proposing a recovery and pass-back of the 2024 forecasted allowance costs and forecasted auction proceeds, net of the amount being withheld for decarbonization project.
19. This Amended Petition is required as the accounting petition approved in Order 01 in this docket did not address deferred accounting associated with the utilization of the auction proceeds on decarbonization projects as allowed under WAC 173-446-300(2)(b)(iii)(A).
20. Finally, approval of the deferral, true-up and pass-through treatment will preserve the CCA auction proceeds as well as compliance costs (both allowance costs and project spending funded by auction proceeds) for later review, and will allow for true-up using updated estimates or actual amounts incurred, in order for the proper amounts to be charged or passed back to customers across each compliance period.

V. PROPOSED ACCOUNTING TREATMENT

21. PSE is requesting in this Amended Petition that the Commission allow PSE to continue

treating Schedule 111 as a pass-through tariff beyond December 31, 2023 as long as pass-through recovery is provided, in full or in part, for PSE's compliance with gas CCA.

22. In its Schedule 111 tariff filings going forward, PSE will be seeking to include the following components in the Schedule 111 rate:
- a) The forecasted costs associated with purchasing allowances in order to comply with a given compliance year (2024 being the relevant year in the incident tariff filing);
 - b) The forecasted proceeds associated with the sales of no cost allowances to be received in a given compliance year, net of the forecasted spending on decarbonization projects (2024 being the relevant year in the incident tariff filing);
 - c) Beginning 2025, actual interest receivable and/or payable from the prior period; and
 - d) Beginning 2025, a true-up for the prior rate period.
23. PSE is requesting in this Amended Petition that the Commission approve deferred accounting treatment for the difference between 1) the Schedule 111 charge and the recorded allowance expense; and 2) Schedule 111 credit and the recorded auction proceeds; 3) revenue differences between the amounts set in rates and the actual amounts that were charged / passed-back to customers to be trued-up each time rates are set under Schedule 111; and 4) additional provisions as follows:
24. The requested accounting in this Amended Petition will mirror the requested and approved accounting treatment in Final Order 01 under Docket UG-230471 with the following additions and amendments:

- PSE proposes to defer the Business & Occupation (“B&O”) tax imposed on the revenues from allowance consignment upon receipt of these revenues. The B&O tax amount will be a debit to and offset the existing 254 Other Regulatory Liabilities account associated with the proceed revenue. In its accounting petition approved in Order No. 01 under this docket, PSE inadvertently did not request deferral treatment for the B&O tax expense, the recovery for which was included in its 2023 Schedule 111 Tariff Filing. Accordingly, this correction will be applicable to B&O taxes associated with the CCA auction proceeds beginning in 2023.
- As allowed under WAC 173-446-300(2)(iii)(A), PSE is proposing to use some proceeds from its forecasted consignment sales of no-cost allowances at auction to invest in decarbonization projects for low-income, residential and small business customers.⁷ Pending approval from the Commission in its 2024 Schedule 111 Filing, the auction proceeds approved to be withheld for decarbonization projects will be transferred to a separate 254 Other Regulatory Liability account and be offset with the actual amounts spent on the projects. The disposition of the net deferral (net of amounts spent) after 2026 year end (the end of the first compliance period), will be determined in a future proceeding. This separate 254 account will be included in the interest accrual for auction proceeds. Additionally, PSE is not seeking a prudence decision in this Amended Petition regarding the project costs that will be offset against the auction proceeds set aside for projects. Rather, parties and the Commission will have the opportunity to review such costs

⁷ WAC 173-446-300(2)(iii)(A)

in a future Schedule 111 filing or other proceeding.

25. This accounting treatment described in this Amended Petition is requested to stay in effect as long as pass-through recovery is provided, in whole or in part, for PSE's Gas CCA compliance.

VI. REQUEST FOR RELIEF

26. For the reasons discussed above, PSE respectfully requests the Commission issue an Order amending Order 01 in Docket UG-230471 to approve the proposed accounting treatment, as set forth in this Amended Petition.

DATED this 22nd day of November, 2023.

Puget Sound Energy

By */s/ Susan E. Free*

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