

Agenda Date: May 20, 2021  
Item Number: A2

**Docket:** UG-210194  
**Company:** Puget Sound Energy

**Staff:** Andrew Rector, Regulatory Analyst

### **Recommendation**

Take no action, thereby allowing Puget Sound Energy's Supplemental Schedule 138 to go into effect May 22, 2021, by operation of law.

### **Background**

On March 22, 2021, Puget Sound Energy (PSE or Company) filed with the Washington Utilities and Transportation Commission (Commission) the first voluntary renewable natural gas (RNG) program tariff. The filing was made pursuant to RCW 80.28.390, which requires all natural gas companies to "offer by tariff a voluntary renewable natural gas service available to all customers to replace any portion of the natural gas that would otherwise be provided by the gas company."<sup>1</sup>

The filing came before the Commission at a regular open meeting on April 22, 2021. A lengthy discussion ensued that primarily centered around PSE's desire to exclude approximately \$1.5 million in information technology (IT) start-up costs from the program and instead include those costs in a future general rate case (GRC). Ultimately, the Company agreed to submit a revised filing with an extended effective date in order for the Commission to consider the matter in light of its RNG policy statement (policy statement).<sup>2</sup>

The Company made the revised filing after the open meeting on April 22, 2021. The revised filing reflected a new effective date of May 22, 2021. It also included a key revision that helped alleviate one of Commission staff's (Staff) major concerns with the initial filing, which is discussed in more detail below.

### **Discussion**

As discussed in Staff's original open meeting memo in this docket,<sup>3</sup> Staff was mostly satisfied with the tariff as filed. However, one significant issue was the language written into the tariff for cost recovery of the aforementioned \$1.5 million. In the originally filed tariff, the Company stated that it "will recover the initial information technology start-up costs...in its next general rate case."<sup>4</sup> As Staff argued in its previous memo, this language was unacceptable because it would constitute pre-approval for cost recovery.

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<sup>1</sup> RCW 80.28.390.

<sup>2</sup> "Report and Policy Statement on Investigation on Renewable Natural Gas Programmatic Design and Pipeline Safety Standards" (policy statement), December 16, 2020. Docket U-190818.

<sup>3</sup> UG-210194, Staff Open Meeting memo, April 22, 2021.

<sup>4</sup> UG-210194, initial tariff, filed March 22, 2021, page 4, paragraph 1.

In the revised filing, PSE changed the cost recovery language to indicate that it “will *seek to* recover the initial information technology start-up costs...in its next general rate case” (emphasis added).<sup>5</sup> The addition of these two words removes Staff’s concern about pre-approval of the IT start-up costs and paves the way for Staff’s recommendation that the tariff be allowed to go into effect.

Staff continues to believe that “all costs related to voluntary RNG programs must be borne by the customer selecting such voluntary service.”<sup>6</sup> Should the Commission wish to reconsider the definitive cost causation language in its policy statement, Staff believes it is reasonable to consider the IT cost issue in the Company’s next GRC rather than in this docket. In fact, doing so has several advantages, including the allowance of additional discovery and the ability for additional stakeholders to weigh in.

### **Stakeholder Feedback**

Prior to the April 22 open meeting, the other three LDCs – Avista Corporation, Cascade Natural Gas Corporation, and Northwest Natural Gas Company – filed letters in support of PSE’s filing, including its position on the treatment of IT start-up costs. At the open meeting, Public Counsel expressed concern around the treatment of said costs, and expressed support for Staff’s original recommendation of suspending the tariff filing, while the Alliance of Western Energy Consumers (AWEC) supported PSE’s position.

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<sup>5</sup> UG-210194, revised tariff, filed April 22, 2021, page 3, paragraph 1.

<sup>6</sup> Policy statement, paragraph 29.