

**BEFORE THE  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of	)	
	)	Docket UE-23 _____
PUGET SOUND ENERGY	)	
	)	PETITION OF PUGET SOUND ENERGY
For an Order Authorizing Deferred Accounting	)	
Treatment of PSE’s Cost of its Clean Energy	)	
Implementation Plan	)	

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**I. INTRODUCTION**

1. In accordance with WAC 480-07-370(b), Puget Sound Energy (“PSE” or “the Company”) respectfully petitions the Washington Utilities and Transportation Commission (“Commission”) for an order that authorizes the accounting treatment detailed in this Petition related to PSE’s Clean Energy Implementation Plan costs.
2. Statutes and rules at issue in this Amended Petition include RCW 80.01.040, RCW 80.28.020, WAC 480-100-640, WAC 480-100-203 and WAC 480-07-370 (3).
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 requests Washington Utilities and Transportation Commission (“Commission”) approval to defer, for consideration for later recovery in rates, the costs related to its Clean Energy Implementation Plan (“CEIP”) program<sup>1</sup> and to allow ongoing deferral of revenues and costs for later true-up under the future tariff rate schedule to be filed by the Company. The future tariff rate schedule filing is allowed under the approved settlement of PSE’s multi-year rate plan (“MYRP”) in Docket UE-220066 (“MYRP dockets”), et al (“CEIP tracker”).<sup>2</sup>
6. Consistent with the intent of the Clean Energy Transformation Act (“CETA”), PSE believes it is reasonable to recover the net costs associated with its CEIP program on a timely basis in order to continuously pursue clean energy transformation and meet CETA’s requirements. Therefore, the Company is submitting this deferred accounting petition in order to 1) preserve the costs of the CEIP program so that the issue of cost recovery can be discussed in the separate CEIP tracker, and 2) provide for the ongoing accounting associated with the future CEIP tracker.

## III. BACKGROUND

7. On May 7, 2019, Governor Jay Inslee signed into law the Clean Energy Transformation Act which commits Washington to an electricity supply free of greenhouse gas emissions by 2045.
8. On December 17, 2021 in Docket UE-210795, PSE filed the CEIP that identifies its specific and interim targets for renewable and non-emitting energy over the four-year

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<sup>1</sup> <https://www.cleanenergyplan.pse.com/ceip-documents>

<sup>2</sup> Paragraph 23k in Appendix A to Final Order 24/10 in Dockets UD-220066, et al.

implementation period and the specific actions to achieve those targets, while also providing customer benefits and maintaining resource adequacy and affordability. These actions are necessary for PSE to achieve reasonable progress towards meeting CETA's ambitious clean energy transformation standards.

9. On March 30, 2022, PSE filed a Motion to consolidate the CEIP and MYRP proceedings. On May 23, 2022, the Commission denied PSE's Motion.<sup>3</sup>
10. In its MYRP, PSE's original filing sought recovery of the estimated CEIP costs including rate base return, depreciation and O&M. On August 26, 2022, PSE filed the final two of the three multi-party settlement agreements that all together resolved all issues in the case ("the settlements"). Within the settlements, parties agreed that PSE would remove CEIP costs from the MYRP in exchange for developing a separate tracking mechanism and tariff for CEIP costs that are appropriate for recovery during the MYRP.<sup>4</sup> On December 22, 2022 the Commission issued its Final Order 24/10 in Docket UE-220066, et al ("Final Order 24/10") which approved the settlements with minor conditions unrelated to CEIP.
11. Under the settlements, the type of costs to include in the tracker are costs included in its approved CEIP that are not included in Power Costs or otherwise recovered elsewhere. Such costs were identified but not necessarily limited to distributed energy resource program costs, O&M expense, and capital expense for projects that enable CEIP implementation. Other costs not expressly referenced in the settlements are costs such as customer education and engagement and administration costs.
12. PSE's CEIP proceeding remains pending at the time of this petition with post-hearing briefing filed on February 22, 2023 and without certainty as to when a final order will be

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<sup>3</sup> Orders 10 and 15 in UE-220066, et al and Orders 01 and 03 in UE-210795 ("Orders Denying Consolidation").

<sup>4</sup> Paragraph 23k in Appendix A to Final Order 24/10 in Docket UE-220066, et al.

received from the Commission.

13. PSE is currently developing a proposal for a CEIP tracker and will engage with the Settling Parties in the development of this tracker by April 1, 2023 as required on page 8 in paragraph 23 item k of Appendix A to Order 24/10. PSE will wait until after approval of the CEIP before filing its proposed tariff rate schedule.

#### **IV. REASONS FOR REQUEST FOR DEFERRED ACCOUNTING**

14. The granting of this Petition is needed to ensure CEIP costs are preserved and allow PSE the opportunity to recover its costs after the CEIP tracker is approved. In the Orders Denying Consolidation, the Commission made clear that cost recovery is not tied to approval of its CEIP and that PSE is required to work towards CETA compliance prior to the final outcome of its CEIP filing.<sup>5</sup>
15. PSE planned to begin recovering CEIP costs in its MYRP at the start of 2023. Agreeing to remove these costs from the MYRP introduced a delay of an unknown length before rate recovery can begin. Therefore, without another funding source for these costs, PSE is submitting this deferred accounting petition in order to preserve the costs of the CEIP program so that the issue of cost recovery can be discussed in the future CEIP tracker filed by the Company. Also supporting the need for this petition is the Commission's stated expectation that delaying spending until the CEIP is approved and rate recovery is in place is not an option available to PSE.<sup>6</sup>

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<sup>5</sup> Paragraph 24 in Order 10 in UE-220066, et al. / Order 3 in UE-210795.

<sup>6</sup> *Id.*

16. Furthermore, a company's CEIP is a foundational piece of the state's energy policy as envisioned under CETA and it would be supportive of that policy to allow a company the ability to recover its costs of complying with these state mandates, costs which are generally beyond the Company's control. The Commission allowed deferral of rate base return, depreciation and O&M for PSE's electric vehicle charging and electric vehicle supply equipment originally requested in Docket UE-190129 in which PSE recognized the furtherance of public policy as support for such deferral.
17. Importantly, the new revenues recently allowed under PSE's MYRP are necessary for the obligations PSE must meet under the MYRP, and did not include consideration for PSE's CEIP costs. Therefore, PSE currently has no funding source for CEIP costs. Approving the deferral of these costs will allow PSE to move more swiftly on its CEIP obligations, as expected by the Commission and in furtherance of the state's energy policy, than it would with the financial disincentives to do so that result from not having a cost recovery or tracking mechanism in place.
18. PSE has provided an estimate of CEIP expenditures it expects to incur in 2023 below. However, uncertainty exists regarding what level of CEIP expenditures PSE will actually incur considering the many unknown influences such as when PSE will receive approval of its CEIP and what targets and actions will be approved. These current uncertainties about the level of spend reinforce the need for an accounting petition so that the actual spending levels can be tracked and preserved for later consideration.

19. Finally, approval of the deferral will preserve the CEIP costs for later review, and, because such costs will be based on actual amounts incurred, will allow for a more simplified review related to these costs.

## V. PROPOSED ACCOUNTING TREATMENT

20. PSE requests an order authorizing the deferral of the costs incurred for PSE's CEIP program. A revenue requirement of \$29.9 million for 2023 was removed from the MYRP dockets for the CEIP.<sup>7</sup> This revenue requirement was based on plant closings of \$19.7 million on an average of the monthly averages basis and O&M of \$25.25 million. PSE has updated its estimate of plant closings and O&M for CEIP related projects based on updated timing and estimates it will incur approximately \$6 million of plant closings (on an end of period basis) and approximately \$9 million of O&M for the remainder of 2023. PSE expects its O&M costs in 2024 and 2025 may be higher as PSE continues to implement its plan to meet its approved targets and actions.
21. The updated estimates reflect foundational activities PSE must pursue this year to support successful CEIP implementation by the end of the four-year implementation period, including customer education and engagement, initial distributed energy resource solar and storage costs, distributed energy resource enablement, and CEIP administration costs. These foundational activities in 2023 are needed to position PSE to make progress towards its CEIP targets and actions while it awaits a decision on its CEIP. These estimates assume the CEIP order does not accelerate the pace of spending in 2023 beyond

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<sup>7</sup> See work paper "220066-67-PSE-WP-Settlement-TEP-CEIP-22GRC-08-2022.xlsx" filed January 4, 2023 in the MYRP dockets.

these foundational activities. Finally, the estimates do not include internal labor costs that are already included in rates from PSE's MYRP.

22. The costs PSE is requesting to defer will consist of the items listed below. Item (a) will be deferred to FERC account 186 Miscellaneous deferred debits and the remainder of the items will be deferred to FERC account 182.3, Other Regulatory assets.
  - a. Return on rate base at PSE's net of tax authorized rate of return grossed up for federal income taxes;
  - b. Depreciation expense;
  - c. O&M
23. The deferral of costs incurred by PSE would begin on February 1, 2023 which is the start of the calendar month in which this petition is filed and continue until rates are set to recover the deferral.
24. Further, once rates begin in the future CEIP tracker, PSE is requesting that the approved deferral will serve to defer the differences between the revenues collected and the CEIP costs incurred on a monthly basis to be trued-up each time rates are set under the tracker.
25. The Company proposes to accrue interest on the deferred balances associated with items b through c in paragraph 22 above which will be recorded in FERC account 186. The Company proposes that interest will accrue until fully amortized. PSE also proposes that the accrual rate will be at its actual cost of total debt and will be updated semi-annually. PSE is not proposing to accrue interest on the deferred return.

**VI. REQUEST FOR RELIEF**

26. For the reasons discussed above, PSE respectfully requests the Commission issue an Order approving the deferred accounting as set forth in this Petition.

DATED this 28<sup>th</sup> day of February, 2023.

**Puget Sound Energy**

By */s/ Susan E. Free*

Susan E. Free

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