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UG-240884

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Jeff Killip, Executive Director and Secretary
Washington Utilities and Transportation Commission
621 Woodland Square Loop SE
Lacey, WA 98503

**Re: Advice No. 2024-50
PSE’s Natural Gas Tariff Filing - Filed Electronically**

Dear Executive Director Killip:

Pursuant to RCW 80.28.060 and WAC 480-80-101 and -105, please find enclosed for filing the following proposed revisions to the WN U-2, tariff for natural gas service of Puget Sound Energy (“PSE” or the “Company”):

WN U-2 - (Natural Gas Tariff):

| | | |
|--------------------------|--------------------|----------------------------------------------------------------|
| 1 st Revision | Sheet No. 1111-C.1 | Greenhouse Gas Emissions Cap and Invest Adjustment (Continued) |
| 3 rd Revision | Sheet No. 1111-D | Greenhouse Gas Emissions Cap and Invest Adjustment (Continued) |
| 3 rd Revision | Sheet No. 1111-E | Greenhouse Gas Emissions Cap and Invest Adjustment (Continued) |
| 3 rd Revision | Sheet No. 1111-F | Greenhouse Gas Emissions Cap and Invest Adjustment (Continued) |
| 3 rd Revision | Sheet No. 1111-G | Greenhouse Gas Emissions Cap and Invest Adjustment (Continued) |
| 2 nd Revision | Sheet No. 1111-H | Greenhouse Gas Emissions Cap and Invest Adjustment (Continued) |
| 3 rd Revision | Sheet No. 1111-I | Greenhouse Gas Emissions Cap and Invest Adjustment (Continued) |
| 3 rd Revision | Sheet No. 1111-J | Greenhouse Gas Emissions Cap and Invest Adjustment (Continued) |
| 3 rd Revision | Sheet No. 1111-K | Greenhouse Gas Emissions Cap and Invest Adjustment (Continued) |

The primary purpose of this tariff filing is to request cost recovery for an increase to the state-required Climate Commitment Act (“CCA”) allowance costs through the State Carbon Reduction Charge (“Charge”) and to also to provide an increase to the pass back of auction proceeds through the State Carbon Reduction Credit (“Credit”). Currently, the State Carbon Reduction Credit will remain zero for Schedules 23, 31, and 31T consistent with the tariff schedule sheets that went into effect on January 1, 2024. Additionally, this filing includes revisions to the definition of Small Business for the purposes of this tariff schedule.

As part of this tariff filing, PSE proposes allocating up to \$7.7 million in no-cost allowance revenue benefits from 2025 to fund the continuation of PSE's CCA Decarbonization Program which provides targeted electrification projects to Identified Low-Income Customers, multi-family premises with Identified Low-Income Customers and in Named Communities, and Small Business Customers in Named Communities. This is consistent with PSE's proposal in Docket UG-230968 which was approved by the Commission to allocate \$23 million in estimated proceeds from the consignment of no-cost allowances to fund targeted electrification and decarbonization projects to be implemented during the years 2024 through 2026, setting aside \$7.7 million in estimated proceeds annually for no cost allowances during that period. The first installment was set aside during the 2024 rate period. The remaining dollars were intended to be set aside proportionally in 2025 and 2026. These projects will mitigate additional cost burdens for PSE's Identified Low Income Customers, and contribute to lower gas system emissions caused by customers and thus reduce gas utility compliance obligations with the Washington State Greenhouse Gas Emissions Cap and Invest Program. To support the current proposal to continue the CCA Decarbonization Programs and to provide information about PSE's use of the funds that were allocated in 2024, PSE is filing concurrently with this filing, a compliance filing into Docket UG-230968, containing the first CCA Decarbonization Programs annual report pursuant to paragraph 16 from Order 01 in Docket UG-230968.

As part of this tariff filing, PSE has included an estimated true-up amount for the Charge and Credit from the prior rate periods in accordance with the tariff language. The estimated true-up calculations for the 2023 and 2024 rate periods include both actual variances to date for actual inputs that are now known and a forecast of the remaining variances due to both the remaining forecasted time period prior to when rates would be effective from this filing, as well as inputs to the calculations which remain unknown, such as prices for Washington Carbon Allowances for PSE's uncovered position for the 2023 and 2024 time period. Any differences between these forecasts and actual results for the 2023 and 2024 time period will be further true-up in subsequent annual filings. Ongoing true-ups are required due to the four year compliance period under the CCA and the ability to secure WCA's within the four year period but after any particular year within the compliance period has ended.

Additionally, PSE has updated its pricing assumptions to better estimate future allowance purchase costs and auction proceed revenue. At the time of preparation for this filing, market prices appeared to reflect the expectations of the CCA program potentially being repealed in the event that Washington Initiative 2117 is passed. However, it has recently been confirmed that Washington Initiative 2117 was rejected, allowing the CCA to remain in place. Based on this, continuing to use the pricing estimation methodology that was used in PSE's previous filings¹ would not accurately represent future market conditions as those prices reflect a dip in the market due to the initiative. PSE has therefore used a different basis for its forecast as documented in the confidential work papers submitted with this filing.

The revenue requirement for 2025 results in a net payable of \$2.0 million, which represents a \$61.0 million decrease from the prior rate period. The reasons for the \$61.0 million decrease are

¹ PSE has used the Nodal Exchange Future and Average of Daily Settlement prices to estimate WCA costs in previous filings.

an estimated \$14.5 million increase the estimated allowance purchases and auction proceeds from amounts set for 2024. This increase is offset by an estimated \$75.5 million over-collection for the 2023 and 2024 periods. Components of this true-up calculation are: \$38.0 million to true-up up of previously estimated price and emissions assumptions; \$6.5 million to refund for Business & Occupations Taxes that were eliminated under Engrossed House Bill 2199; \$5.6 million in accrued interest payable to customers; and a \$25.4 million over-collection due to the variance between the level of net revenues set in rates and the net revenues received for the 2023 through 2024 period. A part of this last category of the true-up is \$14.4 million in non-volumetric credit payable to customers by rate schedules as ordered by the Commission in paragraph 16 from Order 01 under Docket UG-230968. The accounting required under paragraph 16 can be found in the work papers submitted in support of this filing, specifically the tab titled “CCA NV Cred True Up” within the file titled “NEW-PSE-WP-GAS-CCA-Rate-Spread-Design-Bill-Impacts-11-15-2024.xlsx”.

Overall, this proposal represents an average decrease of 5.37 percent for all customers affected by this tariff change. For a typical residential customer using 64 therms per month, the decrease amounts to \$3.51 per month or 3.75 percent.

The forecast used in the calculation of the low income volumetric credit revenue requirement assumed the approximately 50,000 estimated low-income customers, who were temporarily auto-enrolled in December 2023², but have not self-attested, will be receiving the residential CCA Charge and non-volumetric Credit in 2025. The Commission ordered PSE to continue providing service to these “pre-qualified” customers through December 1, 2024.³ Extending the CCA low income benefit to these customers would result in an increase of \$4.6 million in estimated low income volumetric credit revenue requirement.

Identified Low-Income Customers, eligible to receive a volumetric credit equal to the State Carbon Reduction Charge, will experience no impact, resulting in a zero increase per month or zero percent. Bill assistance is also available for qualified customers who need help with their energy bills. PSE customers can either go online to www.pse.com or call 1-888-225-5773 to learn if they are eligible and payment plans.

Please be advised that work papers submitted with this filing contain valuable commercial information. In accordance with Department of Ecology rule WAC 173-441-150(3), PSE requests that work paper tabs marked confidential be accorded confidential treatment. Pursuant to WAC 480-07-160, they have been marked “Shaded information is designated as confidential per WAC 480-07-160.”

The tariff sheets described herein reflect an issue date of November 15, 2024, and an effective date of January 1, 2025. Proposed tariff changes will be posted on PSE’s website in compliance

² *Washington State Utilities and Transportation Commission*, Order 01 in Docket UG-230470 (August 3, 2023), paragraph 20, page 5.

³ *Washington Utilities and Transportation Commission*, Order 02 in Docket UG-230470 (August 30, 2024), paragraph 38, page 7.

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November 15, 2024

Page 4 of 4

with WAC 480-90-193. Although not required, notice to the public under the provisions of WAC 480-90-194 will be provided within 30 days of the requested January 1, 2025 effective date.

Please contact Tyler Pavel at tyler.pavel@pse.com or Chris Mickelson at christopher.mickelson@pse.com for additional information about this filing. If you have any other questions, please contact me at Birud.Jhaveri@pse.com.

Sincerely,

/s/ Birud D. Jhaveri

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Director, Regulatory Affairs
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cc: Tad O'Neill, Public Counsel
Sheree Carson, Perkins Coie
Ed Finklea, AWEC

Attachments:
Natural Gas Tariff Sheets (listed above)
Workpapers