

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY,

Respondent.

DOCKET UG-230968

ORDER 01

COMPLAINT AND ORDER  
SUSPENDING TARIFF REVISIONS;  
ALLOWING RATES SUBJECT TO  
LATER REVIEW AND REFUND

**BACKGROUND**

- 1 On November 22, 2023, Puget Sound Energy (PSE or Company) filed with the Washington Utilities and Transportation Commission (Commission) proposed revisions to its rates under natural gas tariff Schedule WN U-2, Schedule 111, Greenhouse Gas Emissions Cap, and Invest Adjustment.
- 2 In this filing, PSE seeks to incorporate allowance costs and auction proceeds from the Climate Commitment Act (CCA), into Schedule 111 rates. Specifically, PSE seeks (1) to add new language to the tariff that would enable the Company to fund decarbonization projects by setting aside \$23 million of the Company's projected no cost allowances revenues; (2) and to update rates pertaining to amounts deferred from January 2023 through September 2023. The Company's proposed tariff revisions provide an effective date of January 1, 2024.
- 3 PSE proposes to raise the projected \$23 million in a single year, by withholding customer credits in 2024. However, PSE intends to spend this money on decarbonization projects over a span of three years.
- 4 The net effect of the proposed revisions is a \$45.3 million increase in annual revenues, or 4.62 percent. A typical residential customer using 64 therms per month would see an increase of \$1.91 per month, or 2.43 percent. Known low-income customers would

receive a credit that fully offsets the increase in the charge rate, resulting in a \$0.00 rate change.

- 5 In the Commission’s Order 01 of Docket UG-230470, the Commission allowed PSE’s original Schedule 111 tariff sheets to go into effect, requiring PSE to “work with parties to develop a proposal for a risk sharing mechanism” in order to “propose a risk sharing mechanism in its October filing for Commission review.”
- 6 On December 19, 2023, PSE filed revised tariff sheets. The Company notes that the purpose of this substitute filing is for PSE to amend its proposal to instead spread the withholding of the proceeds for targeted electrification projects over the three years of 2024 to 2026, setting aside \$7.7 million in estimated proceeds for no cost allowances during the 2024 rate period. Additionally, the substitute filing includes clarifying language specifying the Deferral Rates, previously approved by the Commission in Docket UG-230756, will be effective through October 31, 2024. The Company notes that overall, the revised request represents a revenue increase of \$29.1 million, an average increase of 2.98 percent for all customers affected by this tariff change. For a typical residential customer using 64 therms per month, the increase amounts to \$0.85 per month or 1.08 percent.
- 7 Commission Staff (Staff) has reviewed the Company’s tariff filing and recommends that the Commission suspend the matter and initiate an adjudication. Staff submits that the Company did not file a proposed risk sharing mechanism in October, as ordered by the Commission. In lieu of such a proposal, PSE proposed in November to make a proposal at a later date. Staff submits that the Company has addressed a risk sharing mechanism, but only to a limited extent, and the Company appears to conflate cost sharing mechanisms with risk sharing mechanisms.
- 8 This matter came before the Commission at its December 21, 2023, open meeting. Staff updated its recommendation, recommending Commission suspend the tariff sheets filed by PSE on November 22, 2023, as revised on December 19, 2023, but allow the proposed rates to become effective on January 1, on an interim basis, subject to refund, pending the Commission’s final determination in this Docket.. Staff noted that it had no concerns with the proposed increase in rates, with PSE’s revised tariffs, aside from the issue of the risk sharing mechanism. Staff recommended that the Staff recommended that the Commission limit the scope of any adjudication to the issue of the risk sharing mechanism. Staff observed that the Company’s investments in decarbonization measures were consistent with statutory requirements.

- 9 PSE also presented comments at the open meeting, describing its plans to spend the proceeds from the auctions of no-cost allowances on heat pumps, multi-family building projects, and other investments that would benefit customers, particularly low-income customers. PSE planned to work with interested parties over the first quarter of 2024 to further develop its planned investments. The Company noted that it had a relatively brief time to develop a risk sharing mechanism between being ordered to develop such a mechanism by the Commission and filing the tariff revisions at hand. PSE noted that other investor-owned utilities and interested parties would likely seek to provide input on risk sharing of CCA compliance costs.
- 10 NWEC commented that it did not view the Company's present proposal as a true risk sharing mechanism. NWEC supported allowing the rates to take effect on a provisional basis subject to later review and refund, while suspending the filing and initiating an adjudication. NWEC was skeptical that a generic proceeding would resolve the risk sharing issue in a timely manner, and it argued that the Commission would benefit from a full record on the issue of risk sharing for CCA costs.
- 11 Earth Justice likewise commented that it supported an adjudication and the Company's current proposal for a risk sharing mechanism was insufficient.
- 12 AWEC noted that an adjudication may be necessary to resolve the issue of a risk sharing mechanism. AWEC also raised concerns regarding the transparency and amount of information available regarding the Company's decarbonization projects. AWEC recommended that the Commission direct PSE to make a compliance filing requiring the Company to explain the limitations of its billing system, in order to more closely review the impacts by customer class of billing credits allowed by the CCA.
- 13 TEP also spoke in favor of suspending the matter for adjudication. TEP also supported allowing the proposed rates to go into effect subject to later review and refund, providing low-income customers the benefit of decarbonization programs, but it opposed AWEC's recommendation to include the review of decarbonization programs in the adjudicatory proceeding.

### DISCUSSION AND DECISION

- 14 We largely agree with Staff's updated recommendation to suspend this matter for adjudication while allowing rates on an interim basis, subject to later review and refund. The issue of a risk sharing mechanism for CCA compliance costs is a complex one, and

the Commission would benefit from a full record, including testimony and briefing from the parties.

15 We conclude that PSE's proposed tariff revisions might injuriously affect the rights and interests of the public, and PSE has not demonstrated that the proposed changes would result in rates that are fair, just, reasonable, equitable, and sufficient. Pursuant to RCW 80.04.130(1), the Commission, therefore, suspends the tariff filing and will hold public hearings, if necessary, to determine whether the proposed increases are fair, just, reasonable, equitable, and sufficient.

16 The Commission therefore suspends the tariff sheets filed by PSE on November 22, 2023, as revised on December 19, 2023, but allow the proposed rates to become effective on January 1, on an interim basis, subject to refund, pending the Commission's final determination in this Docket. The Commission further requires that PSE submit annual reports to the Commission describing its investments in decarbonization projects and that PSE return capped revenues to customers by rate schedule and provide appropriate accounting so that interested parties and the Commission may review the collection and distribution of these revenues over time. The Commission approves of the Company's proposal to recover the costs of its decarbonization projects over a three-year period, as set forth in its revised tariff sheets filed December 19, 2023.

### FINDINGS AND CONCLUSIONS

17 (1) The Commission is an agency of the State of Washington vested by statute with the authority to regulate rates, regulations, and practices of public service companies, including electric companies and gas companies.

18 (2) PSE is a gas company and a public service company subject to Commission jurisdiction.

19 (3) The tariff revisions PSE filed on November 22, 2023, might injuriously affect the rights and interests of the public.

20 (4) PSE has not yet demonstrated that the tariff revisions would result in rates that are fair, just, reasonable, equitable, and sufficient.

21 (5) In order to carry out the duties imposed upon the Commission by law, and as authorized in RCW 80.04.130, the Commission believes it is necessary to investigate PSE's books, accounts, practices, and activities; to make a valuation or

appraisal of PSE's property; and to investigate and appraise various phases of PSE's operations.

- 22 (6) The Commission finds that these Dockets meets the criteria of WAC 480-07-400(2)(b)(iii) and that the parties may conduct discovery pursuant to the Commission's discovery rules in WAC 480-07-400 – 425.
- 23 (7) As required by RCW 80.04.130(4), PSE bears the burden to prove that the proposed increases are fair, just, reasonable, equitable, and sufficient.
- 24 (8) PSE may be required to pay the expenses reasonably attributable and allocable to such an investigation, consistent with RCW 80.20.020.
- 25 (9) After considering the Company's filing, Staff's recommendation, the comments of interested parties, and for good cause shown, the Commission suspends the tariff sheets filed by PSE on November 22, 2023, as revised on December 19, 2023, but allow the proposed rates to become effective on January 1, on an interim basis, subject to refund, pending the Commission's final determination in this Docket. The Commission requires further reporting regarding decarbonization programs and the accounting for capped funds as noted in paragraph 16 of this Order.

## **ORDER**

### **THE COMMISSION ORDERS:**

- 26 (1) The tariff revisions Puget Sound Energy filed on November 22, 2023, as revised on December 19, 2023, and proposed rates are allowed on an interim basis effective January 1, 2024, subject to the conditions set forth in paragraph 16 of this Order.
- 27 (2) The Commission will hold hearings at such times and places as may be required.
- 28 (3) Puget Sound Energy must not change or alter the tariffs filed in these Dockets during the suspension period unless authorized by the Commission.
- 29 (4) The Commission will institute an investigation of Puget Sound Energy's books, accounts, practices, activities, property, and operations as described above.

- 30 (5) The parties may conduct discovery pursuant to the Commission's discovery rules in WAC 480-07-400-425.
- 31 (6) Puget Sound Energy shall pay the expenses reasonably attributable and allocable to the Commission's investigation consistent with RCW 80.20.020.

DATED at Lacey, Washington, and effective December 22, 2023.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chair

ANN E. RENDAHL, Commissioner

MILTON H. DOUMIT, Commissioner