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Attn: Amanda Maxwell, Executive Director and Secretary
Washington Utilities and Transportation Commission
621 Woodland Square Loop SE
P.O. Box 47250
Lacey, WA 98503

RE: Docket UE-220797 - Comments of the Alliance of Western Energy Consumers

Dear Director Maxwell,

The Alliance of Western Energy Consumers (“AWEC”) appreciates the opportunity to submit its comments on Puget Sound Energy’s (“PSE” or “Company”) Petition for Approval of PSE’s Revised Four-Year Demand and Resource Supply Forecast Pursuant to RCW 70A.65.120 and WAC 173-446-230(2)(j), related to its compliance with the Climate Commitment Act (“CCA”) (herein, “Petition for Approval”).

The CCA allows electric utilities subject to the Clean Energy Transformation Act, such as PSE, to receive no-cost allowances to mitigate the cost burden of CCA compliance for ratepayers.¹ The CCA requires the Department of Ecology (“Ecology”) to adopt an allocation schedule for no-cost allowances applicable to the first compliance period (2023 through 2026).² No cost allowances are allocated based on forecasts, approved by the Washington Utilities and Transportation Commission (“Commission”), of each utility’s supply and demand, and the cost burden resulting from the inclusion of covered entities (“CCA forecasts”).³

PSE’s initial CCA forecasts were approved by the Commission on January 24, 2023, subject to the condition that PSE notify the Commission of substantive changes to PSE’s forecasts.⁴ In approving CCA forecasts for each electric utility, the Commission also agreed to

¹ RCW 70A.65.120(1).

² RCW 70A.65.120(2)(b).

³ *Id.*

⁴ *In re Petition of Puget Sound Energy for an Order Approving Forecasts Pursuant to RCW 70A.65.120*, Docket No. UE-220797, Order 01 (Jan. 24, 2023).

permit an electric utility to submit updates to its CCA forecasts as necessary.⁵ On June 6, 2023, Ecology published its Allowance Allocation to Electric Utilities for the First Compliance Period, wherein it allocated no-cost allowances to PSE for each year of the initial compliance period, which PSE finds to be “much lower than PSE anticipated based on what PSE understood the Commission approved [in approving its CCA forecast].”⁶ PSE notes that it “misunderstood Ecology’s approach to the allocation of no-cost allowances and included extraneous information”⁷ which ultimately resulted in “a significantly insufficient number of no-cost allowances to cover PSE’s forecast of retail demand.”⁸ Effectively, the reduced number of no-cost allowances results in PSE needing to acquire more allowances than it otherwise would to cover its emissions as contemplated by the CCA.

In its Petition, PSE provides an updated four-year demand forecast and an updated four-year supply forecast for the first compliance period, based on the most current information available to the Company. The Commission’s approval of PSE’s revised CCA forecasts will allow Ecology to more accurately allocate no-cost allowances to PSE; however, as PSE notes, the revised CCA “will not cover PSE’s entire compliance obligation nor the entire cost burden to customers”⁹ because PSE asserts that the CCA does not allow for the allocation of no-cost allowances in a number of circumstances,¹⁰ failing to account for the fact that PSE acts as a Balancing Authority and makes wholesale power sales for the benefit of its customers.¹¹

Even in a best case scenario where the Commission approves PSE’s revised CCA forecasts and Ecology utilizes the revised forecasts to re-calculate no-cost allowances allocable to PSE for the benefits of its customers, PSE expects those no-cost allowances will still fall significantly short of its actual compliance obligations for 2023 – to the tune of 20-25 percent short,¹² meaning PSE’s customers could be saddled with additional costs for PSE to purchase no-cost allowances on top of what PSE anticipates to be a year that it will under-recover power costs due to the cost of allowances applied to wholesale power sales, rendering them less economic.¹³ While Ecology’s CCA rules contain an Allowance Adjustment Mechanism, its implementation is riddled with uncertainty at this time.¹⁴

Commission approval of an accurate, revised CCA forecast is consistent with CCA policy and is in the best interest of PSE’s customers. It is not enough to rely on Ecology’s true-up mechanism, in part because we do not yet know how it will function. Additionally, it is plausible that an outdated (and low) CCA forecast will lead to even greater increased costs for PSE’s customers than they are already facing given the seams issues with allocating no-cost

⁵ *Id.* at ¶ 13.

⁶ PSE’s Petition for Approval at 6, lines 4-5.

⁷ PSE’s Petition for Approval at 6, lines 8-9.

⁸ PSE’s Petition for Approval at 7, lines 2-3.

⁹ PSE’s Petition for Approval at 14, lines 1-3.

¹⁰ PSE’s Petition for Approval at 14, lines 14-22.

¹¹ PSE’s Petition for Approval at 15, line 1 to 17, line 4.

¹² PSE’s Petition for Approval at 17, lines 9-17.

¹³ PSE’s Petition for Approval at 17, lines 17-21.

¹⁴ *See* PSE’s Petition for Approval at 18, lines 1-15.

allowances.¹⁵ This price risk for customers exists, at best, in the short term but may endure indefinitely. PSE’s electric customers are already facing substantial rate increases from the Company’s Multi-Year Rate Plan (\$261 million),¹⁶ and may soon face additional increased costs related to the Company’s Clean Energy Implementation Plan (“CEIP”) tracker.¹⁷ The Commission has also yet to determine ratemaking treatment for PSE’s anticipated increased power costs associated with CCA compliance, which PSE previously calculated to be \$135.8 million,¹⁸ which does not account for PSE’s actual 2023 power costs, which remain unknown at this time but which could trigger a surcharge under its Power Cost Adjustment Mechanism given PSE’s predictions. Customers should not be put at an economic disadvantage and face higher CCA compliance costs, even on a short-term basis, because of misunderstandings surrounding PSE’s initial CCA forecasts. AWEC urges the Commission to approve the most updated information provided by PSE in its Petition – related to both its demand and resource supply – so that PSE’s customers are in the best position to receive the benefits from an accurate amount of no-cost allowances as soon as possible.

Sincerely yours,

Sommer J. Moser

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Of Attorneys for the

Alliance of Western Energy Consumers

¹⁵ See PSE’s Petition for Approval at 14, line 1 to 17, line 21.

¹⁶ *In re Puget Sound Energy*, Docket Nos. UE-220066, UG-220067 & UG-210918, Order 12 at ¶ 12 (Jan. 6, 2023).

¹⁷ See Puget Sound Energy Advice No. 2023-28, filed July 17, 2023.

¹⁸ *In re Puget Sound Energy*, Docket Nos. UE-220066, UG-220067 & UG-210918, Order 12 at ¶ 21 (Jan. 6, 2023).