

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of

PUGET SOUND ENERGY

For Approval of the 2019 Power Cost  
Adjustment Mechanism Report

DOCKET UE-200398

ORDER 01

APPROVING POWER COST  
ADJUSTMENT MECHANISM  
ANNUAL REPORT

**BACKGROUND**

- <sup>1</sup> On April 30, 2020, Puget Sound Energy (PSE or Company) filed with the Washington Utilities and Transportation Commission (Commission) a petition requesting approval of its Power Cost Adjustment Mechanism Annual Report (PCA Annual Report). PSE filed the PCA Annual Report consistent with the Commission's Twelfth Supplemental Order in Dockets UE-011570 and UG-011571, in which the Commission approved a Power Cost Adjustment (PCA) mechanism for PSE.<sup>1</sup>
- <sup>2</sup> PSE's PCA mechanism accounts for differences in the Company's actual power costs relative to a power cost baseline and provides that the Company and ratepayers will share those costs that rise above or fall below the baseline. Since 2007, PSE's annual deferral balances have been calculated on calendar-year basis.<sup>2</sup> According to the terms of the settlement agreement approved by the Commission in the Company's 2013 Power Cost Only rate case, fixed power costs have been excluded from the power cost baseline and PCA mechanism since 2017.<sup>3</sup>

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<sup>1</sup> *WUTC v. Puget Sound Energy, Inc.*, Dockets UE-011570 and UG-011571, 12th Supp. Order: Rejecting Tariff Filing; Approving and Adopting Settlement Stipulation Subject to Modifications, Clarifications, and Conditions; Authorizing and Requiring Compliance Filing (June 20, 2002).

<sup>2</sup> *WUTC v. Puget Sound Energy, Inc.*, Dockets UE-011570 and UG-011571, 16th Supp. Order Amending 12th Supp. Order ¶ 4 (November 21, 2005).

<sup>3</sup> *WUTC v. Puget Sound Energy, Inc.*, Dockets UE-130583, UE-130617, UE-131099, and UE-131230 (consolidated), 11<sup>th</sup> Final Order: Final Order Approving and Adopting Settlement Stipulation (August 7, 2015).

3 The current PCA Annual Report covers the calendar year ending December 31, 2019. During 2019, actual power costs were higher than baseline power costs, thereby creating an under-recovery of \$67,232,138. Given the operation of the PCA's sharing mechanism for under-recovered power costs,<sup>4</sup> PSE absorbed \$31,223,214 of the \$67,232,138 under-recovered amount, and customers are responsible for the remaining \$36,008,924, or \$41,730,428 including interest. The cumulative deferral balance for the PCA is \$41,730,428 in the surcharge direction. The PCA cumulative deferral amount must reach \$20 million before triggering either a refund or surcharge under PSE's Schedule 95.

4 Although the cumulative deferral balance has exceeded the \$20 million surcharge trigger, due to ongoing concerns about the economic impact of the COVID-19 pandemic on PSE's customers, the Company will at a later date consider its options for recovering the \$42,730,428 deferral balance, including the possibility of delaying an increase to Schedule 95 rates.

5 Commission staff (Staff) has reviewed PSE's 2019 PCA Annual Report and has verified that the deferral balance set forth therein is both reasonable and consistent with the Commission's Orders in Dockets UE-011570, UG-011571, and Docket UE-130617. Accordingly, Staff recommends the Commission approve the PCA Annual Report.

6 Staff also supports PSE considering the possibility of delaying increasing Schedule 95 rates to recover the \$41,730,428 deferral balance. Under PSE's PCA mechanism, when the trigger is met in the surcharge direction, the collection of the balance is discretionary.<sup>5</sup> In the absence of collection, the balance will be carried forward to the following year, which is the same treatment the balance would receive in any other year in which the trigger is not met. Any under- or over-collection in the next year will be added to or subtracted from the current \$41.7 million deferral balance.

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<sup>4</sup> Per the terms of the PCA mechanism, for the under-recovered amount of \$67.2 million PSE absorbs 100 percent the first \$17 million, 50 percent between \$17 million and \$40 million (or \$11.5 million), and 10 percent of the amount between \$40 million and \$67.2 million (or \$2.7 million).

<sup>5</sup> *Id.*

## DISCUSSION

7 We agree with Staff that PSE's 2019 PCA Annual Report, including the calendar year  
2019 deferral balance of \$41,730,428, is consistent with the Commission's Orders in  
Dockets UE-011570, UG-011571, and Docket UE-130617. Accordingly, we approve  
PSE's PCA Annual Report.

8 Although Schedule 95 rates are not at issue in this docket, we also agree with Staff  
that the financial impact to PSE's customers resulting from the COVID-19 pandemic  
warrants considering options for cost recovery, including options with respect to the  
timing of a Schedule 95 rate increase. Under the terms of the settlement approved in  
the Commission's Final Order 11 in UE-131617, the Company is only required to file  
a Schedule 95 tariff revision to *refund* deferrals when the balance in the deferral  
account is a credit of \$20 million or more.<sup>6</sup> However, PSE is not under the same  
obligation to file a tariff revision when the balance in the deferral account reaches the  
\$20 million surcharge trigger.

## FINDINGS AND CONCLUSIONS

- 9 (1) The Commission is an agency of the State of Washington vested by statute with  
the authority to regulate the rates, rules, regulations, practices, accounts,  
securities, transfers of property and affiliated interests of public service  
companies, including electric companies.
- 10 (2) PSE is an electric company and a public service company subject to Commission  
jurisdiction.
- 11 (3) WAC 480-07-370(1)(b) allows companies to file petitions, including the petition  
filed in this Docket for which PSE seeks approval.
- 12 (4) Staff has reviewed the petition filed in Docket UE-200398, including related work  
papers.
- 13 (5) This matter came before the Commission at its regularly scheduled meeting on  
July 30, 2020.

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

- 14 (6) After reviewing PSE's petition filed in Docket UE-200398 on April 30, 2020, and giving due consideration to all relevant matters and for good cause shown, the Commission finds that the Petition seeking approval of the 2019 PCA Period report is in the public interest and should be granted.

**ORDER**

**THE COMMISSION ORDERS:**

- 15 (1) The Commission grants Puget Sound Energy's Petition requesting approval of its Power Cost Adjustment Mechanism Report for the Twelve Months Ended December 31, 2019.
- 16 (2) This Order shall not affect the Commission's authority over rates, services, accounts, valuations, estimates, or determination of costs, on any matters that may come before it. Nor shall this Order be construed as an agreement to any estimate or determination of costs, or any valuation of property claimed or asserted.
- 17 (3) The Commission retains jurisdiction over the subject matter and Puget Sound Energy to effectuate the provisions of this Order.
- 18 The Commissioners, having determined this Order to be consistent with the public interest, directed the Secretary to enter this Order.

DATED at Lacey, Washington, and effective July 30, 2020.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

MARK L. JOHNSON  
Executive Director and Secretary