BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Petition of PUGET SOUND ENERGY, INC., Petitioner, For an Order Approving PSE's Forecasts Pursuant to RCW 70A.65.120	Docket UE-_____ Petition of Puget Sound Energy, Inc. for Approval of PSE's Forecasts Pursuant to RCW 70A.65.120

I. INTRODUCTION

1. In accordance with RCW 70A.65.120(2)(b), WAC 173-446-230(2)(c)(i), and the Notice Requiring Petitions Requesting Approval of Forecasts Pursuant to RCW 70A.65.120 issued by the Washington Utilities and Transportation Commission ("Commission"), Puget Sound Energy, Inc. ("PSE") hereby submits this petition to the Commission for approval of PSE's forecasts of demand and resource supply for the first compliance period (2023-2026) under the Climate Commitment Act. These forecasts reflect PSE's projected demand and resource supply for calendar years 2023-2026, as represented in the Clean Energy Implementation Plan filed by PSE with the Commission in Docket UE-210795.

II. COMMUNICATIONS

PSE requests that all correspondence related to this Petition be directed to the following individuals:

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III. BACKGROUND

A. The Climate Commitment Act Allows Electric Utilities Subject to the Washington Clean Energy Transformation Act to Receive No Cost Allowances to Mitigate the Cost Burden of the Cap-and-Invest Program on Electricity Customers

1. The Climate Commitment Act

2. In 2021, the Washington State Legislature passed and Governor Jay Inslee signed into law the Climate Commitment Act,[1] which establishes, among other things, a comprehensive program, referred to as the Cap-and-Invest Program, to reduce greenhouse gas pollution and help achieve the state limits on anthropogenic emissions of greenhouse gases codified in RCW 70A.45.020. The Cap-and-Invest Program establishes a declining cap on greenhouse gas emissions from covered entities[2] consistent with the state limits established

[1] Climate Commitment Act, 2021 Wash. Sess. Laws, ch. 316 (codified at Chapter 70A.65 RCW).

[2] The Climate Commitment Act defines the term "covered entity" as a person designated by the Department of Ecology as subject to RCW 70A.65.060 through 70A.65.210 (i.e., the Cap-and-Invest Program). *See* RCW 70A.65.010(23).

in RCW 70A.45.020. The Cap-and-Invest Program also establishes a program to track, verify, and enforce compliance with the cap through compliance instruments.[3]

3. The Climate Commitment Act allows electric utilities subject to the Washington Clean Energy Transformation Act[4] to receive no cost allowances to mitigate the cost burden of the Cap-and-Invest Program on electricity consumers.[5] The Climate Commitment Act required the Department of Ecology to adopt rules, in consultation with the Commission, establishing the methods and procedures for allocating allowances for investor-owned electric utilities.[6] Such rules must take into account the cost burden of the Cap-and-Invest Program on electric customers.[7] As used in the Climate Commitment Act, the term "cost burden" means the impact on rates or charges to customers of electric utilities in Washington for the incremental cost of electricity service to serve load due to the compliance cost for GHG emissions caused by the program. Cost burden includes administrative costs from the utility's participation in the program.[8]

4. The Climate Commitment Act also requires the Department of Ecology to adopt an allocation schedule in rule for the first compliance period,[9] consistent with a forecast approved by the Commission, of each investor-owned utility's supply and demand, and the cost burden resulting from inclusion of the covered entities in the first compliance period.[10] During the first compliance period, electric utilities may

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[3] *See* RCW 70A.65.060 through 70A.65.210.
[4] Clean Energy Transformation Act, 2019 Wash. Sess. Laws, ch. 288 (codified at Chapter 19.404 RCW).
[5] *See* RCW 70A.65.120(1).
[6] *See* RCW 70A.65.120(2).
[7] *See id*.
[8] *See* RCW 70A.65.120 (21)
[9] The first compliance period under the Climate Commitment Act is calendar years 2023 through 2026. *See*, *e.g.*, RCW 70A.65.070(1)(a).
[10] *See* RCW 70A.65.120(3).

(i) consign the no cost allowances to auction for the benefit of ratepayers;

(ii) deposit the no cost allowances for compliance; or

(iii) a combination of (i) and (ii) above.[11]

Investor-owned utilities must use the benefits of all no cost allowances consigned to auction for the benefit of ratepayers, with the first priority the mitigation of any rate impacts to low-income customers.[12]

2. Rule of the Department of Ecology

5. On September 29, 2022, the Department of Ecology adopted a final rules, Chapter 173-446 WAC, Climate Commitment Act Program, which, among other things, establishes an allocation schedule for no cost allowances under the Cap-and-Invest Program for the first compliance period. Under the adopted rules, the Department of Ecology will use utility-specific demand and resource supply forecasts to determine the cost burden effect and the allocation of no cost allowances to each qualifying electric utility:

> (a) **Utility-Specific Demand Forecasts**. The Department of Ecology will use utility-specific demand forecasts that provide estimates of retail electric load. Demand forecasts should represent the best estimate of the most likely electricity demand scenario during the compliance period.[13]
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> (b) **Utility-Specific Resource Supply Forecasts**. The Department of Ecology will use utility-specific resource supply forecasts to determine the resource fuel types forecasted to provide the retail electric load predicted by the demand forecast for the utility. Resource supply forecasts should represent the best estimate of the most likely electricity resource mix scenario during the compliance period including, but not limited to, using an assumption of average hydroelectric conditions.[14]

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[11] *See* RCW 70A.65.120(3)(a).
[12] *See* RCW 70A.65.120(4).
[13] *See* WAC 173-446-230(2)(a).
[14] *See* WAC 173-446-230(2)(b).

The Department of Ecology will derive these utility-specific demand and resource supply forecasts from the following sources in the rank order listed below:

(i) Forecasts of supply and demand of an investor-owned electric utility, along with any supporting information, approved by the Commission, provided that such forecasts are consistent with the Clean Energy Implementation Plan submitted by such electric utility pursuant to the Clean Energy Transformation Act.[15]

(ii) Forecasts of supply and demand of an electric utility that are part of the Clean Energy Implementation Plan, or supporting materials for that plan, submitted pursuant to Washington Clean Energy Transformation Act.[16]

(iii) An integrated resource plan of an electric utility, or supporting materials for that plan, that complies with Chapter 19.280 RCW and is consistent with or serves as the basis for the Clean Energy Implementation Plan for such electric utility pursuant to Clean Energy Transformation Act.[17]

(iv) Another source that provides forecasts of supply and demand of an investor-owned electric utility that is, based on an analysis of the Department of Ecology, consistent with an existing forecast approved by the Commission.[18]

(v) For multijurisdictional investor-owned electric utilities, a multistate resource allocation methodology approved by the Commission may be used in the relevant forecasts.[19]

3. The Notice Requiring Petitions Requesting Approval of Forecasts Pursuant to RCW 70A.65.120

6. On September 30, 2022, the Commission issued a Notice Requiring Petitions Requesting Approval of Forecasts Pursuant to RCW 70A.65.120 (the "Notice"). The Notice

[15] *See* WAC 173-446-230(2)(c)(i).
[16] *See* WAC 173-446-230(2)(c)(ii).
[17] *See* WAC 173-446-230(2)(c)(iii).
[18] *See* WAC 173-446-230(2)(c)(iv).
[19] *See* WAC 173-446-230(2)(c)(v).

required each investor-owned electric utility to submit petitions requesting "approval of four-year demand and resource supply forecasts for the years 2023-2027 [*sic*] pursuant to RCW 70A.65.120 . . . by 5 p.m. on Monday, October 31, 2022."[20] The Notice echoed the following requirements of the applicable rules issued by the Department of Ecology:

> (i) **Four-Year Demand Forecast**. The four-year demand forecast should represent the best estimate of the most likely electricity usage during the compliance period, which includes considerations consistent with the public interest such as equity and environmental justice.
>
> (ii) **Four-Year Resource Supply Forecast** The four-year resource supply forecast should represent the best estimate of the most likely electricity resource mix scenario during the compliance period, including but not limited to using an assumption of average hydroelectric conditions, which includes considerations consistent with the public interest such as equity and environmental justice.[21]

The Notice further provides that "[b]oth the demand and resource supply forecasts must be derived from sources that most accurately and best predict the manner in which each investor-owned electric utility will comply with [the Clean Energy Transformation Act]."[22]

7. The Notice further provides that, consistent with WAC 173-446-230(2)(c), an investor-owned electric utility may use the following as sources for their demand and resource supply forecasts:

> (i) a Clean Energy Implementation Plan;

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[20] Notice at 2. Although the statute and the rule require Commission-approved forecasts for the first compliant period (i.e., calendar years 2023-2026), the Notice requires petitions for approval of forecasts for a five-year period (calendar years 2023-2027). The Commission subsequently issued an errata clarifying that the reference to "years 2023-2027" should have referred to "years 2023 through the end of 2026."

[21] Notice at 2.

[22] Notice at 2.

(ii) an Integrated Resource Plan that complies with the Energy Independence Act and is consistent with or serves as the basis for a Clean Energy Implementation Plan for electric utility;

(iii) materials supporting such Clean Energy Implementation Plan or Integrated Resource Plan of such electric utility; or

(iv) other sources, the use of which are supported in detail, both quantitatively and narratively, by such electric utility to produce the best estimates for the first compliance period under the Climate Commitment Act.[23]

Finally, the Notice requests that each investor-owned electric utility address in its petition whether the Commission should permit annual updates to the four-year demand and resource supply forecasts.[24]

IV. PETITION FOR APPROVAL

8. PSE hereby submits for approval by the Commission, pursuant to RCW 70A.65.120, the PSE-specific demand and resource supply forecasts reflecting the best estimate of electricity demand and resource supply mix for the first compliance period (calendar years 2023-2026). Attached as Attachment A to this Petition are PSE-specific demand and resource supply forecasts that are consistent with the public interest such as equity and environmental justice as represented in PSE's Clean Energy Implementation Plan filed with the Commission in Docket UE-210795. Attached as Attachment B to this Petition are supporting data for these PSE-specific demand and resource supply forecasts.

A. The PSE-Specific Demand Forecasts for the First Compliance Period (Calendar Years 2023-2026) of the Climate Commitment Act

9. Table 1 below provides a summary of the PSE-specific demand forecasts for the first compliance period (calendar years 2023-2026) of the Climate Commitment Act.

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[23] Notice at 2.
[24] Notice at 2.

Table 1. PSE-Specific Demand Forecasts for the First Compliance Period (Calendar Years 2023-2026) of the Climate Commitment Act

Total Load (MWh)

2023	2024	2025	2026
22,160,079	22,502,456	22,700,927	22,928,549

The PSE-specific demand forecasts for the first compliance period (calendar years 2023-2026) of the Climate Commitment Act provided in Table 1 above and in Exhibit A to this Petition represent PSE's current best estimate of the most likely electricity demand scenario during this first compliance period as required by WAC 173-446-230(2)(a). The annual demand forecasts in Table 1 and in Exhibits A and B incorporate the impact of conservation, including energy efficiency programs, as reflected in the Clean Energy Implementation Plan filed in in Docket UE-210795.

B. The PSE-Specific Resource Supply Forecasts for the First Compliance Period (Calendar Years 2023-2026) of the Climate Commitment Act

10. Table 2 below provides a summary of the PSE-specific resource supply forecasts for the first compliance period (calendar years 2023-2026) of the Climate Commitment Act.

Table 2. PSE-Specific Resource Supply Forecasts for the First Compliance Period (Calendar Years 2023-2026) of the Climate Commitment Act

Annual Resource Supply Forecasts (MWh)

Resource Supply Category	2023	2024	2025	2026
1. Zero-emissions plants and contracts	14,853,218	16,350,762	16,912,266	14,755,579
2. Coal	2,092,743	2,157,468	2,172,594	0
3. Natural gas	4,657,102	4,434,187	4,297,031	3,624,415
4. Unspecified contracts and exchange in	682,226	687,708	683,748	683,748

Annual Resource Supply Forecasts (MWh)

Resource Supply Category	2023	2024	2025	2026
5. Market purchases	2,190,905	1,608,594	1,546,635	4,844,055
6. Market sales & exchange out	(2,316,115)	(2,736,263)	(2,911,347)	(979,249)
7. Total Demand	22,160,079	22,502,456	22,700,927	22,928,549

The PSE-specific resource supply forecasts for the first compliance period (calendar years 2023-2026) of the Climate Commitment Act provided in Table 2 above and in Exhibit A to this Petition represent PSE's best estimate of the most likely electricity resource mix scenario during the compliance period including, but not limited to, using an assumption of average hydroelectric conditions, as required by WAC 173-446-230(2)(b). Additionally, Exhibits A and B provide a forecast of annual carbon dioxide emissions (in metric tons) based on the emission factors in WAC 173-446-230(1)(c) that the Department of Ecology will use to allocate no cost allowances to electric utilities.

11. These PSE-specific resource supply forecasts in Table 2 and Exhibits A and B reflect the most likely electricity resource mix scenario represented in PSE's Clean Energy Implementation Plan filed with the Commission in Docket UE-210795. Accordingly, this resource supply forecast incorporates equity considerations as required under the Clean Energy Transformation Act.[25] PSE's resource supply forecast includes both utility-scale and distributed energy resources. Distributed energy resources are a key part of PSE's strategy to achieve an equitably distributed resource supply portfolio that is a guiding principle in program implementation under PSE's Clean Energy Implementation Plan.

[25] The Notice expressly recognizes that any "forecast included in a [Clean Energy Implementation Plan] filed with the Commission should already incorporate equity considerations." Notice at 2 n.3.

C. The Commission Should Allow—But Not Require—Electric Utilities to Submit Annual Updates to the Utility-Specific Demand and Resource Supply Forecasts for a Compliance Period

12. The Notice requests that each investor-owned electric utility address in its petition whether the Commission should permit annual updates to the four-year demand and resource supply forecasts.[26] Pursuant to this request and for the reasons set forth in the following paragraphs, PSE submits that the Commission should allow—but not require—electric utilities to submit annual updates to the utility-specific demand and resource supply forecasts for a compliance period.

13. A Commission requirement that electric utilities submit annual updates to the utility-specific demand and resource supply forecasts for compliance period may be unnecessary. The rule promulgated by the Department of Ecology expressly provides a mechanism for the adjustment of the allocation of allowances to reflect any differential between the applicable reported greenhouse gas emissions for any given year during a compliance period based on these forecasts and the verified greenhouse gas emissions for such year:

> The initial allocation of allowances will be adjusted as necessary to account for any differential between the applicable reported greenhouse gas emissions for the prior years for which reporting data are available and verified in accordance with chapter 173-441 WAC the number of allowances that were allocated for the prior year through this process.[27]

This regulatory mechanism to be implemented by the Department of Ecology recognizes that (i) actual resources and loads will most likely, if not certainly, vary from the forecasts approved by the Commission and (ii) this adjustment mechanism will "true up" forecasted

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[26] Notice at 2.
[27] WAC 173-446-230(2)(g).

and actual amounts during a compliance period. Accordingly, updates to the forecasts approved by the Commission are unnecessary because of the regulatory mechanism developed by the Department of Ecology under WAC 173-446-230(2)(g).

14. Additionally, any Commission requirement that an electric utility submit annual updates to the utility-specific demand and resource supply forecasts for a compliance period creates unnecessary complexity in analysis and reporting for the electric utility, the Commission and Commission Staff, and stakeholders. Specifically, electric utilities will not update their Clean Energy Implementation Plans until November 2025, raising the question of a legitimate source for annually updated forecasts. It is possible, however, that an update in the last year of the first compliance period of the Climate Commitment Act may be warranted due to the inconsistent four-year compliance periods between the Climate Commitment Act and the Clean Energy Transformation Act.

15. In sum, the rules issued by the Department of Ecology are clear that the demand and resource supply forecasts approved by the Commission will be used by the Department of Ecology only for the purpose of the initial allocation of no cost allowances to electric utilities for the start of a compliance period. The Department of Ecology rule contemplates variances between these forecasts and verified greenhouse gas emissions and accounts for these variances through an adjustment mechanism under WAC 173-446-230(2)(g). For the reasons outlined herein, the Commission should not require electric utilities to submit annual updates to the utility-specific demand and resource supply forecasts for a compliance period but should allow electric utilities to propose forecast updates when circumstances warrant such an update.

V. REQUEST FOR RELIEF

16. Pursuant to RCW 70A.65.120(2)(b), WAC 173-446-230(2)(c)(i), and the Notice Requiring Petitions Requesting Approval of Forecasts Pursuant to RCW 70A.65.120 issued by the Washington Utilities and Transportation Commission, PSE respectfully requests that the Commission approve the PSE-specific demand and resource supply forecasts provided as Exhibit A to this Petition for the first compliance period (calendar years 2023-2026) of the Climate Commitment Act.

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