

**BEFORE THE  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of	)	
	)	Docket UE-23 _____
PUGET SOUND ENERGY	)	
	)	PETITION OF PUGET SOUND ENERGY
For an Order Authorizing Puget Sound Energy’s	)	
Accounting Treatment for the costs and return for	)	
Clean Energy Action Plan compliant Power	)	
Purchase Agreements pursuant to RCW 80.28.410	)	
_____	)	

**I. INTRODUCTION**

1. In accordance with WAC 480-07-370(3), Puget Sound Energy (“PSE” or “the Company”) respectfully petitions the Commission for an Order authorizing the accounting detailed in this Petition related to the costs and return for Clean Energy Action Plan compliant Power Purchase Agreements (“PPA”) pursuant to RCW 80.28.410.
2. Statutes and rules at issue in this Petition include RCW 80.28.410, RCW 80.01.040, RCW 80.28.020, WAC 480-100-203 and WAC 480-07-370.
3. PSE is a combined gas and electric utility that provides service to approximately 1,200,000 electric customers and 860,000 natural gas customers in Western Washington.
4. All correspondence related to this Petition should be directed as follows:

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## **II. SUMMARY OF PETITION AND BACKGROUND**

5. PSE has begun procuring contracts under its Clean Energy Action Plan (“CEAP”) which are eligible for deferral under RCW 80-28-410. PSE has currently executed three demand response PPAs and anticipates executing additional PPAs under its Distributed Energy Resources Request for Proposal<sup>1</sup> as well as other relevant RFPs. This petition requests deferred accounting treatment for the PPA cost and the return allowed under RCW 80.28.410. For future CEAP compliant PPAs, it also requests the ability to provide a Notice of Intent to defer, in the spirit of the rules codified under WAC 480-100-435 rather than requiring individual accounting petitions for all future PPAs. This request is being made in the interest of easing administrative burden as PSE moves toward fulfilling its CEAP.

## **III. BACKGROUND**

6. PSE has entered into three 5-year Demand Response PPAs: Oracle America, Inc. (Opower) on March 10, 2023; AutoGrid Systems, Inc. on July 14, 2023; and Enel X North America, Inc. on September 27, 2023. The PPAs are for capacity and the associated conservation attributes of the demand response aggregators’ services. The contract delivery terms span varying 5-year periods beginning April 2023 through December 31, 2028.
7. Per RCW 80.28.410 an electrical company may account for and defer for later consideration, costs associated with a long-term financial commitment including power purchase agreements with a term of five or more years associated with an eligible

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<sup>1</sup> <https://www.pse.com/en/pages/energy-supply/acquiring-energy/2022-Targeted-DER-RFP>

renewable resource.

8. Additionally, per paragraph 258 of Order 24/10 (“the Order”). PSE’s 2022 GRC, Docket No. UE-220066, demand response costs are “eligible” for potential earnings on PPAs pursuant to RCW 80.28.410.460. The Order specifies that to the extent that the DERs, battery resources, or demand response costs in question are "major projects in the electrical company's clean energy action plan pursuant to RCW 19.280.030(1)(I), or selected in the electrical company's solicitation of bids for delivering electric capacity, energy, capacity and energy, or conservation," whether they are PPAs or not, these projects are eligible for earnings under the statute. Yet whether return is appropriate on a particular resource, or the precise level of potential earnings, is not set forth in the Settlement and must be determined in a future proceeding, as the statute provides discretion for the Commission in determining the appropriate return on a PPA. As such, this petition does not request a decision on the recoverability of the deferral. It only requests the ability to defer the requested costs and return.
9. Beginning in July 2023, the reporting quarter in which this petition is filed, PSE will defer all payments under the PPA, in addition to a return on these costs at the Company’s authorized rate of return. A full rate of return is appropriate in this case because these are long-term PPAs and as such, will be financed using PSE’s full capital structure.

#### **IV. JUSTIFICATION FOR REQUESTED ACCOUNTING TREATMENT**

10. Deferred accounting treatment is allowed under RCW 80.28.410.

#### **V. PROPOSED ACCOUNTING TREATMENT**

11. PSE proposes to record the deferral of the PPA cost and return as a regulatory asset in FERC account 182.3 (Regulatory Asset). The deferral will continue until the PPAs costs

and return are included in rates. PSE's baseline rate update for 2024 which is being filed concurrent with this petition, has a requested rate effective date of January 1, 2024. That rate request includes the PPA costs associated with these PPAs, but does not request the return on the PPAs. The return on the PPAs will be requested in PSE's next multiyear rate plan with rates anticipated sometime around 2025. Accordingly, the return deferral will likely last longer than the deferral of the PPA costs.

12. In past power cost deferrals<sup>2</sup>, PSE has proposed to recognize an offset to the deferral for the avoided cost of market power ("market power offset"). However, the nature of demand response PPAs produces a reduction to overall load which allows the utility to not have to serve the load. Essentially, they have the market power offset already built in. As such, no market power offset will be provided for in the requested accounting. Additionally, a list of resource related power costs that have been previously approved for deferral by the Commission can be provided upon request.

## **VI. ABILITY TO FILE A NOTICE OF INTENT TO DEFER**

13. For future executed CETA compliant resources that are not included in rates, PSE requests the ability to file a Notice of Intent to Defer similar to that which is allowed in WAC 480-100-435(3)(a), which states:
  - (3) An electrical company deferring costs under subsection (1) of this section must:
    - (a) Notify the commission within ten business days of its intent to defer such costs; and
14. It is possible that PSE will be entering into a large number of PPAs as it seeks to comply with its CEAP. The deferred accounting that PSE would request associated with these

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<sup>2</sup> Docket UE-210056.

future contracts would not greatly differ from that which is being requested in this petition. Therefore, the ability to file a Notice of Intent to Defer rather than separate Accounting Petitions for each contract will streamline the regulatory process and allow for greater efficiency. As such, PSE requests that the Commission allow PSE to follow the requested process.

## VII. REQUEST FOR RELIEF

15. For the reasons discussed above, PSE respectfully requests the Commission issue an Order approving the proposed accounting treatment, as set forth in this Petition.

DATED this 29<sup>th</sup> day of September, 2023.

### **Puget Sound Energy**

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