Service Date: September 28, 2026

BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Petition of PUGET SOUND ENERGY, Petitioner, For Approval of 2025 Power Cost Adjustment Annual Report	DOCKET UE-260337 ORDER 01 COMPLAINT AND ORDER; APPROVING POWER COST ADJUSTMENT ANNUAL REPORT SUBJECT TO LATER REFUND; SETTING MATTER FOR ADJUDICATION

BACKGROUND

1 On April 30, 2026, Puget Sound Energy (PSE or Company) filed with the Washington Utilities and Transportation Commission (Commission) its 2025 Power Cost Adjustment (PCA) annual report, requesting that the Commission approve recovery of the remaining 2025 customer deferral balance through updated Schedule 95, Power Cost Adjustment Clause, rates beginning January 1, 2027. PSE also proposes to update Schedule 139, Voluntary Long-Term Renewable Energy Purchase Rider, to provide supplemental credits for Green Direct customers because Green Direct customers are excluded from the PCA imbalance.

2 As part of PSE's 2001 general rate case (GRC), the Commission authorized PSE to implement the PCA, which established a mechanism to adjust rates by tracking and recovering Net Power Costs (NPC) variances that exceed an authorized deadband and accumulate to either an established surcharge or a pass-back balancing account threshold of $30 million.[1]

3 Subsequently, the Commission approved modifications to PSE's PCA mechanism, including updating the sharing band design with a deadband equal to 2.32 percent of variable NPC, defining variable production costs, excluding fixed production and other

[1] *WUTC v. Puget Sound Energy*, Dockets UE-011570 & UG-011571 (*Consolidated*), Supplemental Order 12 (June 20, 2002).

costs, and lowering the balancing account threshold to $20 million or about 0.9 percent of contemporary base retail revenues, as part of PSE's 2013 power cost only rate case.[2]

4 In PSE's 2024 GRC, the Commission further authorized PSE to file annual power cost updates for the duration of its multiyear rate plan.[3]

5 Under PSE's PCA mechanism, variances between actual power costs and the authorized baseline are first absorbed by the Company within the $17 million deadband, with variances above that threshold shared between PSE and its customers under two sharing bands. For under-recoveries above the dead band, costs are shared 50/50 between PSE and its customers up to $40 million, while costs above $40 million shared 10 percent by PSE and 90 percent by customers. The Company determines its monthly PCA variance by calculating the difference between actual allowable power cost and the authorized baseline power costs. The customers' portion of the variance receives deferred accounting treatment and accrues monthly interest at the applicable Federal Energy Regulatory Commission (FERC) interest rate calculated in accordance with WAC 480-90-233(4). For the third quarter of 2026, the applicable FERC interest rate is 6.75 percent.

6 During PSE's 2025 PCA period, PSE recovered approximately $1.192 billion in power costs through the PCA variable baseline rate, while actual allowable PCA costs were approximately $1.388 billion, resulting in a total PCA recovery of approximately $195.3 million. Under the PCA sharing mechanism, approximately $44.0 million of the under recovery is assigned to PSE and approximately $151.2 million is assigned to customers before interest. Accounting for interest, the customer deferral balance as of December 31, 2025, is approximately $155.6 million before gross-up for revenue sensitive items.

7 PSE is currently collecting a forecasted 2025 PCA balance through rates approved in Docket UE-250318 for the period from October 1, 2025, through December 31, 2026.[4] After accounting for actual collections through March 2026 and forecasted collections through December 31, 2026, PSE estimates a remaining residual customer receivable balance of approximately $59.5 million before gross-up, or $62.6 million after gross-up.

---

[2] *WUTC v. Puget Sound Energy*, Dockets UE-130583, UE-130617, UE-131099, & UE-131230 (*Consolidated*), Order 07/11/07/07 (Aug. 7, 2015).

[3] *WUTC v. Puget Sound Energy*, Dockets UE-240004 & UG-240005 (*Consolidated*), Order 09/07 (Jan. 15, 2025).

[4] *WUTC v. Puget Sound Energy*, Docket UE-250318, Order 01 (Sept. 29, 2025).

PSE proposes to recover the $62.6 million grossed-up residual balance over 12 months, from January 1, 2027, through December 31, 2027.

8 PSE estimates that the Schedule 95 update will result in an overall decrease of approximately 0.36 percent for all customers. The rate decrease is due to the expiration of the currently authorized PCA surcharge on December 31, 2026, and the fact that the proposed residual recovery beginning January 1, 2027, is lower than the current recovery level, based on a $0 forecasted PCA deferral for 2026. If approved, PSE's rates would reflect a PCA surcharge deferral balance decrease of approximately $37.1 million dollars, or 37.2 percent, beginning January 1, 2027. PSE also states that it will update Schedule 139 supplemental credits for Green Direct customers to reflect their exclusion from the PCA imbalance.

9 Based on PSE's proposal, the typical residential ratepayer using 800kWh would see a $0.59 or 0.36 percent decrease in their bill each month, effective January 1, 2027, as shown in the table below:

	Basic Charge	**First 600 kWh**	**Over 600 kWh**	**Pass-Through Trackers**	**Current Bill**	**Change in Dollars**	**Percent Change**
Current Rates	$7.49	$84.96	$32.20	$36.69	$161.34		
Proposed Rates, Effective Jan. 1, 2027	$7.49	$84.96	$32.20	$36.10	$160.75	$(0.59)	-0.36 Percent

10 Commission staff (Staff) has reviewed the Company's filing and explains that the Company's under-recovery was primarily the result of several factors, including wholesale market prices that were lower than forecasted and reduced secondary sales revenue, the Grays Harbor Tolling Agreement, lower hydroelectric and wind generation, and higher purchased transmission expense.

11 Staff notes that PSE has included its Green Direct Program as part of this filing because the Commission has previously required PSE to separately track and identify the costs and benefits of Schedule 139 in the PCA mechanism. Staff states that PSE excluded Green Direct costs and customer loads from the PCA imbalance calculation to avoid cross-subsidization between participating and non-participating customers. PSE excluded approximately $33.6 million in Green Direct power purchase agreement costs from allowable PCA costs and removed approximately 700 million kWh of Green Direct customer load from baseline power costs. Staff further clarifies that PSE included Green Direct for information and compliance purposes only and the Company is not proposing any additional deferral of Green Direct costs or benefits in this filing. PSE is proposing updates to Schedule 139, Voluntary Long-Term Renewable Energy Purchase Rider, to reflect supplemental credits for Green Direct customers when Schedule 95 is updated for the remaining 2025 PCA residual balance.

12 Staff states that PSE is not requesting recovery of direct Climate Commitment Act allowance costs. While CCA allowance costs were not included in the PCA mechanism and were addressed through Schedule 111 in 2025, CCA compliance indirectly affected 2025 PCA results because PSE considered emissions allowance costs in dispatch decisions. As a result, PSE estimates that CCA compliance increased actual 2025 PCA power costs by approximately $57.9 million, reflecting a $113.3 million reduction in secondary sales revenue offset by $55.4 million in avoided fuel costs, which avoided approximately $94.7 million in direct emissions allowance costs, which are not included in the 2025 PCA results. The net cost of including CCA emission allowance costs in dispatch decisions resulted in an overall customer benefit of $36.8 million.

13 After reviewing PSE's filing and supporting material, Staff finds that PSE's proposal is acceptable and practical under the present circumstances. Staff recommends that the Commission:

1. Approve PSE's 2025 PCA annual report;

2. Approve PSE's proposed methodology to recover the remaining 2025 PCA customer deferral balance of approximately $59.5 million before gross-up, or $62.6 million after gross-up for revenue-sensitive items, over 12 months beginning January 1, 2027;

3. Authorize PSE to submit revised tariff pages to its Tariff Schedule 95, Power Cost Adjustment Clause, to recover the remaining residual customer receivable effective January 1, 2027;

4. Authorize PSE to submit revised tariff pages to its Tariff Schedule 139, Voluntary Long-Term Renewable Energy Purchase Rider, to update supplemental credits for Green Direct customers effective January 1, 2027, through December 31, 2027; and

5. Approve PSE's 2025 Green Direct Program report for purposes of this annual PCA compliance filing.

14 On September 24, 2026, this matter came before the Commission at its regularly scheduled open meeting. The Commission heard comments from Staff, the Attorney General's Office – Public Counsel Unit (Public Counsel), and PSE. Staff reiterated its recommendations and clarified that the effect of this filing is a slight reduction in rates effective on January 1, 2026, due to the variance being lower in 2025 than the prior year's PCA. Public Counsel shared concerns specific to the Grays Harbor Energy Center (Grays Harbor or GHEC). Specifically, Public Counsel noted that when the contract was authorized, Public Counsel shared concerns that modeling showed it was not cost effective under all circumstances. Since then, Public Counsel argues that with CCA costs now in dispatch, the resource is now clearly not cost effective, in part because its capacity factor is now reduced. Public Counsel argues that prudence requires an ongoing assessment, and that the Commission should either find the costs from Grays Harbor imprudent for the 2025 PCA or suspend it for adjudication. In response to questions from the Commission, Public Counsel noted that the energy costs were higher than anticipated and that they would likely not be challenging prudence if that were not the case. Finally, Public Counsel provided that because so much of PSE's filing was marked as confidential or highly confidential, Public Counsel did not believe that the Commission could conduct a thorough discussion of the issues raised by Public Counsel in an open meeting.

15 In response to the concerns from Public Counsel, Staff shared that based on a calculation Staff completed, it believes that if separating out capacity and energy charges, the energy charges from the tolling agreement would be less than those that would have otherwise been incurred from purchases in the wholesale market. PSE also responded that contrary to Public Counsel's assertion, nothing has changed. Further, PSE argued that because wholesale prices were less than forecast, its anticipated revenues from Grays Harbor were less than forecast.

DISCUSSION AND DECISION

16 The Commission largely concurs with Staff's analysis of PSE's filing. The Company has presented sufficient evidence in support of its request for conditional approval of its 2025

PCA Annual Report and its proposed methodology to recover the remaining 2025 customer deferral balances. Additionally, the Commission is pleased to observe that PSE's filing, if approved, will result in a monthly bill decrease of approximately $0.59 or 0.36 percent for typical residential customers using 800 kWh, as a result of the approximately $37.1 million decrease to the PCA surcharge deferral balance.

17 The Commission agrees with Staff's analysis that much of PSE's under-recovery is attributable to variances between PSE's forecasting and actuals with respect to wholesale market prices and secondary sales revenue, variable power generation, and purchased transmission expenses. The Commission also finds that PSE appropriately separated Green Direct Program customers from its PCA calculations to avoid cross subsidization between participating and non-participating customers. Furthermore, the Commission concurs with Staff's determination that PSE appropriately accounted for the indirect effects of CCA compliance as part of its filing.

18 While the Commission generally agrees with Staff's recommendation, the Commission is not prepared to make a finding that continuance of the Grays Harbor Tolling agreement in 2025 was prudent based on the issues raised by Public Counsel. Accordingly, the Commission finds it appropriate to suspend the filing, while allowing the rates to become effective, subject to refund, beginning on January 1, 2026. This will allow the Commission to review the prudency of the Grays Harbor Tolling agreement during 2025 while avoiding the incurrence of carrying costs on the 2025 PCA costs.

19 As such, the Commission suspends this filing to adjudicate the prudency of the continuance of the Grays Harbor Tolling agreement in 2025, and approves of PSE's 2025 PCA Annual Report, 2025 Green Direct Program report for the purposes of this filing, and PSE's proposed methodology to recover the remaining 2025 customer deferral balance, subject to refund.

FINDINGS AND CONCLUSIONS

20 (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.

21 (2) PSE is an electric company and a public service company subject to Commission jurisdiction.

22 (3) Staff has reviewed the petition filed in this docket, including workpapers.

23 (4) This matter came before the Commission at its regularly scheduled open meeting on September 24, 2026.

24 (5) After reviewing PSE's petition, and giving due consideration to all relevant matters and for good cause shown, the Commission finds that it is in the public interest to:

1. Approve PSE's 2025 PCA annual report;

2. Approve PSE's proposed methodology to recover the remaining 2025 PCA customer deferral balance of approximately $59.5 million before gross-up, or $62.6 million after gross-up for revenue-sensitive items, over 12 months beginning January 1, 2027. This approval is subject to refund pending the outcome of adjudication of the issue of the prudence of the GHEC tolling agreement during 2025;

3. Authorize PSE to submit revised tariff pages to its Tariff Schedule 95, Power Cost Adjustment Clause, to recover the remaining residual customer receivable effective January 1, 2027;

4. Authorize PSE to submit revised tariff pages to its Tariff Schedule 139, Voluntary Long-Term Renewable Energy Purchase Rider, to update supplemental credits for Green Direct customers effective January 1, 2027, through December 31, 2027; and

5. Approve PSE's 2025 Green Direct Program report for purposes of this annual PCA compliance filing.

6. Set for adjudication the issue of the prudency of the Grays Harbor Tolling Agreement for 2025, with a schedule to be determined by the presiding administrative law judge.

25 (6) The tariff revisions Puget Sound Energy filed on April 30, 2026, could injuriously affect the rights and interests of the public.

26 (7) Puget Sound Energy has not yet demonstrated that the tariff revisions would result in rates that are fair, just, reasonable, and sufficient.

27 (8) 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 Puget Sound Energy's books, accounts, practices, and activities; to

make a valuation or appraisal of Puget Sound Energy's property; and to investigate and appraise various phases of Puget Sound Energy's operations.

28 (9) The Commission finds that this docket meets the criteria of WAC 480-07-400(2)(b)(i) and that the parties may conduct discovery pursuant to the Commission's discovery rules in WAC 480-07-400 – 425.

29 (10) Puget Sound Energy may be required to pay the expenses reasonably attributable and allocable to such an investigation, consistent with RCW 80.20.020

30 (11) After considering the Company's filing, Staff's recommendation, Public Counsel's recommendation, and for good cause shown, the Commission directs the Company to file revised tariff pages, no later than December 20, 2026, with an effective date of January 1, 2026, indicating that the rates in this docket are subject to refund, and the Commission sets this matter for adjudication pending final determination of this matter.

ORDER

31 (1) The Commission approves Puget Sound Energy's Power Cost Adjustment annual report.

32 (2) The Commission approves Puget Sound Energy's proposed methodology to recover the remaining 2025 PCA customer deferral balance of approximately $59.5 million before gross-up, or $62.6 million after gross-up for revenue-sensitive items, over 12 months beginning January 1, 2027, subject to refund pending the outcome of adjudication of the issue of the prudence of the Grays Harbor Energy Center tolling agreement during 2025.

33 (3) The Commission authorizes and requires Puget Sound Energy to submit tariff revisions for its Tariff Schedule 95, Power Cost Adjustment Clause to recover remaining residual customer receivable, effective January 1, 2027, and Tariff Schedule 139, Voluntary Long-Term Renewable Energy Purchase Rider, to update supplemental credits for Green Direct customers effective January 1, 2027, through December 31, 2027. Puget Sound Energy shall file revised tariff pages, no later than December 20, 2026, with an effective date of January 1, 2026, indicating that the rates in this docket are approved, subject to refund.

34 (4) The Commission approves Puget Sound Energy's Green Direct Program report for purposes of this annual PCA compliance filing.

35 (5) The Commission will adjudicate the issue of the prudency of the GHEC tolling agreement during 2025.

36 (6) This Order shall not affect the Commission's authority over rates, services, accounts, valuations, estimates, or determinations 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.

37 (7) The Commission will hold hearings at such times and places as may be required.

38 (8) Puget Sound Energy must not change or alter the tariffs filed in this docket during the suspension period unless authorized by the Commission.

39 (9) The Commission will institute an investigation of Puget Sound Energy's books, accounts, practices, activities, property, and operations as described above.

40 (10) The parties may conduct discovery pursuant to the Commission's discovery rules in WAC 480-07-400 – 425.

41 (11) The Commission retains jurisdiction over the subject matter and Puget Sound Energy to effectuate the provisions of this Order.

DATED at Lacey, Washington, and effective September 28, 2026.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

BRIAN J. RYBARIK, Chair

ANN E. RENDAHL, Commissioner

MILTON H. DOUMIT, Commissioner