

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of

PUGET SOUND ENERGY

For Approval of its 2023 Power Cost
Adjustment Annual Report

DOCKET UE-24____

PETITION OF PUGET SOUND ENERGY
FOR APPROVAL OF ITS
2023 POWER COST ADJUSTMENT
ANNUAL REPORT

1. This Petition is brought by Puget Sound Energy (“PSE” or the “Company”).

PSE’s representative for purposes of this proceeding is:

Susan E. Free
Director of Revenue Requirements and Regulatory Compliance
Puget Sound Energy
P.O. Box 97034
Bellevue, WA 98009-9734
Telephone: 425-456-2105
Facsimile: 425-462-3414
susan.free@pse.com

and its legal counsel for purposes of this proceeding is:

Donna L. Barnett
Perkins Coie LLP
10885 N.E. Fourth Street, Suite 700
Bellevue, WA 98004
Telephone: 425-635-1419
Facsimile: 425-635-2419
dbarnett@perkinscoie.com

2. This Petition brings into issue: WAC 480-07-370(3).

I. BACKGROUND

A. The Company's PCA Mechanism Requires Annual True-Up Filings

3. In the Commission's Twelfth Supplemental Order in Dockets UE-011570 and UG-011571 ("Twelfth Supplemental Order"), the Commission approved the parties' Settlement Stipulation for Electric and Common Issues for PSE's 2001 general rate case ("Stipulation"). Among other things, the Twelfth Supplemental Order authorized a Power Cost Adjustment Mechanism ("PCA Mechanism"). Exhibit A to the Stipulation, which was attached to the Twelfth Supplemental Order, sets forth details regarding the original PCA Mechanism, and is hereinafter referred to as the "2002 PCA Settlement."

4. The 2002 PCA Settlement describes the PCA Mechanism as
a mechanism that would account for differences in PSE's modified actual power costs relative to a power cost baseline. This mechanism would account for a sharing of costs and benefits that are graduated over four levels of power cost variances

2002 PCA Settlement, ¶ 2. The 2002 PCA Settlement set forth the various levels of costs and benefits sharing between the Company and its customers. *See id.*, ¶ 3.

5. In order to implement its sharing provisions, the 2002 PCA Settlement requires an annual true-up of actual power costs (versus the normalized level set in rates) and an accounting of sharing amounts for Commission review and approval. *See id.*, ¶ 4.

6. In March 2015, following a PCA Collaborative, PSE, Public Counsel, and WUTC Staff (collectively, "Settling Parties") executed a settlement agreement that modified the original PCA Mechanism, including changing the deadline for filing PSE's PCA Mechanism Report from March to April of each year ("2015 PCA Settlement"). The Commission approved the 2015 Settlement Agreement in Order 11, issued in PSE's 2013 PCORC (Docket UE-130617). A copy

of the 2015 Settlement Agreement approved in Order 11 to Docket UE-130617, along with its Attachment A, which summarizes the changes and settlement terms to PSE's PCA mechanism, is attached to this petition as Exhibit A.

II. PSE'S 2023 PCA REPORT

7. In compliance with the 2015 PCA Settlement and Order 11 in Docket UE-130167, this Petition presents to the Commission PSE's Power Cost Adjustment Mechanism Annual Report ("PCA Annual Report") for the twelve-month period from January 1, 2023, through December 31, 2023, for the Commission's review and approval. The PCA Annual Report is being filed along with this Petition.¹ Also being filed with this Petition are the Prefiled Direct Testimonies of Susan E. Free, with supporting exhibits, Brennan D. Mueller, with supporting exhibits, Philip A. Haines, with supporting exhibits and Cara G. Peterman, with supporting exhibits.

8. Accompanying work papers are also being provided to WUTC Staff, Public Counsel and Alliance of Western Energy Consumers with this filing or shortly thereafter. As described below, PSE requests the Commission approve the PCA Annual Report as filed, as requested by Susan Free.

9. As detailed in the PCA Annual Report, the average variable power cost rate during 2023 was \$43.852 per Megawatt hour ("MWh"). During 2023, the variable baseline power cost rates in effect from January 1, 2023, through January 10, 2023, was \$38.983, which was approved in Docket UE -200980, PSE's 2020 Power Cost Only Rate Case. Beginning

¹ See Exh. SEF-3.

January 11, 2023, through December 31, 2023, the variable baseline power cost rate in effect was \$46.514, which was approved in Docket UE-220066, PSE's 2022 general rate case. In 2023, actual power costs were lower than the average of the baseline power cost rates in effect by \$51.1 million (after adjustment for Firm Wholesale). The amount of imbalance assigned to the Company was \$26.2 million, and \$24.9 million was assigned to customers.

10. The activity that occurred in 2023 resulted in a cumulative over-collection of \$51.1 million. Because in prior proceedings, PSE has requested recovery of the cumulative under-collection from inception of the PCA through December 31, 2022, the cumulative over-collection presented in this proceeding is solely related to 2023 activity. Considering the impact of interest, the total balance owed to customers is \$21.1 million prior to gross up for revenue sensitive fees and taxes. See page one of Exh. SEF-3.

11. Please note that while there appears to be an "over collection" from customers as part of this filing, PSE incurred electric emissions allowance obligations for 2023 pursuant to the Climate Commitment Act. PSE is unable to reflect this amount in the 2023 PCA Annual Report and, instead, it will be the subject of a future tariff filing. For more information on the electric emissions allowance obligations, see the Prefiled Direct Testimony of Brennan D. Mueller, Exh. BDM-1CT, filed herewith.

III. PSE'S 2024 PCA CURRENT EXPECTED IMBALANCE

12. As part of its proposal for how to pass back the 2023 imbalance, the Company also considered what occurred through March 2024 under the 2024 PCA period. Due to an extreme cold weather event in January 2024, the expected PCA under-collection is \$98.2 million as of March 2024. In light of the large swings between each PCA period's imbalance from the

2022 through the 2024 PCA periods, PSE is proposing to combine the 2023 and 2024 PCA period customer imbalances and to begin collecting them in October 2024. As explained in more detail in Exh. SEF-1T, the 2015 PCA Settlement expressly allows for this treatment.² PSE believes it would provide several benefits for the customer and the Company, including:

- a) Rate stability
- b) Appropriate price signaling
- c) Gradualism
- d) Prevention of pancaking
- e) Avoidance of substantial interest to customers
- f) Maintenance of financial health of the Company

IV. REQUESTED ACTION


13. PSE respectfully requests that, by September 30, 2024, upon resolution of PSE's 2023 PCA Annual Compliance Filing, the Commission issue an order approving PSE's PCA Annual Report, as filed in this docket. PSE further requests that the Commission approve PSE's proposed methodology, as described in Exh. SEF-1T, for passing back and recovering the customer deferral for both 2023 and 2024, which when grossed up for inclusion in rates, and interest is included, totals \$76.0 million. The portion of the \$76.0 million related to the estimated 2024 PCA customer receivable, or \$98.2 million, will be subject to final review and approval in next year's PCA annual compliance filing to be filed in April 2025 once actual amounts are known. The difference between the forecasted imbalance recovered and the actual approved balance will be trued up either through pass-back or collection through the Schedule 95

² See Exhibit A to this Petition, at p. 14, ¶ 3.b.

supplemental surcharge or returned to the residual PCA customer deferral account for later dispensation.

DATED: April 30, 2024.

PERKINS COIE LLP

By 
Donna L. Barnett, WSBA #36794
Attorneys for Puget Sound Energy