

**BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of

PUGET SOUND ENERGY

Petitioner,

For an Order Authorizing Deferred Accounting Treatment of Puget Sound Energy’s Derivatives and Hedging Activities Related to Power and Gas-for-Power Contracts.

DOCKET UE-240773

ORDER 01

AUTHORIZING DEFERRED
ACCOUNTING TREATMENT
FOR DERIVATIVE AND
HEDGING ACTIVITIES
RELATED TO POWER AND
GAS-FOR-POWER
CONTRACTS

BACKGROUND

- 1 On October 17, 2024, Puget Sound Energy (PSE or Company) filed with the Washington Utilities and Transportation Commission (Commission) a petition for an order authorizing deferred accounting treatment of the Company’s derivatives and hedging activities related to power and gas-for-power contracts (Petition). In its Petition, PSE requests approval of deferred accounting treatment of regulatory assets or liabilities to offset the accounting required under Accounting Standards Codification (ASC) 815, “Derivatives and Hedging” for certain derivative and hedging activities related to contracts qualifying as a derivative which are recovered through PSE’s Power Cost Adjustment Mechanism. Statutes and rules at issue in this Petition include RCW 80.01.040, RCW 80.28.020, WAC 480-07-370(3), WAC 480-90-203, and WAC 480-100-203.
- 2 Commission staff (Staff) reviewed the Company’s Petition and determined that it meets the requirements set out in the applicable statutes and administrative rules and that the requested deferred accounting treatment is fair, just, reasonable, and sufficient. Staff recommends the Commission issue an order granting the Company’s Petition.

DISCUSSION

- 3 We agree with Staff and grant PSE’s Petition for an order authorizing deferred accounting treatment finding that its request to record regulatory assets and liabilities in deferral accounts is appropriate to offset the financial accounting required under Accounting Standards Codification (ASC) 815, “Derivatives and Hedging” for

certain derivative and hedging activities related to contracts qualifying as a derivative which are recovered through PSE's Power Cost Adjustment Mechanism.

- 4 PSE proposes that the Company be allowed to offset the assets and/or liabilities required by ASC 815 to record derivative instruments at fair value as of the balance sheet date with regulatory assets and/or liabilities. Further, PSE requests that the entries to the regulatory liabilities and assets be made simultaneous with the journal entries required by ASC 815 so as to temporarily result in no impact on the Company's statement of income and comprehensive income until the underlying contract settles and is recorded in purchased electricity or electric generation fuel.
- 5 RCW 80.08.040 and RCW 80.28.020 provides that any utility that makes such a petition must request the Commission to enter a written order establishing that the utility has complied with the requirements of applicable statutes and rules related to deferred accounting treatment for natural gas and electrical utility operations.
- 8 After review of the Petition, we agree with Staff and find that PSE has satisfied the statutory and administrative requirements. Further, we agree that allowing PSE to offset the assets and/or liabilities required by ASC 815 by recording derivative instruments at fair value as of the balance sheet date with regulatory assets and/or liabilities increases meaningful transparency of the Company's accounting-period to accounting-period GAAP financial statements.
- 9 By allowing PSE accounting entries to regulatory liabilities and assets to be made simultaneously with the journal entries required by ASC 815 the Company's statement of income and comprehensive income will not be impacted until the underlying derivative or hedging contract settles and is recorded in purchased electricity or generation fuel. The requested accounting treatment is equivalent to the accounting treatment already afforded to Avista Corporation under Docket UE-002066. As a result, granting of this Petition will result in intercompany consistency in financial statement presentation.
- 10 Accordingly, we find that the deferred accounting treatment requested is in the public interest, and we grant the Company's Petition.

FINDINGS AND CONCLUSIONS

- 11 (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 and gas companies.

- 12 (2) PSE is engaged in the business of providing utility services within the state of Washington to approximately 1,200,000 electric customers and 870,000 natural gas customers. As a public service company, it is subject to Commission jurisdiction.
- 13 (3) This matter came before the Commission at its regularly scheduled meeting on December 19, 2024.
- 14 (4) Allowing PSE to offset the assets and/or liabilities required by ASC 815 by recording derivative instruments at fair value as of the balance sheet date with regulatory assets and/or liabilities increases meaningful transparency of the Company's accounting-period to accounting-period GAAP financial statements. Current point-in-time measurement prior to the settlement of the underlying transactions has unnecessarily increased the difficulty of users of PSE's financial statements to interpret its financial results.
- 15 (5) Also by allowing PSE accounting entries to regulatory liabilities and assets to be made simultaneously with the journal entries required by ASC 815 the Company's statement of income and comprehensive income will not be impacted until the underlying derivative or hedging contract settles and is recorded in purchased electricity or generation fuel.
- 16 (6) The proposed deferred accounting treatment will present PSE's financial statements in a format more consistent with established ratemaking practices and will result in PSE's US GAAP results being less impacted by increased market price volatility in wholesale natural gas and electricity markets enhancing the clarity of PSE's results for its financial statement users and better reflect the recognition of these amounts in income statements.
- 17 (7) The requested accounting treatment is equivalent to the accounting treatment already afforded to Avista Corporation under Docket UE-002066. As a result, granting of this Petition will result in intercompany consistency in financial statement presentation.

- 18 (8) After reviewing the information and Petition PSE filed in Docket UE-240773 on October 17, 2024, and giving due consideration, the Commission finds that PSE's Petition meets the requirements of applicable statutes and rules.

ORDER

THE COMMISSION ORDERS:

- 19 (1) Puget Sound Energy has complied with the requirements of RCW 80.08.040, RCW 80.28.020, and WAC 480-07-370(3) with respect to its Petition for deferred accounting treatment.
- 20 (2) Puget Sound Energy may engage in the proposed deferred accounting treatment for certain derivatives and hedging activities related to contracts qualifying as a derivative which are recovered through Puget Sound Energy's Power Cost Adjustment Mechanism.
- 21 (3) This Order shall in no way affect the authority of the Commission over rates, services, accounts, valuations, estimates, or determination of costs, or any matters that may come before it. Nor shall anything in this Order be construed as an agreement to any estimate or determination of costs, or any valuation of property claimed or asserted.
- 22 (4) The Commission retains jurisdiction over the subject matter and Puget Sound Energy to effectuate the provisions of this Order.

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 December 19, 2024.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

JEFF KILLIP
Executive Director and Secretary