

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of

PUGET SOUND ENERGY,

Petitioner,

For an Order Authorizing Deferred
Accounting Treatment for Implementation
of the Washington State Clean Fuel
Standard Regulations

DOCKET UE-240582

ORDER 01

APPROVING DEFERRED
ACCOUNTING AND RATEMAKING
TREATMENT

BACKGROUND

- 1 In 2019, the Washington State Legislature passed the Clean Energy Transformation Act, codified as RCW 19.405, setting standards for Washington’s energy companies in the transition to clean energy to combat climate change.
- 2 In 2021, the Washington State Legislature passed the Climate Commitment Act, codified as RCW 70A.65, to reduce greenhouse gas (GHG) emissions. Also referred to as “Cap and Invest,” the law establishes a declining cap on GHG emissions from covered entities and is intended to reduce emissions in the State by 95 percent by 2050.
- 3 In 2021, the Washington State Department of Ecology (ECO) implemented its Clean Fuel Standard (CFS), codified as RCW 70A.535, to reduce GHG emissions and encourage the State’s transition to emerging clean energy technologies.
- 4 On July 31, 2024, Puget Sound Energy (PSE or Company) filed with the Washington Utilities and Transportation Commission (Commission) Docket UE-240582, petitioning the Commission for an Order authorizing deferred accounting and ratemaking treatment of costs associated with the Company’s compliance to ECO’s CFS.
- 5 CFS regulations require registered participating electric utilities, such as PSE, to reinvest into transportation electrification projects a minimum of 30 percent of the revenues it generates from credits earned from the electricity supplied to retail customers under the clean fuels program.¹

¹ RCW 70A.535.080(1)(b)

6 CFS regulations also require those utilities to spend an additional 50 percent of revenues
generated from earned credits on electrification programs and projects jointly developed
by ECO and the Washington State Department of Transportation.

7 On July 31, 2024, PSE filed its petition with the Commission requesting an Order
authorizing deferred accounting treatment of costs and revenues associated with the
Company's compliance to ECO's CFS regulations.

8 This item was heard at the Commission's regularly scheduled Open Meeting on
November 7, 2024.

DECISION

9 PSE is filing its petition for deferred accounting due to the lack of clear accounting
guidance on how revenues and costs related to this program can be recorded. PSE
believes approval of its petition will provide the necessary authority under Generally
Accepted Accounting Principles for PSE to defer the revenues from the sale of
Renewable Energy Credits (REC).

10 The Company provides the following formulas for the calculation of revenues:

11 Calculation of Total revenue is equal to the total number of CFS credits times the price of
those CFS credits.

12 Calculation of REC cost is equal to the total number of RECs retired times the price of
those RECs.

13 The calculation of the Net CFS Revenue is equal to Total Revenue² minus REC cost.³

14 PSE requests from the Commission an Order authorizing it to defer the Net CFS
Revenues obtained from monetizing Credits in FERC account 253 – Other Deferred
Credits until the Net CFS Revenue is invested in transportation electrification projects, as
described by CFS Regulations.⁴

² Petition at 11.

³ Petition at 12.

⁴ Petition at 5 and 6.

15 The amount of Net CFS Revenue is the amount against which qualifying CFS project costs will be recorded.

16 PSE will defer costs by debiting a contra-253 account to offset the net revenues. PSE will ensure eligible projects are not being recovered elsewhere in rates.

17 In the event net revenues are spent on any eligible capital projects, PSE will debit a separate contra-253 account and will credit FERC account 107 – Construction Work in Progress. Any costs in excess of the applied Credit will then be capitalized as an addition to plant in FERC account 101 – Plant in Service, with applicable depreciation.

FINDINGS AND CONCLUSIONS

18 (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.

19 (2) PSE is a public service company subject to Commission jurisdiction, providing service as an electric and natural gas company.

20 (3) WAC 480-07-370(3) allows companies to file petitions including that for which PSE seeks approval.

21 (4) Staff has reviewed the Petition in Docket UE-240582.

22 (5) Staff believes the Petition is in the public interest and recommends the Commission grant the Petition.

23 (6) This matter came before the Commission at its regularly scheduled meeting on November 7, 2024.

24 (7) After reviewing PSE's Petition filed in Docket UE-240582, associated statutes and regulations, and giving due consideration to all relevant matters and for good cause shown, the Commission finds that the Petition should be granted through the following Order.

ORDER

THE COMMISSION ORDERS:

- 25 (1) Puget Sound Energy's Petition for an Accounting Order Authorizing Deferred
Accounting Treatment for Implementation of the Washington State Clean Fuel
Standard Regulations is granted, subject to the conditions that the Puget Sound
Energy must track the revenues in FERC account 253.
- 26 (2) This Order shall not affect the Commission's authority over rates, services,
accounts, valuations, estimates, or determination of costs, on any matters that may
come before it. Nor shall this Order granting Petition be construed as an
agreement to any estimate or determination of costs, or any valuation of property
claimed or asserted.
- 27 (3) The Commission retains jurisdiction over the subject matter and Puget Sound
Energy to effectuate the provisions of this Order.
- 28 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 November 7, 2024.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

JEFF KILLIP
Executive Director and Secretary