

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY,

Respondent.

DOCKET UE-250321

ORDER 01

COMPLAINT AND ORDER
SUSPENDING TARIFF REVISIONS;
ALLOWING RATES SUBJECT TO
LATER REVIEW AND REFUND

BACKGROUND

- 1 In 2021, the Washington State Legislature passed the Climate Commitment Act (CCA) through Engrossed Second Substitute Senate Bill 5126 into law, codified as Revised Code of Washington (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 2050.¹ The CCA allows electric utilities, which are subject to the Clean Energy Transformation Act (CETA), to receive no-cost allowances to mitigate the cost burden of the Cap and Invest Program on retail electric customers.² The CCA required the Department of Ecology (Ecology) to adopt rules, in consultation with the Washington Utilities and Transportation Commission (Commission), to establish the methods and procedures for allocating no-cost allowances for investor-owned electric utilities (IOUs).³
- 2 On May 2, 2025, Puget Sound Energy (PSE or Company) filed with the Commission proposed revisions to its WN U-60 Electric Tariff, through a new Schedule 111 to recover estimated costs associated with emission allowance obligations needed for compliance with the CCA.

¹ See Climate Commitment Act - Washington State Department of Ecology [Climate Commitment Act - Washington State Department of Ecology](#).

² WAC 173-446-230(1).

³ RCW 70A.65.120.

- 3 On June 11, 2025, PSE submitted a filing to include revised tariff sheets and work papers to correct the per lamp electric lighting rates. Then on July 3, 2025, PSE incorporated further modifications reflecting: (a) a revised revenue requirement reduced by approximately \$70.9 million and (b) a potential allocation of an additional 1,172,632 no-cost allowances from Ecology based on the Company's revised supply and demand forecast approved by the Commission in Docket UE-220797, with the proposed rates to become effective August 1, 2025. PSE also updated its June 2025 auction results by incorporating language to clarify that a final prudence determination for these costs would need to be determined at the end of the four-year CCA compliance period.
- 4 Under the proposed tariff revisions, Schedule 111 relates primarily to wholesale electricity sales the company has or will engage in. Under the proposal, PSE would recover actual and estimated costs associated with the Company's overall compliance obligations for the wholesale transactions and undergo what Commission staff (Staff) and other parties refer to as a true up-mechanism, to capture differences between forecasted costs, actual costs, and any adjustments to allowances issued by Ecology.
- 5 The proposed revised tariff reflects a revenue requirement of \$129.1 million, which is comprised of: (1) \$21.5 million for actual and estimated allowance obligation costs for 2023;⁴ (2) \$8 million for estimated allowance obligation costs for 2024;⁵ and (3) \$93.1 million for estimated allowance obligation costs for 2025⁶ and carrying costs at PSE's actual cost of debt.
- 6 PSE's new proposed electric Schedule 111 will result in the Company collecting \$129.1 million over a 17-month period from August 2025 through December 2026, under its proposed State Carbon Reduction Charge Supplemental Monthly rate, which will be subject to true-up once final costs and adjustments are known. This increase translates to a \$3.55 (or 2.66 percent) bill increase for a typical residential customer using an average

⁴ The \$21.5 million estimate for 2023 is based on: (a) actual allowance obligation volume; (b) actual no-cost allowance; (c) actual allowance volume and costs of purchases made in 2023; (d) actual allowance volume and costs of purchases made in 2025; and (e) estimated costs to acquire remaining allowance obligations in 2025 to 2025 to ensure PSE holds enough allowances to remit to ecology at the end of the first four-year CCA compliance period.

⁵ The \$8 million estimate for 2024 is based on: (a) actual allowance obligation volume; (b) actual no-cost allowance volume; and (c) estimated cost to acquire remaining allowance obligation in 2025 and 2026.

⁶ The \$93.1 million estimate for 2025 is based on: (a) estimated allowance obligation volume; (b) actual no-cost allowance volume; (c) actual and estimated cost to acquire estimated volume of allowance obligation in 2025 and 2025; and (d) an assumption that PSE will receive an additional 1.2 million in allowance for 2025 from Ecology based on it recently approve revised forecast in Docket UE-220797.

of 800kWhs per month. PSE also plans to come in later this year with a request to recover estimated 2026 allowance obligation costs, with an effective date of January 1, 2026, under its proposed State Carbon Reduction Charge Monthly Rate.

- 7 Between July 18, 2025, and July 21, 2025, the Commission received written comments from the Energy Project (TEP), the Public Counsel Unit of the Washington Attorney General’s Office (Public Counsel), and Alliance of Western Energy Consumers (AWEC).
- 8 This matter came before the Commission at its regularly scheduled July 24, 2025, open meeting. The Commission heard comments from Staff, PSE, Public Counsel, AWEC, and Ecology. The majority of the parties who provided comments expressed concerns related to the inequitable allocation of costs and benefits between customers and shareholders incurred from wholesale energy sales, uncertainty surrounding allowance awards and adjustments by Ecology, the prudence of PSE’s acquisition strategy, and affordability.
- 9 While TEP did not appear at the open meeting, it submitted written comments, which are available in this docket, urging the Commission to require PSE to implement a risk sharing mechanism (RSM) as soon as practical to appropriately apportion costs between shareholders and ratepayers.
- 10 At the open meeting, Staff recommended that the Commission take no action, noting that in two recent PSE matters involving CCA allowances, the Commission deferred any decision making to the CCA Policy Docket U-230161. Staff reiterated its position that ultimately these costs should be allowed and included in the Power Cost Adjustment (PCA) Mechanism. Staff confirmed that it shared its position with PSE.
- 11 PSE then argued that its filing should be accepted because it is in the public interest, consistent with the Commission’s final order in its most recent general rate case (GRC) in Docket UE-240004, and that not approving its request would ultimately lead to increased customer rates. PSE further explained that it voluntarily delayed this filing and removed approximately \$70 million from costs it expects to receive through no cost allowances in its recently approved forecast submitted with Ecology to avoid deferrals and the “pancaking” of high CCA compliance costs at a later date.
- 12 Additionally, PSE clarified that since market sales are included in their rates for 2025, it is only the variance from forecasted revenues that are incorporated in the PCA mechanism, and that its costs are primarily associated with the wholesale sales, which are executed through a brokerage service, with most scheduled for delivery at the mid-Columbia hub.

13 To support its position, PSE maintains it offers power at its lowest acceptable price for delivery, which includes fuel costs, variable operations and maintenance (O&M) costs, and the estimated costs of purchasing an allowance for generating the power from an emitting resource. To further demonstrate the costs involved in wholesale sale transaction, PSE provided a hypothetical example explaining that if fuel and variable O&M costs were \$10, and it sold its power for \$20, currently, it would credit back the \$10 margin to customers. However, PSE argues that this approach does not account for the CCA costs the company incurs, and that under this hypothetical, if the company's total dispatch costs were \$19 with CCA compliance costs included, instead of returning \$10 to customers they should only be returning \$1 to ensure PSE is appropriately and efficiently distributing the benefits of the wholesale sales. Under the current method, however, the full benefit of wholesale transaction is provided to customers through the PCA, yet PSE still needs to purchase compliance instruments for CCA compliance. In sum, PSE maintains it is currently under-recovering for its wholesale sales, because the estimated compliance costs in the wholesale transaction are run through the PCA mechanism. PSE further maintains that since it has become more clear that it will not receive no-cost allowances from Ecology for wholesale sales, it must now begin collecting revenues to purchase allowances for emissions for 2023, 2024, and forecasted 2025 emissions.

14 In response, Public Counsel highlights that since this is PSE's first electric filing under the CCA, it is extremely complex and involves a great degree of uncertainty that places too high of a burden on customers, and that the Commission should set this matter for adjudication. To support its recommendation, Public Counsel argues that:

- (a) PSE's filing "fails to justify the Company's CCA allowance price estimates;"⁷
- (b) there is a significant level of uncertainty regarding forecasts, compliance markets, and linkage, all of which should favor not allowing the proposed revenues to be collected at this time;
- (c) 100 percent of CCA allowance purchase costs incurred from wholesale energy sales will be passed through to customers;⁸ and
- (d) PSE is not harmed by a lag in the collection of CCA compliance costs.

⁷ *Puget Sound Energy's Electric Tariff Revision Schedule III: Greenhouse Emissions Cap and Invest Adjustment*, Docket UE-250321, Public Counsel Comments at 2 (July 18, 2025).

⁸ *Id.*

- 15 While AWEC raises many of the same concerns as Public Counsel, it recommends that the Commission “reject PSE’s filing outright,”⁹ or alternatively set this matter for adjudication to ensure “ratepayers are not paying overstated allowance in Schedule 111 rates.”¹⁰ To support its request, AWEC raises concerns about PSE recovering more in rates of wholesale sale revenues through forecast Net Power Costs (NPC) via the Company’s Power Cost Adjustment (PCA) mechanism, and reasons this delta should be considered sufficient compensation for PSE on forecast basis.¹¹ AWEC also maintains that PSE’s proposal to recover annual forecast allowance costs from customers through its proposed Schedule 111 does not appropriately consider “the amount or timing of actual cash outlays” based on PSE’s “annual forecasts and true-ups of emissions” in any given year.¹² Finally, AWEC notes that there is no need for the Commission to rush to a decision given the complexity of matters in this docket.
- 16 However, when Commissioner Doumit inquired with Public Counsel and AWEC about the recovery of costs from 2023 and 2024, Public Counsel responded it was less concerned due to the certainty of these costs. AWEC clarified that while it did not support recovery of such costs at this time, it would be less concerned with those years than with the forecasted costs for 2025.
- 17 Following extensive discussion and commentary from all the parties in this docket, Ecology clarified that there are allowances available for purchase for wholesale transactions and explained that the best time to purchase allowances at auction is in the year in which the emissions occur. Additionally, Ecology explained that it does not intend to mitigate administrative costs but intends to administer no-cost allowances for these costs in the first compliance period, which are likely to be distributed in October 2025. While the methodology is still being developed, Ecology noted that it is unlikely to match any one utility’s administrative cost. Ecology then responded to comments raised by the parties, noting that its rules are quite clear that allowances will be allocated to mitigate costs of serving retail electric load for customers in Washington and will be based on the forecasts of supply used to meet retail load. However, Ecology did acknowledge that one area of remaining uncertainty is the adjustment mechanism it will

⁹ In the Matter of Puget Sound Energy’s *Electric Tariff Revision Schedule 111: Greenhouse Emissions Cap and Invest Adjustment*, Docket UE-250321, Comments of the Alliance of Western Consumers (AWEC’s Comments) at 1 (July 21, 2025).

¹⁰ Docket UE-250321, AWEC’s Comments at 3 ¶ 3.

¹¹ In the Matter of Puget Sound Energy’s *Electric Tariff Revision Schedule 111: Greenhouse Emissions Cap and Invest Adjustment*, Docket UE-250321, Comments of the Alliance of Western Consumers at 2 (July 21, 2025).

¹² *Id* at 3.

use to account for the differences between forecasted and actual cost but clarified that such uncertainty did not apply to retail loads.

DISCUSSION AND DECISION

- 18 Consistent with the discussion during the open meeting and parties' positions, we agree that costs for 2023 and 2024 are known. Accordingly, we are comfortable approving PSE's proposed Schedule 111 to allow recovery of those costs for the purpose of purchasing allowances to cover wholesale compliance costs for those years.
- 19 However, for 2025, we agree with the concerns raised by Public Counsel and AWEC that because 2025 costs are not yet fully known, there is a timing issue of addressing the matters in this docket now while also ensuring that all IOUs can actively engage in the related CCA Policy Docket U-230161A. We also recognize PSE's need for cash flow to purchase allowances as needed under the CCA. Accordingly, we find it appropriate to allow PSE to begin recovering those costs associated with estimated emissions and compliance costs through July 24, 2025.¹³
- 20 Further, we find it appropriate to condition our approval of Schedule 111 on the following:
- (a) First, we limit PSE's recovery of costs for 2025 under Schedule 111 to those associated emissions through July 24, 2025, but do not approve recovery of costs for the remainder of 2025, which are more speculative.
 - (b) Second, any revenues collected consistent with this order shall be collected subject to refund and later prudency determination at the end of the first four-year CCA compliance period.
 - (c) Third, PSE shall work with the parties, convening and identifying a mechanism to address this issue and then file an amended tariff removing from the power cost adjustment mechanism and the CCA compliance cost portion of any wholesale sale, allowing PSE to retain the compliance cost portion of the sale for purchase of allowances associated with the emissions related to those transactions. Any remaining proceeds of those sales will remain in the PCA and shared with customers pursuant to the PCA. The amendment to the PCA mechanism as

¹³ Applying this prorated amount to the filings in this docket, the Commission is authorizing 205 days of recovery for 2025. The company's estimated amounts for 2025 were \$93.1million, which amounts to approximately \$255,068 per day.

described in this condition shall be included in the Company's next PCA filing, which shall also include a proposal for recovery of costs for the remainder of 2025.

- (d) Fourth, PSE shall file an update with the Commission on September 2, 2025, informing the Commission of progress made in its efforts working with the parties to revise its PCA mechanism pursuant to Paragraph (c) above.

FINDINGS AND CONCLUSIONS

- 21 (1) The Commission is an agency of the state of Washington vested by statute with the authority to regulate rates, regulations, and practices of public service companies, including electric companies and gas companies.
- 22 (2) PSE is an electric company and a public service company subject to Commission jurisdiction.
- 23 (3) On May 2, 2025, PSE filed WN U-60 proposed Tariff Schedule 111, which it revised on June 11, 2025, and further revised on July 3, 2025, to allow the Company to recover allowance costs and pass back auction proceeds mandated under the CCA for 2023, 2024, and 2025.
- 24 (4) This matter came before the Commission at its regularly scheduled open meeting on July 24, 2025.
- 25 (5) After reviewing PSE's proposed Tariff Schedule 111 filed in Docket UE-250321 and giving due consideration to all relevant matters and for good cause, the Commission finds the proposed tariff revisions are consistent with public interest and allows the proposed rates to become effective on August 1, 2025, and are subject to the conditions set forth in paragraph 20 of this order, including that the rates become effective on an interim basis, subject to refund pending the Commission's final determination in this docket.
- 26 (7) As required by RCW 80.04.130(4), PSE bears the burden to prove that the proposed increases are fair, just, reasonable, equitable, and sufficient.

ORDER

THE COMMISSION ORDERS:


- 27 (1) The tariff revisions Puget Sound Energy filed on May 2, 2025, as revised June 11, 2025, are allowed to become effective August 1, 2025, subject to the conditions set forth in paragraph 20 of this Order, including that the rates become effective on an interim basis, subject to refund pending the Commission's final determination in this docket.
- 28 (2) 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 July 25, 2025.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION



BRIAN J. RYBARIK, Chair



ANN E. RENDAHL, Commissioner



MILTON H. DOUMIT, Commissioner