

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY,

Respondent.

DOCKET UE-200980

ORDER 05

FINAL ORDER APPROVING AND
ADOPTING SETTLEMENT
AGREEMENT

- 1 **NATURE OF PROCEEDING.** On December 9, 2020, Puget Sound Energy (PSE or Company) filed with the Washington Utilities and Transportation Commission (Commission) revisions to its currently effective WN U-60, Tariff G, as listed in the appendix attached to this Order. PSE characterizes its filing as a Power Cost Only Rate Case (PCORC), as authorized by the Settlement Stipulation approved by the Commission in Dockets UE-011570 and UG-011571.
- 2 **REPRESENTATIVES.** Sheree Strom Carson, David Steele, and Jason Kuzma, Perkins Coie, LLP, represent PSE. Joe Dallas and Daniel Teimouri, Assistant Attorneys General, Olympia, Washington, represent Commission staff (Staff).¹ Lisa W. Gafken, Nina Suetake, and Ann Paisner, Assistant Attorneys General, Seattle, Washington, represent the Public Counsel Unit of the Attorney General’s Office (Public Counsel). Simon ffitich, Attorney at Law, represents the Energy Project. Tyler C. Pepple, Brent L. Coleman, and Jesse Gorsuch, Davison Van Cleave, P.C., represent Alliance of Western Energy Consumers (AWEC).
- 3 **SUMMARY:** The Commission approves and adopts the Settlement Stipulation and Agreement (Settlement) entered into by PSE, Staff, AWEC, and TEP (the Settling Parties). We find that the Settling Parties’ proposal to increase PSE’s revenue

¹ In formal proceedings such as this, the Commission’s regulatory staff participates like any other party, while the Commissioners make the decision. To assure fairness, the Commissioners, the presiding administrative law judge, and the Commissioners’ policy and accounting advisors do not discuss the merits of this proceeding with the regulatory staff, or any other party, without giving notice and opportunity for all parties to participate. *See* RCW 34.05.455.

requirement for its electric operations by approximately \$65.3 million, or 3.07 percent, will result in rates that are fair, just, reasonable, and sufficient. Pursuant to the Settlement, the final revenue requirement amount will be determined when PSE submits its compliance filing that will include updates and power cost changes agreed upon in the Settlement.

MEMORANDUM

- 4 **Background.** On December 9, 2020, PSE filed this PCORC with the Commission in Docket UE-200980. PSE's filing proposed to update its power costs as reflected in the proposed revisions to its currently effective WN U-60, Tariff G. PSE proposed to increase electric rates by \$78.5 million on an annual basis, or an average increase of approximately 3.69 percent across all customer classes.
- 5 The Commission suspended the PCORC filing on December 16, 2020, and convened a prehearing conference on January 13, 2021. At the prehearing conference, the Commission granted the petitions to intervene filed by AWEC and TEP.
- 6 The Settling Parties and Public Counsel participated in a workshop on January 26, 2021, in which PSE provided an overview of its filing and discussed its testimony, exhibits, and workpapers.
- 7 On February 2, 2021, PSE filed updated power costs and supplemental testimony and exhibits supporting the updated power costs. The supplemental testimony increased PSE's proposed electric rate increase to \$88.0 million on an annual basis, or an average increase of approximately 4.13 percent from current rates across all customer classes.
- 8 On April 2, 2021, PSE filed with the Commission a full multi-party Settlement and supporting testimony on behalf of the Settling Parties—Company, Staff, AWEC, and TEP—pursuant to WAC 480-07-730(3)(a). Public Counsel did not join the Settlement.
- 9 The Commission held a public comment hearing on April 20, 2021. Several PSE customers expressed their frustration and opposition to PSE's proposed rate increase. Commenters included Rachel Brombaugh, Director of Climate and Energy Initiatives at King County, who noted her opposition to the change in the Green Direct Energy Credit and asked that the Commission reject the settlement.²

² See Brombaugh, TR 31:25-34:16.

10 The Commission convened a settlement hearing on April 22, 2021, for the purposes of clarifying certain provisions within the Settlement. The Settling Parties and Public Counsel presented a panel of witnesses: Susan E. Free and Jon A. Pilliaris for PSE; Jing Liu for Staff; Stephanie K. Chase for Public Counsel; Lance D. Kaufman for AWEC; and Shawn M. Collins for TEP. Public Counsel indicated that it neither supports nor opposes the Settlement.³

11 **SETTLEMENT.** The Settlement, which is attached as Appendix A to this Order, requests that the Commission approve the PCORC terms filed by PSE with the following provisions and adjustments to which the Settling Parties agree:

- An electric revenue increase of approximately \$65.3 million, or 3.07 percent, which will be updated at the time PSE makes its compliance filing to reflect the most up-to-date natural gas prices and hedging positions.
- A modification of the treatment of the Green Direct program in the Company's revenue requirement and power cost adjustment (PCA) mechanism. In an effort to reduce potential cross-subsidization, the Settling Parties modify the cost allocation for the Green Direct program and reduce the Energy Credit to Green Direct customers by \$3.7 million.
- A normalization method to reflect expected BPA transmission rate increases (2.65 percent for point to point service) as reflected in PSE's initial filing rather than the higher percentage increase PSE proposed in its supplemental filing.
- With respect to PSE's coal-fired assets in Colstrip, Montana, a reduction in the operations and maintenance (O&M) expense as presented in PSE's initial filing by \$1 million; removal of the SmartBurn depreciation expense of \$0.3 million; and acceptance of PSE's treatment of Production Tax Credits (PTCs).
- Two adjustments to better reflect the Energy Imbalance Market (EIM) costs and benefits in rates. The first adjustment reduces the variable power costs by \$8.0 million to reflect EIM benefits. The second adjustment increases the fixed power costs by \$3.9 million to reflect EIM costs.

³ Gafken, TR 70:6-71:19.

- Participation in collaborative workshops on both hedging practices and the treatment of EIM costs and benefits.
- Setting the low-income funding at twice the percentage increase in the residential customer base rate with a guaranteed minimum increase of \$1 million. This increase will take effect on October 1, 2021, and the calculation of the actual amount of the low-income funding increase will be subject to the results of the Company's compliance filing.
- A requirement that PSE raise the issue of whether the PCORC mechanism should continue in its next general rate case and a prohibition on PSE filing a PCORC before this issue is addressed.

PSE requests that the Commission make a prudence determination for the resources identified in the Company's initial filing. The other, non-Company, Settling Parties take no position on the prudence of the resource acquisitions presented in PSE's initial filing.

DISCUSSION AND DECISION

- 12 The Commission will approve a settlement "when doing so is lawful, the settlement terms are supported by an appropriate record, and when the result is consistent with the public interest in light of all the information available to the commission."⁴ The Commission may approve a settlement without conditions, approve it with conditions, or reject it.⁵
- 13 The goal of a PCORC proceeding is to set the Company's power cost baseline as close as possible to the forecasted power costs during the rate year, based on the most up-to-date information.⁶ A PCORC also provides an "expeditious means" for the Company to include new resources in rates.⁷
- 14 After reviewing the Settlement resolving the disputed issues in this case, we conclude that it is lawful, supported by an appropriate record, and consistent with the public interest. Because this is a PCORC proceeding, the Settlement provides for an electric

⁴ WAC 480-07-750(2).

⁵ *Id.*

⁶ See *WUTC v. Puget sound Energy*, Docket UE-130617, Order 06 ¶ 33 (October 23, 2013) (referencing the Commission's goal of setting the PCA baseline rate as closely as possible to what is expected to be experienced in the rate year).

⁷ *WUTC v. Puget Sound Energy*, Docket UE-072300 and UG-072301 (consolidated) Order 13 ¶ 8 (January 15, 2009).

revenue increase by establishing a revenue deficiency based on current rates, rather than re-litigating the Company's electric revenue requirement.⁸ After reviewing the various adjustments proposed in the Settlement, we agree that the revenue deficiency as calculated by the Settlement is supported by the record. We also conclude that the resulting rates, terms, and conditions are fair, just, reasonable, and sufficient.

15 **Green Direct.** Pursuant to RCW 19.29A.090(1), utilities are required to provide electric customers a voluntary option to purchase qualified alternative energy resources. By statute, the costs and benefits associated with such voluntary programs may not be shifted to non-participating customers.⁹ In 2016, the Commission approved PSE's Green Direct program tariff, which offers long-term contracts to certain large commercial and local government customers.¹⁰ While there was some concern that these costs – and the integration cost of the output from those contracted resources to serve the load of the Green Direct customers – would be appropriately allocated to only participating customers, the Commission observed that PSE committed to tracking separately the costs and benefits of the Green Direct program in its Power Cost Adjustment mechanism.¹¹ At that time, the Commission did not approve any specific method of calculating the Energy Credit for Green Direct customers.

16 In the Company's most recent general rate case, we addressed concerns regarding the tracking of costs in the Green Direct Program. We emphasized that Green Direct customers should benefit exclusively from the sale of over-generation but should not be subsidized by non-participants.¹² We therefore directed PSE "to work collaboratively with Staff and other stakeholders to ensure that the costs and benefits of the Green Direct program are tracked and maintained separately pursuant to statute."¹³

⁸ See Liu, Exh. JL-1T at 7:17, n.2 ("Because the PCORC addresses the incremental revenue increase from the current rates and because the billing determinants in this PCORC are different from the billing determinants used in calculating the current rates in the last GRC, the proposed revenue increase is based on "revenue deficiency" rather than the "revenue requirement" as used in a typical GRC.").

⁹ RCW 19.29A.090(5).

¹⁰ See *In the Matter of the Tariff Revisions Filed by Puget Sound Energy*, Docket UE-160977 Order 01 (September 28, 2016).

¹¹ *Id.* ¶ 10.

¹² *WUTC v. Puget Sound Energy*, Dockets UE-190529 and UG-190530 (consolidated) Order 08 ¶ 296 (July 8, 2020) (2019 PSE GRC Order).

¹³ *Id.*

- 17 The Settlement represents a reasonable compromise between the Company, Staff, and other stakeholders as they seek to refine and improve cost and benefit tracking in the Green Direct program. The Settlement sets forth various adjustments to the Green Direct program, including a new method for tracking the over- or under-production of power purchase agreements (PPAs) serving Green Direct customers.¹⁴ This ensures that Green Direct customers exclusively benefit from any over-generation of the Skookumchuck and Lund Hill PPAs. The Settlement also includes the Green Direct customers' load in the revenue deficiency calculation and rate spread.¹⁵ As Staff witness Liu explains, this seeks to ensure that Green Direct customers appropriately contribute their share of fixed power costs.¹⁶
- 18 The Settlement also proposes changes to the Green Direct Energy Credit. Both PSE's Schedule 139 tariff and the Green Direct Service Agreements state that the Energy Credit "will be updated with each general rate case, power cost only rate case, or other power-related filings."¹⁷ The Energy Credit is currently calculated using the peak credit method, which allocates 75 percent of the total power cost as energy related.¹⁸ The parties raised concerns that the peak credit method resulted in PSE paying Green Direct customers an Energy Credit in excess of the Company's actual avoided costs.¹⁹ The Settlement eliminates the use of the peak credit method and instead sets the Green Direct Energy Credit at the Variable PCA Baseline Rate.²⁰ We conclude that this is a reasonable compromise. This is a complex issue, and the Settlement recognizes the need for further discussions.²¹ But the evidence before us indicates that the Settling Parties continue to refine the methodology for the Energy Credit while recognizing that non-participating customers should not be required to subsidize a voluntary program. Even if the Energy

¹⁴ Settlement ¶ 11 (incorporating the method set forth in Free, Exh. SEF-9).

¹⁵ Settlement, ¶ 11.

¹⁶ Liu, Exh. JL-1T at 15:10-15. *See also* Kaufman, LDK-1T at 4:5-6 ("Customers on the Green Direct pay the cost of green energy plus a portion of base energy charges. AWEC was concerned that PSE's filing had not fully accounted for the base energy revenue associated with Green Direct customers.").

¹⁷ Einstein, TR 90:19-25. *See also* BE-1 (Response to Bench Request No. 1) (providing Green Direct customer Service Agreements, with certain Service Agreements marked confidential).

¹⁸ *E.g.*, Liu, Exh. JL-1T at 14:1-4.

¹⁹ *See id.* at 14:1-11.

²⁰ Settlement ¶ 11.

²¹ Settlement ¶ 11.

Credit could ostensibly be set lower,²² the evidence indicates that the Variable PCA Baseline Rate is a closer approximation of the avoided costs provided by the Green Direct resources than the peak credit method. We therefore find that Settlement's updates to the Green Direct program are supported by the record and consistent with the public interest. While some Green Direct customers opposed these changes,²³ we expect the Company to follow-through with encouraging Green Direct customers to participate in the future discussions on this issue.²⁴

19 **BPA Transmission Costs.** The Settling Parties propose a 2.65 percent increase to the BPA point-to-point transmission service rate, based on the average BPA rate increases from 2002 through 2019, as presented by PSE in its initial filing.²⁵ This is a reasonable adjustment, based on an average of historical cost increases. In fact, it is \$6.2 million less than the impact of the cost increase currently sought by the BPA in its rate case at issue.²⁶ In the context of this full multi-party Settlement, a normalization approach for determining the magnitude of a rate year increase in costs that Settling Parties expect to occur, but for which they do not know the magnitude, is a reasonable means of fulfilling the forward looking principle used in setting power costs.²⁷

20 **Colstrip costs.** The Settling Parties agree to reduce the amount for Colstrip maintenance costs in the Company's initial filing by \$1.0 million.²⁸ As Staff witness Liu explains, rate year O&M costs for Colstrip are "very uncertain at this point."²⁹ The Settling Parties agreed to an adjusted O&M expense of \$18.4 million for the rate year, which recognizes the need for some increased O&M expense "while not endorsing a continued level of growth without a proper prudence review."³⁰ We agree that this is a reasonable outcome in light of the concerns raised by the Staff.

²² See Liu, Exh. JL-1T at 25:17-21 ("Although it is possible that some cross-subsidization from non-Green Direct customers to Green Direct customers will exist after this PCORC, any such cross-subsidization is mitigated by the change in Energy Credit to the VPC rate.").

²³ See generally BE-5 (Offer of Public Comment Exhibit BE-5).

²⁴ See Piliaris, TR 94:14-18 ("The Company's intention would be that yes, they would definitely be encouraged to participate.").

²⁵ Settlement, ¶ 11 and Liu, Exh. JL-1T at 19:6.

²⁶ Free and Piliaris, Exh. PSE-1JT at 7:6-12.

²⁷ Kaufman, Exh. LDK-1t at 2:21-3:2.

²⁸ Settlement ¶ 11.

²⁹ Liu, Exh. JL-1T at 19:19.

³⁰ *Id.* at 20:8-13.

- 21 The Settlement also addresses costs related to installing SmartBurn controls at Colstrip Units 3 and 4. In PSE's 2019 general rate case, the Commission found that the costs related to the SmartBurn plant investment were not prudently incurred.³¹ The Company included SmartBurn depreciation expenses in its initial filing,³² but the Settlement provides an adjustment to remove these costs.³³ This is appropriate and consistent with the Commission's prior order.
- 22 The Settlement also addresses the treatment of the regulatory asset, Colstrip Units 1 and 2. In PSE's 2017 general rate case, the Commission adopted a multiparty settlement that allowed PSE to hold the unrecovered plant balances from Colstrip Units 1 and 2 as a regulatory asset and to offset these unrecovered plant balances with monetized PTCs.³⁴ In the Company's 2019 general rate case, the Commission determined that this regulatory asset will be offset and interest will begin to accrue as PTCs are monetized on an annual basis.³⁵ The Settlement approves of PSE's treatment of monetized PTCs.³⁶ This includes the Company's use of 2019 and 2020 PTCs to offset the remaining unrecovered balance for Colstrip Units 1 and 2, and to include the \$31.4 million in remaining, excess PTCs as a reduction to rate base.³⁷ We find that these provisions of the Settlement are consistent with the Commission's prior orders regarding the treatment of this regulatory asset. They are also consistent with the public interest. PSE should be allowed to offset the unrecovered balances for Colstrip Units 1 and 2, and it is appropriate to reflect the remaining monetized PTCs as a reduction to rate base.
- 23 **EIM benefits and costs.** In 2017, the Commission approved PSE recovering EIM costs in rates and required the Company to track its EIM costs in its annual PCA filing.³⁸ Since PSE has continued to participate in the EIM, the benefits have become more apparent and quantifiable. The Settlement seeks to better account for these costs and benefits, most

³¹ 2019 GRC Order ¶¶ 197–199 and ¶ 685.

³² Liu, Exh. JL-1T at 20:15-21.

³³ Settlement ¶ 11.

³⁴ See *WUTC v. Puget Sound Energy*, Dockets UE-170033 & UG-170034, Order 08 ¶ 106 (Dec. 5, 2017), Append B, ¶ 25.

³⁵ 2019 GRC Order ¶¶ 421-22.

³⁶ Settlement ¶ 11.

³⁷ See Free and Piliaris, Exh. PSE-1JT at 12:13-20. See also BE-3 (Response to Bench Request No. 3) (explaining how the remaining monetized PTC balance of \$31.4 million is applied as a reduction to rate base).

³⁸ See 2017 GRC Order ¶ 440 (approving multiparty settlement agreement). See also 2017 GRC Order Appendix B (Multiparty Settlement Stipulation and Agreement) ¶ 72.

notably by reducing variable power costs by the agreed amount of \$8.0 million and increasing fixed power costs by \$3.9 million.³⁹ We agree that these terms are reasonable and supported by the record in light of the collaborative discussion the parties agree to conduct. The Company's savings from the EIM should be reflected in rates.

24 **Prudency.** PSE provides testimony supporting the prudency of the following resource acquisitions: the Sierra Pacific Industries (SPI) Biomass PPA, the Energy Keepers PPA, the BPA Peak Capacity Product, the Golden Hills PPAs, the Morgan Stanley Capital Group (MSCG) System PPA, the Skookumchuck PPA, and the Lund Hill PPA.⁴⁰

25 We agree with the Company that these resource acquisitions were prudent. The SPI Biomass PPA is a renewable resource and has favorable economics.⁴¹ The Energy Keepers PPA reduces PSE's portfolio costs and provides renewable energy from a hydroelectric project.⁴² The BPA Peak Capacity Product, the Golden Hills PPAs, and the MSCG System PPAs also have favorable economics and were part of the Company's identified optimized portfolio.⁴³ Because the MSCG System PPA is not a renewable resource, PSE shortened the contract term to comply with RCW chapter 80.80.⁴⁴ Finally, the Skookumchuck and Lund Hill PPAs were identified as least-cost, renewable resources to serve the Company's Green Direct program.⁴⁵

26 We observe here that the Settling Parties did not clearly stipulate that these costs were prudently incurred.⁴⁶ However, each of the Settling Parties and Public Counsel indicated at hearing that they did not object to the Commission making a prudency determination.⁴⁷ We agree with the Company that there is little advantage to delaying a prudency determination on these resources. We previously deferred a prudency determination on

³⁹ Settlement ¶ 11.

⁴⁰ *E.g.*, Johnson, Exh. KSJ-1T at 7:11-8:24.

⁴¹ Song, Exh. CLS-1HCT at 69:9-18.

⁴² Wetherbee, Exh. PKW-1CT at 10:17-14:5.

⁴³ Song, Exh. CLS-1HCT at 71:3-72:13 (BPA Peak Capacity Product); 80:12-81:3 (Golden Hills PPAs); 74:15-75:4 (MSCG System PPA).

⁴⁴ *Id.* at 73:6:16.

⁴⁵ Einstein, Exh. WTE-1CT at 11:3-12:12.

⁴⁶ Settlement ¶ 11.

⁴⁷ Gafken, TR 82:12-19 (Public Counsel); ffitc, TR 82:22-83:11 (TEP); Coleman, TR 83:12-19 (AWEC); Dallas, TR 83:20-84:7 (Staff).

two of the resources at issue, the Skookumchuck and Lund Hill PPAs.⁴⁸ Now that these resources are in-service for customers, it is appropriate to make a determination and find these resources prudent, as we have above.

- 27 **Collaboratives.** The Settling Parties agree to participate in collaborative discussions on the Company’s hedging practices and the treatment of EIM costs and benefits.⁴⁹ Although Public Counsel did not join the Settlement, it intends to participate in these collaboratives.⁵⁰ We find that this condition is in the public interest. Staff witness Liu notes that the Company’s participation in the CAISO EIM is a “complex and technical issue” and that further collaboration is warranted.⁵¹ Likewise, Liu notes that Staff would benefit from having more time to understand the Company’s electric and natural gas hedging practices.⁵²
- 28 **Increased assistance for low-income customers.** The Settlement provides for increased funding for the Company’s Home Energy Lifeline Program (HELP) program, which would be effective October 1, 2021.⁵³ As we have observed, the Commission is “committed to remaining flexible” to address the changing circumstances of the COVID-19 pandemic.⁵⁴ We find that this proposed increase in funding for the Company’s HELP program is reasonable and should be approved.
- 29 **A moratorium on PCORC filings.** The Settlement provides that PSE will address in its next general rate case the issue of whether the PCORC should continue, and PSE will not file another PCORC until this issue is litigated.⁵⁵ We agree that these terms are in the public interest. The Commission first approved the use of PCORC proceedings for the Company nearly 20 years ago, in 2002.⁵⁶ Because of the significant changes in the

⁴⁸ 2019 PSE GRC Order ¶ 295.

⁴⁹ Settlement ¶ 11.

⁵⁰ Gafken, TR 71:4-8.

⁵¹ Liu, Exh. JL-1T at 24:7-13.

⁵² *Id.* at 25:12-26:5.

⁵³ Settlement ¶ 11.

⁵⁴ *In the Matter of Response to the COVID-19 Pandemic*, Docket U-200281 Order 02 ¶ 22 (February 18, 2021).

⁵⁵ Settlement ¶ 11.

⁵⁶ *WUTC v. Puget Sound Energy*, Dockets UE-011570 and UG-011571 (consolidated) Twelfth Suppl. Order ¶¶ 22-30 (June 20, 2002).

statutory and regulatory landscape since that time, it is appropriate to consider whether the PCORC mechanism should continue.

30 **Resulting electric revenue increase.** In light of these various adjustments, the Settling Parties agree to an electric revenue increase of approximately \$65.3 million, or 3.07 percent.⁵⁷ We conclude that the Settlement reasonably increases PSE’s power cost baseline to more closely reflect forecasted power costs during the rate-effective year, and it reflects new renewable resources acquired by the Company.⁵⁸ PSE should be allowed to recover these increased power costs in rates.

FINDINGS OF FACT

31 Having discussed above in detail the evidence received in this proceeding concerning all material matters, and having stated findings and conclusions upon issues in dispute among the parties and the reasons therefore, the Commission now makes and enters the following summary of those facts, incorporating by reference pertinent portions of the preceding detailed findings:

- 32 (1) The Washington Utilities and Transportation Commission is an agency of the state of Washington, vested by statute with authority to regulate rates, rules, regulations, practices, and accounts of public service companies, including electrical companies.
- 33 (2) PSE is a “public service company” and an “electrical company” as those terms are defined in RCW 80.04.010 and used in Title 80 RCW. PSE is engaged in Washington state in the business of supplying utility services and commodities to the public for compensation.
- 34 (3) On December 9, 2020, PSE filed with the Commission revisions to its currently effective WN U-60, Tariff G. In this filing, which PSE characterizes as a PCORC filing, the Company proposed to increase electric rates by \$78.5 million on an annual basis, or an average increase of approximately 3.69 percent across all customer classes.

⁵⁷ Settlement ¶ 11.

⁵⁸ See, e.g., Free and Piliaris, Exh. PSE-1JT at 5:26-6:9.

- 35 (4) The Commission suspended the operation of the proposed tariff revisions on
December 16, 2020, pending an investigation and hearing concerning the
proposed changes and whether they are fair, just, and reasonable.
- 36 (5) On April 2, 2021, PSE filed a full multi-party Settlement and supporting
testimony on behalf of the Company, Staff, AWEC, and TEP. The Settlement is
attached as Appendix A to this Order.
- 37 (6) The Settlement provides for: (1) an electric revenue increase of approximately
\$65.3 million or 3.07 percent, which will be updated in the compliance filing to
reflect the most up-to-date natural gas prices and hedging positions; (2) modifying
the treatment of the Green Direct program in the Company's revenue requirement
and PCA mechanism; (3) modifying the Green Direct Energy Credit; (4)
increasing BPA transmission costs by 2.65 percent; (5) reducing the O&M
expense as presented in PSE's initial filing by \$1 million, removing the
SmartBurn depreciation expense of \$0.3 million; and accepting PSE's treatment
of PTCs; (6) adjusting variable and fixed power costs to better reflect EIM costs
and benefits in rates; (7) taking no position on the prudence of the resource
acquisitions presented in PSE's initial filing; (8) providing for collaborative
workshops on both hedging practices and the treatment of EIM costs and benefits;
(9) increasing low-income funding effective October 1, 2021; and (10) requiring
PSE to raise the issue of whether the PCORC mechanism should continue in its
next general rate case and prohibiting PSE from filing a PCORC before this issue
is resolved.
- 38 (7) The record evidence demonstrates that PSE's decision to acquire the SPI Biomass
PPA was prudent.
- 39 (8) The record evidence demonstrates that PSE's decision to acquire the Energy
Keepers PPA was prudent.
- 40 (9) The record evidence demonstrates that PSE's decision to acquire the BPA Peak
Capacity Product was prudent.
- 41 (10) The record evidence demonstrates that PSE's decision to acquire the Golden Hills
PPAs was prudent.
- 42 (11) The record evidence demonstrates that PSE's decision to acquire the MSCG
System PPAs was prudent.

43 (12) The record evidence demonstrates that PSE's decisions to acquire the Skookumchuck and Lund Hill PPAs were prudent.

44 (13) PSE's currently effective rates are not fair, just, or reasonable for the services rendered.

CONCLUSIONS OF LAW

45 Having discussed above all matters material to this decision, and having stated detailed findings, conclusions, and the reasons therefore, the Commission now makes the following summary conclusions of law, incorporating by reference pertinent portions of the preceding detailed conclusions:

46 (1) The Washington Utilities and Transportation Commission has jurisdiction over the subject matter of, and parties to, these proceedings.

47 (2) PSE's proposed tariff revisions, filed on December 9, 2020, would not result in rates that are fair, just, or reasonable.

48 (3) The Settlement's modifications to the treatment of the Green Direct program in the Company's revenue requirement and PCA mechanism are reasonable and should be approved.

49 (4) The Settlement's proposal to set the Green Direct Energy Credit at the Variable PCA Baseline Rate represents a reasonable compromise among the parties and seeks to prevent cross-subsidization by non-participating customers. This proposal is reasonable, consistent with the public interest, and should be approved.

50 (5) The 2.65 percent increase to the BPA point-to-point transmission service rate is a reasonable estimate based on historical increases and should be approved.

51 (6) The Commission should approve the Settlement's proposal for adjusted Colstrip O&M expense of \$18.4 million for the rate year.

52 (7) The adjustment to PSE's initial filing to remove SmartBurn-related costs is consistent with the Commission's order in the Company's 2019 general rate case and should be approved.

- 53 (8) PSE should be allowed to offset the unrecovered balances for Colstrip Units 1 and 2 with monetized PTCs, and it is appropriate to reflect the remaining monetized PTCs as a reduction to rate base.
- 54 (9) The Settlement reasonably proposes to reduce variable power costs by an agreed-to amount of \$8.0 million and increase fixed power costs by \$3.9 million to better reflect the costs and benefits of the Company's participation in the EIM.
- 55 (10) PSE should be allowed to recover the costs of the SPI Biomass PPA in rates.
- 56 (11) PSE should be allowed to recover the costs of the Energy Keepers PPA in rates.
- 57 (12) PSE should be allowed to recover the costs of the BPA Peak Capacity Product in rates.
- 58 (13) PSE should be allowed to recover the costs of the Golden Hills PPAs in rates.
- 59 (14) PSE should be allowed to recover the costs of the MSCG System PPAs in rates.
- 60 (15) PSE should be allowed to recover the costs of the Skookumchuck and Lund Hill PPAs in rates from Green Direct customers.
- 61 (16) The Settlement, if approved, would result in rates for PSE that are fair, just, reasonable, and sufficient.
- 62 (17) Rates determined on the basis of the terms set forth in the Settlement would be neither unduly preferential nor discriminatory and should become effective on July 1, 2021.
- 63 (18) The Settlement fully and fairly resolves the issues in these dockets and is in the public interest.
- 64 (19) The Commission should approve and adopt the Settlement, attached to this Order as Appendix A and incorporated by reference in this Order, as a reasonable resolution of the issues presented.

65 (20) The Commission Secretary should be authorized to accept by letter, with copies to
all parties to this proceeding, a filing that complies with the requirements of this
Order.

66 (21) The Commission should retain jurisdiction to effectuate the terms of this Order.

ORDER

THE COMMISSION ORDERS:

67 (1) The proposed tariff revisions Puget Sound Energy filed on December 9, 2020, and
suspended by prior Commission order, are rejected.

68 (2) The Settlement Stipulation filed by Puget Sound Energy on behalf of Commission
Staff, AWEC, and TEP, and attached to this Order as Appendix A, is approved
and adopted.

69 (3) Puget Sound Energy's acquisitions of the SPI Biomass PPA, the Energy Keepers
PPA, the BPA Peak Capacity Product, the Golden Hills PPAs, the MSCG System
PPA, the Skookumchuck PPA, and the Lund Hill PPA were prudent.

70 (4) Puget Sound Energy is authorized and required to make a compliance filing on or
before June 23, 2021, including such new and revised tariff sheets as are
necessary to implement the requirements of this Order, providing that the new
tariffs become effective on July 1, 2021.

71 (5) The Commission Secretary is authorized to accept by letter, with copies to all
parties to this proceeding, a filing that complies with the requirements of this
Order.

72 (6) The Commission retains jurisdiction over the subject matters and parties to this
proceeding to effectuate the terms of this Order.

Dated at Lacey, Washington, and effective June 1, 2021.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chair

ANN E. RENDAHL, Commissioner

JAY M. BALASBAS, Commissioner

73 **NOTICE TO PARTIES: This is a Commission Final Order. In addition to judicial review, administrative relief may be available through a petition for reconsideration, filed within 10 days of the service of this order pursuant to RCW 34.05.470 and WAC 480-07-850, or a petition for rehearing pursuant to RCW 80.04.200 and WAC 480-07-870.**