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Re: Cap-and-Invest: No-cost Allowance Allocation for Electric Utilities – Administrative Costs Allocations

Puget Sound Energy, Inc. (PSE) respectfully submits the following comments in response to the Washington State Department of Ecology (Ecology) request for written feedback on administrative cost allocations issue discussed in the July 22, 2025, *Cap-and-Invest: No-cost allowance allocation for electric utilities* workshop.¹ These comments aim to aid Ecology in developing a calculated methodology for allocation of no-cost allowances for administrative costs per WAC 173-446-230(2)(h).

PSE supports the implementation of a calculated methodology to determine the allocation of allowances for administrative costs and supports Ecology's proposal to provide administrative allocation for 1st compliance period and for the year 2027 in October 2026 and annually thereafter. PSE continues to recommend that any requirement to verify administrative costs from audited financial statements be removed from the current rules and related requirements due to the high level of administrative burden and costs associated with undertaking the required audit.

The scope of administrative costs that utilities are expected to capture relative to Ecology's request for information is somewhat unclear from Ecology's request. In Figure 1 below, PSE provides a limited estimate for administrative costs² from participation in the Cap-and-Invest Program (WAC 173-446) and GHG Reporting (WAC 173-441) for the following activities:

¹ The workshop materials including the [presentation slides](https://ecology.wa.gov/regulations-permits/laws-rules-rulemaking/rulemaking/wac-173-441-446-cap-and-invest-program-updates-and-linkage) and [recording](https://ecology.wa.gov/regulations-permits/laws-rules-rulemaking/rulemaking/wac-173-441-446-cap-and-invest-program-updates-and-linkage) of the session are now available on our rulemaking webpage: <https://ecology.wa.gov/regulations-permits/laws-rules-rulemaking/rulemaking/wac-173-441-446-cap-and-invest-program-updates-and-linkage>

² As defined by [WAC 173-446-230\(2\)\(h\)](https://ecology.wa.gov/regulations-permits/laws-rules-rulemaking/rulemaking/wac-173-446-230(2)(h)): *Administrative costs of the program are limited solely to those costs associated with establishing and maintaining compliance accounts, tracking compliance, managing compliance instruments, and meeting the reporting and verification requirements of this chapter.*

- (1) Staff hours for establishing and maintaining compliance accounts, tracking compliance, managing compliance instruments, and meeting reporting and verification requirements;
- (2) verification contract to meet verification requirements of WAC 173-446; and
- (3) staff hours to perform greenhouse gas emission reporting (WAC 173-441).

The attached excel file provides supporting data for Figure 1.

Figure 1: Limited Estimated Annual Costs associated with Cap-and-Invest Program (WAC 173-446) and GHG Reporting (WAC 173-441)³

	2022	2023	2024	2025	2026	2022-2026
Total Annual Costs	\$24,687	\$211,389	\$251,980	\$261,468	\$271,178	\$1,020,701
	2027 onwards					
Estimated Annual Ongoing Costs	\$131K at 3% growth rate (GR) (Staff Costs WAC 173-446) + \$98K at 5% GR (Verification Contract WAC 173-446) + \$43K at 3% GR (Staff Costs WAC 173-441)					

PSE has additional expenses related to the implementation and participation in the Cap-and-Invest Program requirements not captured in these numbers in Figure 1, including:

- regulatory and legal responsibilities to review materials and prepare rulemaking comments;
- regulatory and front office responsibilities to prepare forecast, compliance, and tariff filings to Ecology and the WUTC;
- customer communications and customer-facing employee training;
- changes to the billing systems and reporting related to charging and crediting customers for CCA compliance;
- accounting responsibilities to implement accounting system changes, reporting, documenting emissions data, designing, and implementing IT and business process controls; and
- creation and administration of customer decarbonization pilot projects funded by CCA no-cost allowances that utilities must consign to auctions.

PSE requests additional guidance from Ecology regarding eligible expenses and will provide supplemental information with any additional cost estimates that are needed to provide a complete estimate of administrative costs.

Thank you for the opportunity to provide comments to inform rule changes for the Cap-and-Invest Program related to development of a calculated method for mitigating administrative costs for utilities. PSE appreciates and looks forward to continued engagement with Ecology, fellow utilities and other interested parties on these and other matters in this Cap-and-Invest Program Updates and Linkage rulemaking.

³ GR stands for assumed annual growth rate.

Please contact Kelima Yakupova, State & Regional Policy Consultant, PSE State Regulatory Policy, at (425) 462-3588 or kelima.yakupova@pse.com, for additional information about this filing. If you have any other questions, please contact me at (425) 462-3051.

Sincerely,

/s/ Wendy Gerlitz

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