

**EXH. MS-1Tr
DOCKETS UE-240004/UG-240005
2024 PSE GENERAL RATE CASE
WITNESS: MATT STEUERWALT**

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY,

Respondent.

**Docket UE-240004
Docket UG-240005**

PREFILED DIRECT TESTIMONY (NONCONFIDENTIAL) OF

MATT STEUERWALT

ON BEHALF OF PUGET SOUND ENERGY

**REVISED
MARCH 4, 2024**

FEBRUARY 15, 2024

PUGET SOUND ENERGY

**PREFILED DIRECT TESTIMONY (NONCONFIDENTIAL) OF
MATT STEUERWALT**

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1 **PUGET SOUND ENERGY**

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3 **MATT STEUERWALT**

4 **I. INTRODUCTION AND**
5 **OVERVIEW OF PSE'S RATE PROPOSAL**

6 **A. Professional Background and Experience**

7 **Q. Please state your name and business address.**

8 A. My name is Matt Steuerwalt, and my business address is Puget Sound Energy,
9 P.O. Box 97034, Bellevue, Washington 98009-9734.

10 **Q. By whom are you employed and in what capacity?**

11 A. I am employed by Puget Sound Energy ("PSE") as Senior Vice President of
12 External Affairs.

13 **Q. Have you prepared an exhibit describing your education, relevant**
14 **employment experience, and other professional qualifications?**

15 A. Yes, I have. Please see Exhibit MS-2 to the Prefiled Direct Testimony of Matt
16 Steuerwalt, for a description of my education, relevant employment experience,
17 and other professional qualifications.

18 **Q. What are your duties as Senior Vice President of External Affairs for PSE?**

19 A. I lead PSE's efforts to engage with policymakers, communities, regulators, and
20 the general public.

1 **B. Purpose of Testimony**

2 **Q. What topics are you covering in your testimony?**

3 A. My testimony introduces PSE and provides an overview of the relief PSE is
4 seeking in this case, why that relief is necessary, and the testimony that PSE is
5 presenting to support that request.

6 First, I provide a high-level overview of the ongoing mission for PSE to continue
7 to provide safe, reliable, and affordable energy services to customers. This
8 includes the need to secure sufficient resources to meet customer needs during the
9 period of the rate plan when PSE will remove a substantial amount of coal-fired
10 generation from its portfolio.

11 Second, I discuss the fundamental change that PSE must address as a result of
12 changing state law and the rapid implementation of those laws. PSE takes as a
13 foundation to its ability to serve customers the need to do so equitably, as required
14 by the Clean Energy Transformation Act (“CETA”), the Climate Commitment
15 Act (“CCA”), the multiyear rate plan statute and as informed by this
16 Commission’s orders. PSE seeks to infuse an equity perspective throughout the
17 operations of its business. Additionally, those same laws impose obligations to
18 make the energy services PSE provides to its customers far less carbon-intensive.
19 This landscape in which PSE, the Commission, and interested parties now operate
20 is more complex, and necessitates a common, collaborative, and accelerated
21 approach by the company, regulators, and interested parties to continue to

1 navigate this complexity without compromising our core need for safe and
2 reliable service.

3 Third, I describe the challenges PSE faces and the importance of this multiyear
4 rate plan in helping PSE meet those challenges so it can successfully comply with
5 the state's policy directives, invest in its infrastructure, and provide benefits to
6 customers during the rapidly accelerating clean energy transition. I describe how
7 the multiyear rate plan filing supports the investments and operating costs
8 necessary to make the clean energy transition occur and how this case is essential
9 if PSE is to be successful now and over the longer-term of the clean energy
10 transition.

11 Fourth, I introduce key emerging issues that PSE is facing and the reason we are
12 advancing proposals to address wildland fire risk, enhanced natural gas
13 decarbonization, and timely recovery in rates of clean generation resources.

14 Finally, I introduce the witnesses who will establish that PSE has incurred, and
15 expects to incur, necessary costs in a reasonable and prudent manner, resulting in
16 rates that are just, fair, reasonable, and sufficient and that will satisfy ongoing
17 regulatory and statutory mandates.

1 **C. Overview of PSE and Its Filing, Proposals, and Rate Requests**

2 **Q. Please provide an overview of PSE.**

3 A. PSE is Washington State’s largest and oldest utility, serving 1.5 million customers
4 in ten counties over 6,000 square miles. PSE owns and maintains more
5 than 25,000 miles of electric transmission and distribution lines and underground
6 cables, which deliver electricity to our customers. Additionally, PSE owns and
7 maintains approximately 26,000 miles of natural gas lines that serve natural gas
8 customers. PSE’s customers are diverse—from the high-tech urban areas of
9 Bellevue and Redmond to the agricultural and forest lands in Skagit County. PSE
10 employs more than 3,000 union and non-union Washington residents.

11 PSE and its predecessor companies have served western Washington for more
12 than 150 years. Our employees are proud of PSE’s legacy, are committed to great
13 customer service, and work to help make our communities better places to live
14 and work. Our mission today is to be our customers’ clean energy partner of
15 choice, while continuing to provide safe and reliable energy services to
16 customers. PSE was an early leader in investing in renewable resources and
17 energy efficiency for homes and businesses. Now, PSE is on the path to meet the
18 current and future needs of its customers and to deliver on the requirements to
19 decarbonize operations and serve its customers and communities equitably.

20 While PSE has evolved over the past 150 years and undertaken significant
21 changes, the transition that PSE is in the midst of undertaking is unprecedented in
22 terms of the magnitude of the change and the accelerated time frame in which it

1 must be achieved. Further, the transition will only be truly successful if it is
2 completed without compromising key standards of safety and reliability.

3 **Q. Please describe PSE’s filing in this case.**

4 A. PSE is seeking to recover prudently planned expenses to maintain core utility
5 services while meeting new and transformative state policy objectives. Consistent
6 with the Revised Code of Washington (“RCW”) 80.28.425, PSE is proposing a
7 two-year multiyear rate plan that will begin in early 2025. This law requires
8 utilities such as PSE that file general rate cases after January 1, 2022, to propose a
9 multiyear rate plan for up to four years. In addition, PSE proposes a concise set of
10 performance measures and the extension of one performance incentive
11 mechanism, consistent with RCW 80.28.425(7), using experience gained
12 calculating and reporting the much broader set of performance measures required
13 for the current multiyear rate plan. PSE’s proposed multiyear rate plan is
14 consistent with the goal of the Legislature for companies to provide safe and
15 reliable energy while transitioning to cleaner sources of energy.

16 **Q. Please describe the rate relief PSE is seeking in this proceeding.**

17 For year 2025 (“Year One”) of the multiyear rate plan, PSE’s cost of electric
18 service establishes the need for a \$192.2 million increase in overall revenues.

19 ~~Power costs account for \$133 million of the proposed rate increase in Year One.~~

20 For natural gas, the required increase is \$196.0 million.

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For year 2026 (“Year Two”) of the multiyear rate plan, PSE’s cost of electric service establishes the need for a \$285.2 million increase in overall revenues.

~~Power costs account for \$110.5 million of the proposed rate increase in Year Two.~~ For natural gas, the required increase is \$25.4 million.

This is based on a test year ending June 30, 2023, with pro forma adjustments extending to December 31, 2023, and includes all plant that is used and useful as of the rate effective date as well as projected to be put in service during Year One and Year Two of the multiyear rate plan. Table 1 below shows the rate request for each year of the multiyear rate plan:

Table 1. Rate Request for Each Year of Multiyear Rate Plan

Description	2025			2026			Total Rate Years		
	Electric	Gas	Combined	Electric	Gas	Combined	Electric	Gas	Combined
RATE BASE	\$ 168.5	\$ 32.4	\$ 200.9	\$ 118.9	\$ 12.6	\$ 131.5	\$ 287.4	\$ 45.0	\$ 332.4
POWER COSTS	(133.0)	-	(133.0)	110.5	-	110.5	(22.5)	-	(22.5)
OPERATING EXPENSES	65.3	17.2	82.5	21.3	(0.1)	21.2	86.6	17.1	103.8
CUSTOMER AND A&G	44.9	(16.8)	28.0	8.6	6.2	14.8	53.5	(10.7)	42.8
PLANT DEPRECIATION / AMORTIZATION	69.6	89.9	159.5	62.3	10.9	73.2	131.9	100.8	232.7
REGULATORY AMORTIZATIONS	20.8	6.2	26.9	(16.7)	(6.8)	(23.6)	4.0	(0.7)	3.4
REVENUE (GROWTH) DECLINE	(61.3)	64.6	3.3	(22.4)	2.5	(19.9)	(83.7)	67.0	(16.7)
OTHER (INCL GROSS UP FOR RSI/TAXES)	17.5	2.6	20.1	2.6	0.1	2.8	20.1	2.7	22.8
REVENUE DEFICIENCY - GROSSED UP	\$ 192.2	\$ 196.0	\$ 388.3	\$ 285.2	\$ 25.4	\$ 310.5	\$ 477.4	\$ 221.4	\$ 698.8

NOTE: INCLUDES CHANGES RELATED TO SCHEDULES 141CGR AND WFP (INCLUDING RATE YEAR 2) AND DCARB

Q. What is PSE requesting for a return on equity and capital structure in this case?

A. PSE is requesting a return on equity of 9.95 percent and a capital structure of 50 percent equity in Year One of the multiyear rate plan. In Year Two of the multiyear rate plan, PSE is requesting a return on equity of 10.5 percent and a capital structure of 51 percent equity. Additional detail regarding the need for these incremental steps to increase PSE’s return on equity and equity thickness in

1 order to have sufficient financial strength to fund the clean energy transition while
2 maintaining safe and reliable energy service is discussed in the Prefiled Direct
3 Testimony of Daniel A. Doyle, Exh. DAD-1CT, the Prefiled Direct Testimony of
4 Cara G. Peterman, Exh. CGP-1CT, and the Prefiled Direct Testimony of Ann E.
5 Bulkley, Exh. AEB-1T.

6 **Q. Can you quantify the capital investments that PSE estimates it will make that**
7 **are not included in current rates?**

8 A. As outlined in the Prefiled Direct Testimonies of Joshua A. Kensok, Exh. JAK-
9 1CT, and the Prefiled Direct Testimonies of Susan E. Free, Exh. SEF-1T, PSE is
10 requesting recovery of additional capital investments totaling approximately \$3.7
11 billion during the two-year multiyear rate plan period.¹ These capital investments
12 made on behalf of customers will result in a net increase of \$1.3 billion in the rate
13 base being recovered for Year One over what was approved in the last rate plan
14 and an additional increase of \$0.8 billion for Year Two.²

15 **Q. Why is PSE requesting a two-year multiyear rate plan?**

16 A. PSE appreciates the desire for Washington investor-owned utilities to enter into
17 longer rate plans that do not all coincide with each other and feels it is a goal that
18 can eventually be achieved. However, the filing of a two-year rate plan at this
19 time is necessary given the need to maintain flexibility and to align cost recovery

¹ See Exh. JAK-5.

² See Exh. SEF-1T.

1 as PSE passes the 2025 CETA deadline for becoming coal-free, and as investment
2 needs intensify given the amount of time left before the 2030 CETA milestone.

3 **Q. Why is PSE filing this case at this time?**

4 A. There are several factors that influence PSE’s decision to file its second multiyear
5 rate plan at the current time. First, PSE’s first multiyear rate plan filed under
6 RCW 80.28.425 will conclude in early January 2025. During the plan, PSE will
7 have added significant new resources to its portfolio, increasing the percentage of
8 CETA-compliant energy from 34 percent in 2020 to a projected 60 percent by the
9 end of 2025³ (i.e., approximately 3.5 million more megawatt hours (“MWh”) of
10 clean energy than was projected in PSE’s first Clean Energy Implementation
11 Plan (“CEIP”)), even as power markets became more volatile. PSE must continue
12 to acquire additional clean energy resources at an ever-increasing pace to comply
13 with CETA and its decarbonization goals. PSE also must add capacity resources,
14 and in this case, PSE proposes several new resources with a total peak capacity of
15 556 megawatts (“MW”) as discussed in the Prefiled Direct Testimony of Craig J.
16 Pospisil, Exh. CJP-1T. This case will allow PSE to bring new resources into rates
17 and to recover a reasonable level of operating costs over the proposed multiyear
18 rate plan.

19 Second, it is important to note the persistently high inflation rates that have
20 occurred since PSE filed its last multiyear rate plan in January 2022, escalating the

³ See Docket UE-210795, PSE 2023 Biennial Clean Energy Implementation Plan Update at 1.2 (Nov. 1, 2023).

1 costs of delivering service to customers. This is discussed in more detail in the
2 Prefiled Direct Testimony of Mark N. Lowry, Exh. MNL-1T, and in the Second
3 Exhibit to the Prefiled Direct Testimony of Mark N. Lowry, Exh. MNL-3.

4 Third, the Prefiled Direct Testimony of Daniel A. Doyle, Exh. DAD-1CT,
5 demonstrates that PSE has not earned the currently authorized 9.4 percent return
6 on equity. Daniel Doyle further discusses the need to increase PSE's authorized
7 rate of return and equity ratio if PSE is to be able to successfully compete for the
8 significant amount of debt and equity financing needed to add substantial new
9 clean energy resources while continuing to provide safe, reliable, and affordable
10 electric and natural gas service.

11 Ultimately, incremental rate relief is necessary so that PSE may continue to
12 provide safe and reliable energy services to its customers while complying with a
13 series of transformative state mandates and meeting the expectations of customers
14 and interested parties to decarbonize its energy systems.

15 **D. Steps PSE Has Taken to Mitigate the Effects of Rate Increases on Customers**

16 **Q. Has PSE taken steps to mitigate the effects of rate increases on its customers?**

17 A. Yes, PSE is committed to being the clean energy provider of choice for our
18 customers and has undertaken key efforts to control costs and provide affordable
19 services for all customers. PSE examined its head count, made targeted reductions
20 in some areas and then imposed a hiring freeze company-wide, examined its
21 outside vendor service levels and made strategic reductions, and has implemented

1 a number of other initiatives to contain spending. These efforts are discussed in
2 more detail in the Prefiled Direct Testimony of Joshua A. Kensok, Exh. JAK-
3 1CT. Joshua Kensok also discusses PSE’s history of operating leanly and
4 managing its operating costs; PSE has effectively managed the growth of
5 operations and maintenance (“O&M”) expense per customer (excluding pass-
6 through items such as low income and Commission fees) to an annual average
7 increase of 0.67 percent compound average growth rate during the 2014-2023
8 period.

9 In addition, as described further in the Prefiled Direct Testimony of John
10 Mannetti, Exh. JM-1CT, PSE has pursued opportunities to identify and obtain
11 sources of funding for the benefit of customers, including funding made available
12 under the Infrastructure Investment and Jobs Act, the Inflation Reduction Act, and
13 from the State of Washington.

14 Finally, as outlined later in my testimony and in the Prefiled Direct Testimony of
15 Carol L. Wallace, Exh. CLW-1T, PSE has also made substantial progress in the
16 areas of affordability and expanding energy assistance for income qualified
17 customers since the last general rate case.

18 **Q. What steps is PSE taking to help reduce the energy burden for customers**
19 **who are struggling financially?**

20 A. PSE is continuing its efforts to support the evolving needs of our customers,
21 particularly as it relates to affordability and energy burden. PSE worked hard to

1 secure funding and provide relief to reduce residential bill obligations during the
2 pandemic. This past year PSE implemented a new Bill Discount Rate (“BDR”)
3 program designed in collaboration with other interested parties. PSE also
4 improved its existing programs designed to mitigate bill impacts to income-
5 qualified customers. The Prefiled Direct Testimony of Carol L. Wallace, Exh
6 CLW-1T, describes PSE’s continued efforts to improve access to energy
7 assistance programs and deploy expanded assistance programs.

8 **Q. What is the current status of the Bill Discount Rate program?**

9 A. PSE filed the BDR program tariff pursuant to RCW 80.28.068 on June 30, 2023,
10 and the tariff went into effect in August 2023. Since then, PSE has undertaken a
11 substantial effort to reach customers who may be eligible, including over 200 in-
12 person, in-language events in partnership with community-based organizations, as
13 well as marketing that utilizes online and offline approaches like email, social
14 media, radio, direct mail, earned media, broadcast television, community
15 newspapers, and deploying third-party partners as trusted messengers. Program
16 materials are available in Spanish, Vietnamese, Chinese, Korean, Russian,
17 Marshallese, and Khmer.

18 Customer response to the program has been swift, and PSE has surpassed
19 the 70,000-customer target established by the Commission in the 2022 GRC
20 order. In 2024, PSE plans to review initial implementation of the BDR program
21 with its Low-Income Advisory Committee members using data generated during
22 the first several months of program operation.

1 **Q. Is PSE designing any new programs to help customers with affordability and**
2 **energy burden?**

3 A. Yes, PSE also continues to develop an Arrearage Management Program,
4 consistent with the terms of the Settlement Stipulation and Agreement on
5 Revenue Requirement and All Other Issues Except Tacoma LNG and PSE's
6 Green Direct Program in Docket UE-220066 et al. ("2022 GRC Settlement").
7 PSE has formed a working group with members of the Low-Income Advisory
8 Committee and began meetings in September 2023 to consult with Arrearage
9 Management Program working group members to create the program, including
10 determining customer eligibility requirements, structure of arrearage forgiveness,
11 technology requirements, credit application processes, and assessing resources
12 needed to manage the program. The expected in-service date for the Arrearage
13 Management Program is October 1, 2024.

14 **Q. How does the work PSE is doing to address energy affordability also support**
15 **PSE's transformation to clean energy?**

16 A. There is a tension in how swiftly PSE can achieve the unprecedented emissions-
17 free goals and associated time frames set by the state while also maintaining the
18 affordability of vital energy services. PSE is committed to making sure the clean
19 energy transition happens and that the burden, and benefits, of that transition are
20 distributed equitably. A robust portfolio of programs to assist customers who most
21 need it is a critical part of the overall response to the state's policy objectives.
22 Additionally, by taking steps to eliminate the barriers to participation and

1 enrollment in PSE’s energy assistance programs, PSE aims to leverage any
2 identified best practices that may also inform program development in the clean
3 energy space.

4 **II. THE MULTIYEAR RATE PLAN ALLOWS**
5 **PSE TO MAINTAIN SAFE AND RELIABLE SERVICE**

6 **A. PSE Will Continue to Prioritize the Need to Provide Safe and Reliable**
7 **Service**

8 **Q. Please describe the importance of safety and reliability to PSE.**

9 A. The continued safety and reliability of our service to customers, and the safety
10 and wellbeing of our employees, remain at the heart of PSE’s obligation to
11 provide service, and it remains foundational to PSE’s mission. In the efforts to
12 reduce costs described above, PSE started with the principle that none of those
13 cost-reduction efforts could impair its ability to deliver safe and reliable service.

14 **Q. Does the proposed rate plan facilitate improvements in delivery system**
15 **reliability and resilience?**

16 A. Yes. As discussed in the Prefiled Direct Testimony of Michelle L. Vargo, MLV-
17 1T, the Prefiled Direct Testimony of David J. Landers, Exh. DJL-1T, and the
18 Prefiled Direct Testimony of Roque B. Bamba, Exh. RBB-1T, PSE will continue
19 to use a variety of strategies in delivery system planning to maintain customer and
20 public safety, meet customer growth and service needs, and modernize and
21 automate the grid to support reliable and resilient clean energy. These strategies
22 include: infrastructure improvement programs focused on reducing and

1 eliminating power outages for customers; a continued focus on vegetation
2 management; use of technologies such as PSE’s advanced distribution
3 management systems to support bi-directional power flow on the grid and
4 leverage a growing prevalence of electric vehicles and distributed energy
5 resources (“DER”) throughout our service territory to enhance distribution
6 carrying capacity; and meeting reliability standards of the North American
7 Electric Reliability Corporation. PSE plans to continue its gas system integrity
8 management programs, and examples include eliminating sewer cross bores and
9 replacing DuPont pipe to maintain customer and public safety.

10 Finally, as I discuss in Section V of my testimony, PSE is focused on the need to
11 address wildland fire risk and invest to reduce risk, mitigate impacts, and increase
12 reliability and resilience. These issues will also be further discussed in the
13 Prefiled Direct Testimony of Ryan Murphy, Exh. RM-1T.

14 **Q. What steps is PSE taking to maintain and improve delivery system reliability**
15 **and resiliency with respect to outages?**

16 A. PSE’s planning and execution of grid-improving investments deliver a more
17 robust and hardened system that eliminates or reduces outages directly, as
18 discussed in the Prefiled Direct Testimony of David J. Landers, Exh. DJL-1T and
19 the Prefiled Direct Testimony of Roque B. Bamba, Exh. RBB-1T. However, there
20 are many factors that impact PSE’s reliability performance as measured by the
21 system average interruption duration index (“SAIDI”) and the system average
22 interruption frequency index (“SAIFI”) including severity of seasonal weather

1 events and externalities such as limits on accessibility to the delivery system to
2 make repairs. These limits on accessibility occur, for example, when road closures
3 are implemented by WSDOT due to avalanche danger, flooding and other events
4 that are occurring with increasing severity as a result of climate change. PSE has
5 not always met the SAIDI benchmark of 155. Therefore, continued robust
6 investment in targeted reliability projects is essential to meeting customer service
7 expectations. However, PSE is also requesting a change to the methodology of
8 calculating reliability metrics to remove scheduled outages and public safety
9 power shutoffs (“PSPS”), as discussed in the Prefiled Direct Testimony of
10 David J. Landers, Exh. DJL-1T.

11 **Q. What steps is PSE taking to continue to safely and reliably deliver natural**
12 **gas to customers?**

13 A. PSE has an obligation to serve and must continue to deliver natural gas safely and
14 reliably to its customers. Gas systems are designed with redundancy and safety
15 margins to prevent the loss of pressure and outages, which is generally a much
16 more impactful event to customers than electric power outages due to the need for
17 a re-light by qualified personnel behind each impacted customer’s meter. Reliable
18 service means focusing on operational excellence through situational awareness
19 and security. As discussed in the Prefiled Direct Testimony of David J. Landers,
20 Exh. DJL-1T, PSE focuses on identifying pipeline safety risk and integrity
21 management concerns in both the distribution and transmission systems and also
22 focuses on meeting increasing regulatory requirements related to pipeline safety.

1 For example, PSE’s Older Vintage PE Pipe Mitigation program removes risk
2 prone pipe, reducing the number of leaks on the system.

3 **Q. What is PSE doing to address gas leaks and methane emissions?**

4 A. PSE’s work to eliminate methane emissions from operations is reinforced by the
5 PIPES Act⁴ that treats methane as an environmental safety concern. As discussed
6 in the Prefiled Direct Testimony of David J. Landers, Exh. DJL-1T, PSE operates
7 in a “find and fix” mode for new leaks. To this end, PSE continues to invest in
8 advanced leak detection equipment and procedures to find leaks faster and is
9 deploying recompression in lieu of venting or flaring during pipeline construction
10 to keep all molecules of gas in the pipelines.

11 **B. The Evolution of Regional Energy Markets Affects PSE’s Operations and**
12 **Resource Needs**

13 **Q. What regional energy market changes and challenges does PSE face?**

14 A. Amidst the rapidly accelerating energy transition and changing energy policy
15 landscape in Washington, regional energy markets continue to evolve
16 dynamically. PSE and its customers benefitted from a period when the wholesale
17 markets were generally characterized by excess energy. PSE witness Ronald J.
18 Roberts describes how a region-wide transition toward carbon-free electric energy
19 supply has accelerated the deployment of intermittent resources, such as wind and
20 solar, and contributed to the retirement of traditional coal-fired baseload

⁴ Protecting Our Infrastructure of Pipelines and Enhancing Safety (“PIPES”) Act of 2020 and 2023.

1 generation. Coupled with the increasing frequency of climate change-related
2 events, these factors are resulting in a tightened energy supply and increase in
3 market volatility.

4 In addition, this multiyear rate plan will include the removal of PSE's coal-fired
5 energy resources from rates, consistent with CETA. In addition to the share of
6 Colstrip Units 3 and 4 that PSE owns, the power purchase agreement for power
7 from TransAlta's Centralia Generation Station, as part of the comprehensive
8 agreement to shut that facility down, also ends in 2025. Together, this represents
9 750 MW of coal-fired baseload resources that PSE needs to replace at exactly the
10 time other load serving utilities on the west coast are also seeking to do the same
11 thing. The Prefiled Direct Testimony of Ronald J. Roberts, Exh. RJR-1T,
12 discusses this in more detail.

13 In this dynamic environment, PSE's latest resource adequacy analysis from the
14 2023 Electric Progress Report⁵ indicates a capacity shortfall as early as 2024 and
15 quantified near-term capacity shortfalls in summer and winter 2029 of 1,875 MW
16 and 1,272 MW, respectively.

17 **Q. What steps is PSE taking to address these challenges?**

18 A. PSE is taking steps to address these capacity shortfalls, but an accelerated
19 timeline to replace baseload generation with intermittent resources has

⁵ Puget Sound Energy, *2023 Electric Progress Report* (Mar. 31, 2023), https://www.pse.com/-/media/PDFs/IRP/2023/electric/chapters/00_EPR23_ChapterBook_Final.pdf?modified=20230331180618.

1 contributed to an increase in regional electric market price volatility, capacity
2 shortfalls, and scarcity of firm transmission rights.

3 In addition to the complexities of changing market fundamentals summarized
4 above and discussed in greater detail by PSE witness Ronald J. Roberts, the
5 Prefiled Direct Testimony of Philip A. Haines, Exh. PAH-1CT, describes how
6 PSE is concurrently vetting two emergent day-ahead markets in the western U.S.,
7 one proposed by the California Independent System Operator, called the Extended
8 Day Ahead Market, and the other, Markets +, proposed by the Southwest Power
9 Pool.

10 **Q. How do these regional market developments potentially impact PSE?**

11 A. As discussed by PSE witness Ronald J. Roberts, in an effort to face the challenges
12 of this industry-wide energy market transition, PSE is shifting away from its
13 reliance on short-term bilateral market transactions to regional coordination in
14 organized market and resource adequacy programs to meet dynamic demand.
15 Two frameworks PSE is actively participating in to reduce price volatility risk and
16 address capacity and transmission constraints include day-ahead market
17 exploration as described above, and joining the Western Resource Adequacy
18 Program (“WRAP”). The WRAP allows PSE and its customers to realize
19 significant cost savings while securing resource adequacy, including a lower
20 capacity requirement (i.e. volume) and lower resource adequacy capacity cost (i.e.
21 price). The benefits of the WRAP are discussed in more detail in the Prefiled
22 Direct Testimony of Philip A. Haines, Exh. PAH-1CT.

1 **III. PSE’S OPERATING ENVIRONMENT HAS CHANGED**
2 **DRAMATICALLY WITH THE IMPLEMENTATION OF**
3 **THE EXPANSION OF THE PUBLIC INTEREST**

4 **A. Implementation of the Transformative Energy and Equity Policies Enacted**
5 **by the Washington State Legislature is Impacting PSE and Its Customers**

6 **Q. How have Washington State’s energy and equity policy landscape evolved**
7 **since PSE filed its last general rate case in 2022?**

8 A. The State of Washington is currently implementing some of the most
9 transformational energy, equity, environmental, and climate policies in the United
10 States. PSE supported the legislation driving that change. New rules have been
11 enacted since PSE filed its last general rate case, and some rulemaking processes
12 are continuing. Implementation has required PSE, the Commission, and other
13 interested parties to think and act differently, to devote significant time and
14 resources to achieve these new objectives, and to continue to be nimble as rules
15 are adopted, precedent established, and best practices learned.

16 Implementation of CETA continues, with electric utilities across Washington
17 currently implementing their initial clean energy implementation plans for the
18 2022–2025 period and the first major CETA milestone for PSE’s resource
19 portfolio—the no-coal requirement by the end of 2025—on the very near horizon.

20 At the same time, the state has also begun to implement the CCA. Implementation
21 has been challenging given the pace and scale of the program, and the uncertainty
22 as PSE—along with our regulators and other interested parties—learn and
23 proceed.

1 **Q. Please provide a high-level overview of how implementation of CETA has**
2 **continued since PSE’s last general rate case.**

3 A. CETA necessitates that PSE fast-track towards an equitable transition to
4 renewable and non-emitting generation resources. It requires PSE’s electric
5 system to be coal free by 2025, greenhouse gas neutral by 2030, and 100 percent
6 served by renewable and non-emitting resources by 2045.

7 On December 17, 2021, PSE filed its first Clean Energy Implementation Plan
8 (“2021 CEIP”) that sets interim clean electricity targets and describes PSE’s plan
9 to meet them. The Commission accepted PSE’s 2021 CEIP with conditions on
10 June 6, 2023 in Docket UE-210795. PSE also filed a Biennial CEIP Update
11 (“Biennial Update”) with the Commission on November 1, 2023, which details
12 PSE’s efforts to meet CETA’s 2030 greenhouse gas neutral requirement and
13 projects that in the 2022-2025 compliance period, PSE will deliver
14 approximately 3.5 million more MWh of clean energy to our electric customers
15 than originally projected in the 2021 CEIP.

16 While these are important steps forward, it also highlights the urgent necessity for
17 accelerating processes to help facilitate PSE’s transition and full CETA
18 compliance.

19 Additionally, the Commission continues to adopt rules guiding the
20 implementation of CETA for PSE and other utilities.

1 **Q. What specific steps is PSE taking to acquire CETA-eligible resources to**
2 **comply with CETA?**

3 A. PSE continues to pursue adding additional renewable and non-emitting resources
4 for the remainder of the four-year compliance period. Since the 2021 CEIP was
5 filed, PSE has added 888 MW of new renewable and non-emitting resources to its
6 portfolio to serve customers in 2030 and beyond to meet its CETA obligations.
7 Additionally, PSE continues to engage in short-term transactions for renewable
8 and non-emitting resources to meet its interim and specific targets as outlined in
9 its 2021 CEIP and revised in its most recent Biennial CEIP Update filing. Please
10 see the Prefiled Direct Testimony of Craig J. Pospisil, Exh. CJP-1T and Colin P.
11 Crowley, Exh. CPC-1HCT, for further details on recent clean energy generation
12 resources PSE has acquired to comply with CETA. Colin Crowley's testimony
13 also seeks a prudence determination and cost recovery for the Vantage Wind
14 Power Purchase Agreement and the Beaver Creek Wind Project that will go into
15 service during the multiyear rate plan.

16 PSE has also developed new demand response programs as discussed in the
17 Prefiled Direct Testimony of Gilbert Archuleta, Exh. GA-1T, consistent with the
18 statute and the Commission's direction. Additionally, PSE has short-listed 34
19 solar and storage projects in response to its Distributed Solar and Storage RFP,
20 totaling 56.59 MW of DER solar and 33.5 MW of DER storage. These DER
21 projects are discussed in more detail in the Prefiled Direct Testimony of Aaron A.

1 August, Exh. AAA-1T and the Prefiled Direct Testimony of Brennan D. Mueller,
2 Exh. BDM-1T.

3 **Q. Please provide a high-level overview of how the CCA applies to PSE.**

4 A. In 2021, the Washington State Legislature passed Senate Bill 5126, also known as
5 the CCA, to reduce greenhouse gas (“GHG”) emissions. Also referred to as “Cap
6 and Invest,” the law establishes a declining economy-wide cap on greenhouse gas
7 emissions and is intended to reduce emissions from those sectors covered by the
8 cap in the state by 95 percent by 2050. PSE is a covered entity, as defined in
9 RCW 70A.65.080, and must participate in the compliance program.

10 **Q. Have rules been adopted to address the implementation of the CCA?**

11 A. Yes. The Department of Ecology (“Ecology”) adopted rules to guide the
12 implementation of the CCA. Those rules were developed over the span of
13 approximately 14 months so the program could begin on January 1, 2023, as
14 required by statute. The pace of that rulemaking was unprecedented given the
15 scale and complexity of the program and highlights the necessity of accelerated
16 processes to maintain the pace necessary for fully compliance in a timely fashion.

17 **Q. How does CCA implementation differ for gas and electric utilities and their
18 customers?**

19 A. The statute treats the electric utility differently than the gas utility. It requires
20 Ecology to give no-cost allowances to natural gas utilities, which must consign an

1 ever-increasing share of those allowances to auction, even as the number of no-
2 cost allowances the utility receives decrease over time until they reach zero
3 in 2050. The utility must prioritize the use of allowance revenues for
4 nonvolumetric credits on ratepayer utility bills, prioritizing low-income
5 customers, or to minimize cost impacts on low-income, residential, and small
6 business customers through actions that include, but are not limited to,
7 weatherization, decarbonization, conservation and efficiency services, and bill
8 assistance.⁶

9 For the electric operation, utilities such as PSE that are also subject to CETA
10 receive no-cost allowances to mitigate the cost burden of the cap-and-invest
11 program on electric customers. Electric investor-owned utilities may, but are not
12 required to, consign no-cost allowances to auctions.

13 **Q. Please explain how these clean energy policies will impact PSE and its**
14 **customers during the proposed multiyear rate plan.**

15 A. Meeting the CETA 2030 requirement will necessitate the acquisition of new
16 renewable and non-emitting resources of approximately 6,700 MW by 2030 –
17 more than PSE has added at one point in time in its portfolio in the 150 years of
18 its existence. This deadline is driving action across the organization during the
19 period of this proposed multiyear rate plan, in strategy and planning (including
20 transmission planning) as described in the Prefiled Direct Testimony of Joshua J.

⁶ See WAC 173-446-300(2)(b)(iii)(A).

1 Jacobs, Exh. JJJ-1T; in resource acquisition, as discussed in the Prefiled Direct
2 Testimony of Craig J. Pospisil, Exh. CJP-1T; and in our financial needs to provide
3 these resources, as discussed in the Prefiled Direct Testimony of Daniel A. Doyle,
4 Exh. DAD-1CT.

5 Additionally, as further explained by PSE witnesses Joshua Jacobs and David
6 Landers, PSE's electric load is expected to dramatically increase due to clean
7 energy policy drivers, such as the proliferation of electric vehicles and
8 requirements for electrification of new buildings. Furthermore, accommodating
9 new customers, whether it is a residential customer or a major project, requires
10 the installation of new infrastructure. The Prefiled Direct Testimony of David J.
11 Landers, Exh. DJL-1T, discusses programs such as the Targeted Capacity
12 program, which is critical in supporting growing distribution capacity needs that
13 are accelerating due to increased electric vehicle charging and transition to greater
14 use of electricity for space and water heating, and the DER Circuit Enablement
15 program, necessary to address constraints on the electric system to enable
16 renewable generation.

17 CETA also requires considerable work for the utility to implement the equity
18 aspects of the statute. Please see the Prefiled Direct Testimony of Troy A. Hutson,
19 Exh. TAH-1T for an additional description of these efforts, which I also will
20 touch on later in this testimony.

21 Finally with respect to CETA, PSE has begun to evaluate the technologies and
22 resources that might be viable for providing firm, non-GHG emitting capacity to

1 meet the 2045 requirement. The three avenues PSE is exploring include long
2 duration battery storage, small modular nuclear reactors, and green hydrogen to
3 generate electricity. Please see the Prefiled Direct Testimony of John Mannetti,
4 Exh. JM-1CT, for a more detailed description of these efforts.

5 CCA implementation is still very new and the impacts less clear. However, PSE is
6 experiencing some challenges with CCA implementation.

7 **Q. What challenges is PSE experiencing in implementing the CCA for its**
8 **electric system operations?**

9 A. On the electric side, PSE is hopeful, but increasingly concerned, that meeting its
10 CCA obligations will not impose significant new burdens for customers on top of
11 the CETA requirements. Ecology's methodology related to the provision of no-
12 cost allowances and the associated adjustment mechanism, as well as rules related
13 to existing and developing energy markets, has created ongoing uncertainties and
14 some level of mismatched incentives particularly in the area of power costs. Since
15 it appears that Ecology will not provide no-cost allowances for dispatch of PSE's
16 resources unless those resources are directly supporting load, this creates a trade-
17 off between incurring compliance costs if those resources are dispatched without
18 allowances, or not generating revenue from power sales, which has historically
19 been used to reduce net power costs for customers. Additionally, the
20 Commission's recent order disallowing projections of the costs associated with
21 CCA dispatch in PSE's power cost update raises concerns about adequate power
22 cost recovery. The challenges related to planning, real-time dispatch decision-

1 making, and cost recovery are discussed more in the Prefiled Direct Testimony of
2 Brennan D. Mueller, Exh. BDM-1T and the Prefiled Direct Testimony of
3 Philip A. Haines, Exh. PAH-1CT.

4 **Q. What challenges is PSE experiencing in implementing CCA on the natural**
5 **gas side of the business?**

6 A. The biggest challenge PSE faces in implementing the CCA is the high cost of
7 existing options for decarbonizing the gas system. Although the legislature is
8 providing no-cost allowances to help mitigate CCA customer cost burdens, the
9 no-cost allowances only mitigate a declining amount of the overall compliance
10 costs over time because the number of allowances declines as the overall cap
11 declines. PSE has chosen, and the Commission has recently approved, a
12 mechanism to provide all customers with nonvolumetric credits with most of the
13 allowance revenue at this time, with the remaining revenue devoted to
14 decarbonization efforts. However, allowance revenue will begin declining and
15 costs will rise quickly over time. Unfortunately, current options available for
16 decarbonization are costly, and PSE has limited cost effective options other than
17 purchasing CCA allowances in large quantities into the foreseeable future. The
18 key issue is how to reduce greenhouse gas emissions while not overburdening
19 customers with excessive bill increases. PSE also has significant equity concerns
20 about who will bear the cost burdens in the future.

1 **Q. How is PSE leveraging renewable natural gas to reduce emissions?**

2 A. Renewable natural gas (“RNG”) is a key component of PSE’s decarbonization
3 strategy because it allows PSE to realize immediate reductions in GHGs. It is also
4 one of the few tools directly within the control of PSE since it does not require
5 customers to take action to reduce their own greenhouse gas emissions; in this
6 way it is similar to the substitution of non-emitting resources on the electric side.
7 PSE witness Joshua Jacobs describes how PSE actively engages with RNG
8 project developers and aggregators to find the lowest cost sources of RNG, and
9 how PSE develops contracts to deliver the gas to PSE’s delivery system, or looks
10 to procure the environmental attributes of the RNG. In July 2020, PSE began
11 purchasing physical RNG from a large landfill in Washington and recently signed
12 contracts for the acquisition of additional supplies that will commence deliveries
13 in 2024. PSE estimates that these actions will enable PSE to provide 2,735,000
14 dekatherms (“Dth”) of RNG to customers in 2024 through the Purchased Gas
15 Adjustment (“PGA”) portfolio and 82,000 Dth through PSE’s Voluntary RNG
16 program. The incremental cost of RNG in the PGA portfolio is estimated to be
17 under the mandated five percent of revenue requirement at 3.8 percent for 2024;
18 however, PSE believes that legislative action to expand the ceiling may be
19 warranted. This current restriction severely limits the ability of natural gas
20 companies to rely on RNG to decarbonize customer fuel supply, a limitation
21 compounded by the fact that RNG sells at a premium price when compared to
22 traditional natural gas.

1 **B. PSE is Incorporating and Promoting Equity and Inclusion as Core Tenets of**
2 **the Energy Transition**

3 **Q. What is PSE doing to infuse considerations of equity into its operations?**

4 A. PSE is working very hard to comply with the equity components of CETA, the
5 multiyear rate plan statute, and the Commission’s guidance. As an organization,
6 PSE is committed to providing excellent service to our customers, while paying
7 attention to dimensions of differences and disparities including environmental and
8 socioeconomic. To facilitate the incorporation of equity in decisions across the
9 organization, PSE has developed a guidance tool to be used for all business teams
10 in the consideration of equity across all four core energy justice tenets⁷ as
11 discussed in the Prefiled Direct Testimony of Troy A. Hutson, Exh. TAH-1T. In
12 addition to developing and implementing this tool, the most important steps we
13 have taken are 1) the creation a centralized Energy Equity organization to provide
14 consistency and alignment for business units that are incorporating energy equity,
15 2) progress on distributional justice pursuant to the 2022 GRC Settlement
16 agreement through the distributional equity analysis pilot, 3) integration of equity
17 in PSE's planning processes, including distribution system planning and corporate
18 capital planning, and 4) continued and improved procedural justice efforts in our
19 external engagement through, for example, the Equity Advisory Group (EAG)
20 and customer engagements in named communities.

⁷ 2021 Cascade Natural Gas GRC Final Order, Docket UG-210755 at ¶ 56.

1 **Q. How will energy equity be advanced during the multiyear rate plan?**

2 A. PSE has incorporated equity across the organization in areas ranging from
3 corporate capital planning, distribution system planning, investment decision-
4 making, pilot programs, low-income program design, performance metrics, and
5 through seeking opportunities to maximize public funding. All this work will
6 continue during the multiyear rate plan. PSE witness Troy Hutson presents PSE's
7 vision and strategy for energy equity, our framework and approach, engagement
8 and education plan, progress, and upcoming plans. He discusses how recent
9 guidance from the Commission regarding equity has shaped PSE's decision-
10 making processes and led to PSE's incorporation of energy equity strategies into
11 its programs. In addition to Mr. Hutson and myself, sixteen other PSE witnesses
12 in this case also address the topic of energy equity in their prefiled testimony.⁸

⁸ See Prefiled Direct Testimonies of Michelle L. Vargo, Exh. MLV-1T; Joshua J. Jacobs, Exh. JJJ-1T; Craig J. Pospisil, Exh. CJP-1T; Aaron A. August, Exh. AAA-1T; Monica Martinez, Exh. MM-1T; David J. Landers, Exh. DJL-1T; Carol L. Wallace, Exh. CLW-1T; Joshua A. Kensok, Exh. JAK-1CT; John Mannetti, Exh. JM-1CT; Roque B. Bamba, Exh. RBB-1T; Birud D. Jhaveri, Exh. BDJ-1T; John D. Taylor, Exh. JDT-1T; Brian E. Fellon, Exh. BEF-1T; Colin P. Crowley, Exh. CPC-1HCT; Gilbert Archuleta, Exh. GA-1T; Thomas M. Hunt, Exh. TMH-1T.

1 **IV. PSE MUST BE FINANCIALLY HEALTHY TO RESPOND TO THE**
2 **RAPIDLY CHANGING POLICY LANDSCAPE WHILE ALSO MAINTAINING**
3 **SAFE, RELIABLE, AND AFFORDABLE SERVICE**

4 **Q. Does PSE face financial challenges now and over the course of the multiyear**
5 **rate plan?**

6 A. Yes. PSE faces significant financial challenges now and in the coming years, as
7 discussed by PSE witnesses Daniel A. Doyle, Ronald J. Roberts, Michelle Vargo,
8 Cara G. Peterman, Joshua A. Kensok, and Susan E. Free.

9 **Q. What are some of the financial challenges PSE faces?**

10 A. Other witnesses will describe these challenges in much greater detail, but below
11 are some of the most concerning challenges for PSE:

- 12 • Supply chain constraints that continue to persist beyond the
13 COVID health emergency (Ronald Roberts, Michelle
14 Vargo).
- 15 • Operations and maintenance needs exceed what is currently
16 built into rates (Michelle Vargo, Ronald Roberts, Susan
17 Free).
- 18 • Inflationary pressures on the costs of materials and labor
19 (Daniel Doyle, Joshua Kensok, Mark N. Lowry).
- 20 • Interest rates have increased significantly (Daniel Doyle,
21 Cara Peterman, Ann Bulkley).
- 22 • PSE does not have balance sheet strength to continue to
23 absorb the increasing volatility in commodity and carbon
24 markets (Daniel Doyle, Cara Peterman).
- 25 • PSE has still not been able to earn its authorized rate of
26 return (Daniel Doyle).

1 **A. The Multiyear Rate Plan Helps PSE Overcome Financial Challenges to Meet**
2 **the Clean Energy Transition**

3 **Q. Can PSE meet the state’s ambitious energy and environmental policies, while**
4 **also providing safe and reliable service at current rates?**

5 A. PSE’s requests in this case are necessary to provide the financial strength and
6 stability to achieve the state’s public policy objectives. Absent the rate relief
7 being sought in this case, PSE will not possess the financial strength to
8 concurrently implement CETA and CCA, while providing safe and reliable core
9 utility services to customers. As discussed further by PSE witness Cara Peterman,
10 PSE has concerns about its ability to finance both the traditional work of the
11 utility and the need to support the clean energy transition. If PSE’s proposed rate
12 relief is not granted, PSE will need to make difficult choices and defer
13 investments, such as those supporting the clean energy transition in favor of
14 investments in safety and reliability, thereby compromising PSE’s ability to make
15 early progress in achieving CETA’s objectives and creating greater challenges in
16 future years. We are honored to serve our customers in western and central
17 Washington and excited about transforming our business to meet the requirements
18 of these new clean energy policies. To be successful in these endeavors during
19 this multiyear rate plan and to preserve a path to succeed on the 2030
20 requirements, the financial support requested in this case is critical, as is
21 Commission support for a measured and thoughtful approach to the speed at
22 which PSE decarbonizes the gas system and transportation. Stated differently,
23 PSE is in the midst of an unprecedented accelerated transition that is very

1 complex and will carry significant costs, but safety and reliability cannot be
2 compromised during this journey. Nor can essential principles of equity be
3 sacrificed.

4 **Q. How do the state laws mandating a rapid acceleration of the clean energy**
5 **transition further necessitate this filing?**

6 A. Throughout its history, PSE has invested in new technologies and resources to
7 provide clean and sustainable energy while continuing to fulfill our obligation to
8 provide safe and reliable energy to our customers. With the passage of CETA and
9 the CCA, Washington investor-owned utilities and the Commission have the
10 direction and support from the legislature to show that Washington can be a
11 model for the nation as we lead the clean energy transition, which allows PSE to
12 focus its commitment in a more meaningful and impactful way. Importantly,
13 accelerating the ongoing energy transition and implementing it in an equitable
14 manner, while also providing safe and reliable services, comes with additional
15 costs. It is not sustainable for PSE to continue its fast-paced and multi-faceted
16 work toward realizing the state's ambitious clean energy goals and to provide
17 safe, reliable electric and natural gas services and systems without timely
18 recovery of the required investments and operating costs. PSE must be financially
19 healthy and must have the financial resources to deliver the state's clean energy
20 goals.

1 **Q. How does PSE’s proposed multiyear rate plan help PSE overcome these**
2 **challenges while also balancing the interests of its customers?**

3 A. The multiyear rate plan that PSE proposes in this case follows the statutory
4 requirements and carefully balances the interests of customers and PSE,
5 consistent with legislative intent. For example, PSE’s proposed multiyear rate
6 plan allows PSE to timely recover its investments to improve the safety and
7 reliability of its electric and natural gas systems and progress on the transition to a
8 clean energy future over the course of the two-year rate plan. However, it also
9 allows an opportunity for parties to review PSE’s investments and confirm that
10 the investments were prudently incurred. Since recovery of projected rates are
11 subject to refund, customers are protected against the risk of being charged for
12 rates that were set too high relative to PSE’s plant investment or for costs that are
13 not prudently incurred. Additionally, the proposed multiyear rate plan has
14 protections in place that prevent PSE’s shareholders from benefitting at the
15 expense of customers. Specifically, as required by law, if PSE earns in excess of
16 its authorized rate of return during the course of the multiyear rate plan, PSE will
17 defer all revenues in excess of 0.5 percent above its authorized rate of return for
18 refunds to customers or another determination by the Commission in a later
19 proceeding.

1 **V. OTHER KEY ISSUES**

2 **Q. What are some of the other key components of PSE’s request in this case?**

3 A. Over the multiyear rate plan, PSE anticipates making capital investments at a pace
4 and scale far greater than what PSE has been required to support in prior cases.
5 This planned capital spend also spans across categories, including significant new
6 investments in clean energy resources to fulfill PSE’s obligations under CETA,
7 natural gas system decarbonization capital projects, and investments related to
8 wildfire risk mitigation. To support these significant and needed investments, PSE
9 respectfully requests the Commission’s approval of three new cost recovery
10 mechanisms: (i) the Clean Generation Resources Rate Adjustment;⁹ (ii) the
11 Decarbonization Rate Adjustment;¹⁰ and (iii) the Wildfire Prevention Tracker.¹¹ I
12 discuss these in more detail below.

13 **A. Clean Generation Resources Rate Adjustment and Power Cost Proposals**

14 **Q. Why is the Clean Generation Resources Rate Adjustment necessary?**

15 A. The scale of investment and resource procurement that is required for PSE to
16 meet CETA’s obligations is unprecedented in PSE’s history. PSE expects to
17 acquire as much as 6,700 MW of clean energy resources by 2030, which would
18 effectively double the installed generating capacity in PSE’s portfolio at the time
19 this case is filed and require investments that increase PSE’s capital program by

⁹ See Jacobs, Exh. JJJ-1T; Free, Exh. SEF-1T.

¹⁰ See Mannetti, Exh. JM-1CT; Free, Exh. SEF-1T.

¹¹ See Murphy, Exh. RM-1T; Free, Exh. SEF-1T.

1 50-130 percent above current capital spending levels. PSE witnesses Cara
2 Peterman and Susan Free demonstrate how the Clean Generation Resource Rate
3 Adjustment, in combination with the request for a higher equity ratio, will help
4 PSE maintain the ability to secure capital at reasonable terms and thereby prevent
5 customers from bearing unnecessary costs to support PSE’s capital program while
6 implementing CETA.

7 **Q. What other proposals with respect to clean energy generation and power cost**
8 **resources are included in PSE’s case?**

9 A. In addition to the Clean Generation Resources Rate Adjustment, as discussed by
10 PSE witnesses Ronald Roberts and Brennan Mueller, the Commission’s renewal
11 of an annual power cost update, approved as part of PSE’s 2022 GRC Settlement,
12 is essential in aligning recovery of costs with the dynamic nature of this
13 unprecedented clean energy transformation. Additionally, PSE proposes to
14 continue its power cost only rate case (“PCORC”) to allow additional flexibility
15 to bring in new resources and update power costs, including fixed production
16 costs, during this time of unprecedented need for new resources.

1 **B. PSE Continues to Pursue Opportunities to Decarbonize Natural Gas**
2 **Customer End Use Gas Sales.**

3 **Q. Why is PSE addressing greenhouse gas reductions tied to natural gas**
4 **customer use?**

5 A. In 2021, PSE established a Beyond Net Zero Carbon initiative to drive
6 greenhouse gas emission reductions across the organization. A subset of that
7 initiative includes an aspirational goal of net zero emissions from the supply,
8 distribution, and customer use of natural gas by 2045, with an interim target of 30
9 percent reduction by 2030. This is consistent with the state's statutory goal of
10 reducing greenhouse gas emissions in the state 95 percent below 1990 levels by
11 2050. In addition, state and municipal policies and customer demands are clear
12 that natural gas delivery systems will need to emit far lower greenhouse gas
13 emissions in the future. The CCA also solidifies Washington State as a national
14 climate leader with the most ambitious limit on emissions of any state in the
15 nation. The state Energy Strategy, legislative proposals, the new building codes,
16 and municipal actions also demonstrate the desire to move more urgently toward
17 decarbonization of energy supplies.

18 While PSE works towards decarbonizing its energy systems, we remain
19 committed to our core obligation of providing safe, reliable, and equitable energy
20 to customers. Given the safety and reliability aspects of the natural gas system, we
21 must thoughtfully plan and carefully implement decarbonization efforts as
22 outlined in the Prefiled Direct Testimony of Joshua J. Jacobs, Exh. JJJ-1T and the

1 Prefiled Direct Testimony of John Mannetti, Exh. JM-1CT. Consistent with the
2 requirements of the 2022 GRC Settlement, PSE is conducting the analysis to
3 enable our system to accommodate the changes necessary for decarbonization, to
4 meet our standards for safety and reliability, and to ensure we do not leave our
5 most vulnerable customers behind.

6 **Q. Can you please describe PSE’s natural gas system decarbonization strategy?**

7 A. PSE is approaching decarbonizing customer end use gas sales through several
8 coordinated activities including conservation, decarbonization studies, pilot
9 programs, alternative fuels acquisition, and strategy development, as noted by
10 PSE witness John Mannetti. However, implementation is limited by what is cost
11 effective under existing legal and regulatory frameworks, and by the current
12 prudence standard, which focuses on least cost. As described by PSE witnesses
13 Troy Hutson and John Mannetti, PSE’s strategic approach to decarbonizing
14 customer end use gas sales also must consider energy equity across customer
15 groups and reducing energy burden impacts to highly vulnerable populations.

16 **Q. Why is PSE proposing to accelerate the depreciation of the natural gas
17 system?**

18 A. In pursuit of both intergenerational equity and to minimize the risk of low-income
19 and other disadvantaged populations paying a disproportionate share of the costs
20 of the gas system that is currently in place, PSE is proposing to accelerate the
21 depreciation of the gas infrastructure. This is discussed in more detail in the

1 Prefiled Direct Testimony of Ned W. Allis, Exh. NWA-1T and the Prefiled Direct
2 Testimony of Susan E. Free, Exh. SEF-1T. This effort results in current customers
3 paying for the benefits of the infrastructure they are using. It will also assist in
4 minimizing the possibility that as decarbonization and electrification proceed,
5 those customers who can least afford to make a shift are not left with more than
6 an equitable share of the costs that remain.

7 **Q. What are some of the challenges associated with decarbonization of the gas**
8 **system?**

9 A. PSE is aware of several challenges associated with decarbonization of the gas
10 system. First, PSE must be able to safely and reliably operate the natural gas
11 system as usage and customers change over time. Second, PSE will need to
12 acquire adequate reliable and non-emitting resources to meet our own, and the
13 region's, needs for electricity as loads shift to the electric system over time. A
14 shift from natural gas to electricity that outpaces the shift to a cleaner portfolio of
15 electric generating resources could lead to higher greenhouse gas emissions in the
16 short term. Third, the cost of the transition presents challenges and risk, as PSE
17 works to provide all customers with affordable energy services, while not
18 inequitably burdening those least able to pay. Finally, there are a host of
19 implementation challenges, such as the availability of technology, workforce, and
20 willing consumers over whatever time frame these efforts proceed.

1 **Q. In light of these challenges and issues, what decarbonization measures has**
2 **PSE implemented so far?**

3 A. PSE has implemented conservation measures, acquired RNG, created a pilot
4 offering incentives for hybrid heat pumps, developed a targeted electrification
5 heat pump incentive program, and offered targeted electrification assessments to
6 customers. PSE also plans to extend hybrid heat pump incentives in its 2024–
7 2025 Biennial Conservation Plan and implement low-income heat pump direct
8 install programs through the use of PSE’s no-cost CCA allowance revenue.

9 **Q. What is PSE proposing for this multiyear rate plan?**

10 A. PSE is proposing a Decarbonization Rate Adjustment to account for and recover
11 the costs of moving forward on the suite of efforts outlined in the testimony of
12 John Mannetti. These include several new pilots as part of PSE’s Targeted
13 Electrification Pilot Phase 2, such as (i) the Low-Income Heat Pump Direct
14 Installation Pilot; (ii) the Small Business Heat Pump Pilot in Named
15 Communities; (iii) the Multi-Family Heat Pump Rebate in Named Communities
16 Pilot; (iv) the Targeted Electrification of Natural Gas-Constrained Geographic
17 Area Pilot; (v) the Income-Qualified Heat Pump Rebate Pilot; and (vi) the
18 Commercial and Industrial Targeted Electrification Grant Pilot. In summary, PSE
19 intends to build off current efforts and the learning from the studies conducted
20 during the prior rate plan with a set of activities that allow us to make progress,
21 and in particular to focus on low-income customers.

1 **Q. Why is PSE proposing the Decarbonization Rate Adjustment?**

2 A. The Decarbonization Rate Adjustment allows PSE, the Commission, and
3 interested parties to carefully examine the costs, benefits, and pace of the
4 decarbonization work on the natural gas system. Decarbonization work raises
5 many uncertainties in terms of the experimental nature of the work and
6 uncertainty about the level of customer participation in these decarbonization
7 efforts. For these reasons, it is appropriate to include the costs in a tracker rather
8 than building them into base rates.

9 **C. Wildland Fire Risk and Mitigation Proposals**

10 **Q. Why is PSE addressing wildfire risk in this case?**

11 A. While PSE has been working on wildfire issues previously, the risk of wildfires in
12 PSE's service territory is growing. For the past several years, PSE has been
13 taking prudent steps to address and mitigate this risk consistent with its Wildfire
14 Mitigation and Response Plan filed annually with the Commission. However, the
15 recent catastrophic wildfire events in the western U.S. have heightened the
16 concern and caused PSE to expand its wildfire mitigation program. Furthermore,
17 recent wildfires in other parts of the U.S. that have historically not had wildfires
18 have contributed to PSE's assessment of this growing risk and the expansion of
19 PSE's wildfire mitigation program.

20 Relatedly, insurance costs have also skyrocketed for electric companies in 2024,
21 following a series of events, including the severe wildfire activity in California,

1 the tragic wildfire event in Hawaii, and the adverse wildfire-related jury verdict
2 against PacifiCorp in Oregon. Consistent with this trend, PSE's excess liability
3 insurance premiums for wildfire risk have dramatically increased, further attesting
4 to the risk PSE faces. As discussed in the Prefiled Direct Testimony of Daniel A.
5 Doyle, Exh. DAD-1CT, insurers are no longer differentiating between utilities
6 serving the historically drier intermountain west and those like PSE that serve
7 more temperate climates. Credit rating agencies and the financial community have
8 also focused on this increasing risk and the steps PSE is taking to mitigate risks,
9 as discussed in the Prefiled Direct Testimony of Cara G. Peterman, Exh. CGP-
10 1CT.

11 While the wildfire risk in the wet forests of western Washington has traditionally
12 been lower than in drier areas of the western United States, devastating wildfires
13 can occur anywhere and can result in catastrophic financial losses when they
14 occur. For this reason, wildfire risk is a top enterprise risk for PSE, and PSE is
15 taking all appropriate steps to mitigate this risk.

16 **Q. What wildfire-related investments is PSE making to mitigate growing**
17 **wildfire risks during the multiyear rate plan?**

18 A. Over the past five years, PSE has undertaken an ongoing effort to evolve its
19 wildfire risk modeling. As discussed in the Prefiled Direct Testimony of Ryan
20 Murphy, Exh. RM-1T, PSE's initial efforts to quantify wildfire risk began in 2019
21 and have evolved since then through annual updates to PSE's Wildfire Mitigation
22 and Response Plan. As part of this work to iterate upon the risk assessment

1 methodology within the Wildfire Mitigation and Response Plan, PSE recently
2 engaged wildfire risk science experts to refine PSE’s risk assessment
3 methodology to develop more robust, real-time situational awareness tools, which
4 in turn are helping PSE propose specific investments to mitigate wildfire risk.

5 As set forth in Exh. RM-1T, PSE’s planned wildfire investments have been
6 aligned with the Wildfire Mitigation and Response plan and categorized into the
7 areas of (i) situational awareness (enhanced risk modeling, artificial intelligence
8 smoke detection cameras, weather stations, and meteorologists); (ii) fault
9 reduction (overhead and underground upgrades, pre-season patrols, pole
10 replacements, enhanced vegetation management, and transmission line
11 hardening); and (iii) fault protection (substation SCADA and grid automation).

12 Across these areas, PSE is planning capital investments of over \$47 million in
13 2025 and \$66 million in 2026.

14 In addition to these capital investments, PSE is also anticipating communications-
15 related O&M expenses of approximately \$5.63 million for 2025 and \$6.43 million
16 in 2026 to enable PSE to provide a foundation of wildfire mitigation information
17 to all customers across PSE’s service territory and to conduct targeted outreach
18 with customers in areas at highest risk for wildfire, including a focus on highly
19 impacted communities and vulnerable populations. PSE is also investing in tools
20 to provide timely notifications during an emergency or public safety power
21 shutoff (“PSPS”), educational materials to help customers prepare for wildfire

1 season and take steps to mitigate risk, and relationship-building with emergency
2 response partners and community-based organizations.

3 **Q. Please describe the Wildfire Prevention Tracker that PSE is proposing in this**
4 **case.**

5 A. PSE is proposing a Wildfire Prevention Tracker to facilitate greater visibility,
6 transparency, and accounting treatment for wildfire investments going forward.
7 The mechanism will account for clearly-defined wildfire mitigation investments
8 within the forward-looking multiyear rate plan. The mechanics of the proposed
9 Wildfire Prevention Tracker are described in the Prefiled Direct Testimony of
10 Susan E. Free, Exh. SEF-1T.

11 **Q. How did PSE determine which wildfire mitigation investments to select?**

12 A. All of the investments identified in the Prefiled Direct Testimony of Ryan
13 Murphy, Exh. RM-1T, target wildfire risk mitigation benefits within higher
14 wildfire risk areas. PSE's energy delivery system investments are selected
15 through the use of an investment decision optimization tool, "iDOT," which
16 prioritizes and selects candidates for planned investments. The iDOT tool
17 incorporates principles of distributive justice, equity, and safety to weight various
18 factors in selecting the portfolio so that equity is built into the initial planning and
19 prioritization of planned investments. The use of iDOT for selecting investments,
20 including wildfire mitigation investments, is described further by Ryan Murphy
21 and in the Prefiled Direct Testimony of David J. Landers, Exh. DJL-1T.

1 **Q. How do the investments identified and selected by PSE benefit customers?**

2 A. As stated elsewhere in this prefiled testimony and through other PSE witnesses,
3 safety is foundational to our mission, and this PSE wildfire effort is an example of
4 this commitment. PSE witness Ryan Murphy describes in detail the benefits to
5 customers of the planned wildfire investments across the categories of situational
6 awareness, fault reduction, fault protection, and communications. The tools and
7 new resources enabled by these investments will benefit customers by enhancing
8 situational awareness during high risk conditions, decreasing the likelihood of
9 potential ignitions and outages, preventing wildfire events, and enabling PSE to
10 listen to and learn from customers and impacted communities and thereby
11 respond to customer concerns.

12 **VI. PSE'S FILING HOLDS IT ACCOUNTABLE TO PERFORM DURING**
13 **THE MULTIYEAR RATE PLAN PERIOD**

14 **Q. Is PSE proposing a new and modified set of performance metrics?**

15 A. Yes. PSE is currently tasked with reporting on a large number of performance
16 metrics that are unwieldy and difficult to manage. PSE is proposing a streamlined
17 version of its current performance metrics that should provide more meaningful
18 and manageable data for PSE, the Commission, and interested parties to evaluate
19 PSE's performance during the multiyear rate plan.

1 **Q. How were the current performance metrics established?**

2 A. As part of the 2022 GRC Settlement, PSE agreed to 69 performance metrics, with
3 multiple measures contained in them. In addition, the Commission added 23
4 metrics when it approved the settlement. In total, PSE is now required to report on
5 142 metrics. In approving this broad slate of performance metrics, the
6 Commission stated that establishing appropriate metrics and measures for
7 performance-based ratemaking is an iterative process and there is no precedential
8 value to the continuation of the performance metrics agreed to in the 2022 GRC
9 Settlement.¹²

10 **Q. Were concerns expressed with respect to the performance metrics**
11 **established in the 2022 GRC Settlement?**

12 A. Commission Staff expressed a need for better presentation including data
13 visualization tools and maps and the desire to see trends over multiple periods, in
14 comments supporting the performance metrics in the 2022 GRC Settlement.

15 **Q. Does PSE agree that presentation and data visualization tools are important**
16 **for the performance metrics?**

17 A. Yes. PSE agrees that presentation of data is important, but presenting this much
18 data will require development of sophisticated presentation tools and ongoing

¹² *WUTC v. PSE*, Dockets UE-220066/UG-220067/UG-210918 (*Consolidated*), Final Order 24/10, ¶¶ 98-99 (December 22, 2022).

1 upkeep. Before undertaking that burden, there must be more focus on a smaller
2 set of meaningful metrics and an understanding of how these metrics will be used.

3 **Q. What additional guidance has the Commission provided with respect to**
4 **performance metrics?**

5 A. The Commission has provided guidance with respect to performance measures in
6 Docket U-210590. Specifically, the RAP Performance-Based Regulation:
7 Considerations for Washington Utilities and Transportation Commission report
8 highlights that design principles for metrics should be outcome-based, non-
9 duplicative, clear, measurable, and meaningful, and evaluated regularly.¹³

10 **Q. Do the current performance metrics meet this guidance?**

11 A. Many of the current metrics do not meet those basic design principles and the sum
12 total of metrics may be too voluminous to be meaningful and evaluated regularly.

13 **Q. Why do you view the current performance metrics as unwieldy and difficult**
14 **to manage?**

15 A. Of the 142 metrics, 25 metrics required measuring for 509 electric and 750 gas
16 census tracts and 219 electric and 232 gas zip codes. This is an enormous amount
17 of data to collect and present and, while agreed upon in the last multiyear rate
18 plan, after gaining experience gathering and reporting on these metrics, PSE

¹³ Policy Statement, Docket U-210590, RAP Performance-Based Regulation: Considerations for Washington Utilities and Transportation Commission, WUTC Performance Based Regulatory at 17 (March 2, 2022).

1 questions whether this amount of data is useful for driving decisions and actions
2 for the business or for informing interested parties and customers on how PSE is
3 performing on key areas of the public interest.

4 **Q. How has PSE developed its new set of performance metrics?**

5 A. PSE has reviewed the settlement metrics from the 2022 GRC and reflected on the
6 past year's experience with gathering, calculating, and analyzing the data. PSE
7 uses this experience to provide a more effective set of metrics for consideration in
8 this filing for the proposed multiyear rate plan. Many of these proposed metrics
9 are from the metric list in the 2022 GRC order, some are existing metrics with
10 slight modification, and a number are new metrics. Should the Commission adopt
11 this set of metrics, PSE will be able to build effective tools to present this data.

12 **Q. Please describe PSE's proposed set of performance metrics.**

13 A. PSE proposes 35 metrics that support 10 objectives. See Table 2, below, which
14 summarizes the metrics by objective and points to testimony supporting the
15 metrics.

Table 2. PSE's Proposed Set of Performance Metrics

Objective	Description of Inclusion	Number of Metrics	Witness Testimony
Customer Satisfaction	<ul style="list-style-type: none">• 4 SQI metrics• 1 settlement metric with modification	5	AXA-1T / RBB-1T
Equity	<ul style="list-style-type: none">• 2 new metrics• 2 settlement metrics	4	TAH-1T

Table 2. PSE’s Proposed Set of Performance Metrics

Objective	Description of Inclusion	Number of Metrics	Witness Testimony
Reliability, Resilience, Safety	<ul style="list-style-type: none"> • 2 SQI metrics • 2 SQI metrics with modification • 1 new metric 	5	DJL-1T
Load Management	<ul style="list-style-type: none"> • 1 settlement metric with modification 	1	GA-1T
DER Adoption	<ul style="list-style-type: none"> • 2 settlement metrics with modification 	2	AXA-1T
Environmental	<ul style="list-style-type: none"> • 3 settlement metrics 	3	JJJ-1T
Cost Controls	<ul style="list-style-type: none"> • 13 Commission (Table 4) metrics 	13	JAK-1CT
Customer Affordability	<ul style="list-style-type: none"> • 2 settlement metrics with modification 	2	CAW-1T
	Total	35	

1

2 **Q. Have you prepared a list of the full set of metrics PSE is proposing in this**
3 **case?**

4 A. Yes. Please see the second exhibit to my testimony, Exh. MS-3, for a list of the
5 proposed metrics.

6 **Q. Is PSE proposing a performance incentive mechanism in this case?**

7 A. Yes. PSE is proposing to continue the demand response performance incentive
8 mechanism approved in the last multiyear rate plan. More details are provided in
9 the Prefiled Direct Testimony of Gilbert Archuleta, Exh. GA-1T.

1 **Q. Did PSE engage stakeholders in this process?**

2 A. No. PSE's proposal is an interim proposal while interested parties continue
3 working together in Docket U-210590 to address performance metrics, which will
4 be used in future multiyear rate plans. Of the proposed metrics, 23 were carried
5 forward unchanged from the final 2022 GRC metrics.

6 **VII. INTRODUCTION OF PSE WITNESSES IN THE CASE**

7 **Q. Please introduce the other witnesses who are testifying on behalf of PSE in**
8 **this case.**

9 A. In addition to me, the following witnesses will testify as part of PSE's direct case:

10 **A. Clean Energy – Resource Needs**

11 1. Joshua J. Jacobs, Exh. JJJ-1T: Mr. Jacobs is the policy witness for PSE's
12 Resource Need and provides testimony to: (i) describe PSE's clean energy
13 and decarbonization efforts, (ii) provide an overview of PSE's resource
14 needs and investments, and (iii) introduce PSE witnesses John Mannetti
15 and David Landers.

16 2. John Mannetti, Exh. JM-1CT: Mr. Mannetti describes PSE's strategy to
17 decarbonize customer end use gas sales and provides an overview of
18 PSE's efforts to leverage public funding such as the Infrastructure
19 Investment and Jobs Act and the Inflation Reduction Act to meet PSE's
20 goals on decarbonization and affordability for PSE customers.

1 3. David J. Landers, Exh. DJL-1T: Mr. Landers describes the robust planning
2 process PSE utilizes to optimize the transmission and distribution
3 investment for the benefit of PSE customers. He provides detail on
4 delivery system investments planned for the multiyear rate plan.

5 **B. Resource Acquisitions**

6 4. Craig J. Pospisil, Exh. CJP-1T: Mr. Pospisil is the policy witness for
7 Resource Acquisition and provides testimony to (i) present a high-level
8 overview of PSE's efforts to procure new energy resources in response to
9 public policy; and (ii) introduce the PSE witnesses supporting PSE's
10 efforts to procure new resources.

11 5. Colin P. Crowley, Exh. CPC-1HCT: Mr. Crowley testifies regarding
12 PSE's major resource acquisitions that will go into service during the
13 multiyear rate plan. These resources were identified following PSE's 2021
14 All-Source RFP and are needed for PSE to comply with CETA and PSE's
15 other clean energy obligations. These include the Beaver Creek Wind
16 Project and the Vantage Wind PPA. Mr. Crowley demonstrates the
17 prudence of these resources and seeks Commission approval for
18 provisional recovery for these investments during the rate plan.

19 6. Steven J. St. Clair, Exh. SJS-1CT: Mr. St. Clair supports the prudence and
20 cost recovery of the Frederickson 1 tolling agreement.

1 7. Gilbert Archuleta, Exh. GA-1T: Mr. Archuleta describes actions PSE has
2 taken to create a customer-focused Demand Response Program and he
3 demonstrates that the Demand Response PPAs PSE has executed are
4 prudent.

5 **C. Generation and Power Costs**

6 8. Ronald J. Roberts, Exh. RJR-1T: Mr. Roberts is the policy witness for
7 Generation and Power Costs and provides an overview of how PSE is
8 changing its energy supply to meet statewide decarbonization targets. He
9 also introduces the witnesses who provide detailed support for his area.

10 9. Philip A. Haines, Exh. PAH-1CT: Mr. Haines provides an overview of
11 PSE's power portfolio and how it is managed, addresses PSE's plans to
12 match energy supply operations with the rapidly evolving energy markets,
13 and discusses new power resources as well as new and renewed
14 transmission contracts.

15 10. Brennan D. Mueller, Exh. BDM-1T: Mr. Mueller provides support for the
16 net power costs requested in this proceeding and PSE's methodology for
17 estimating power costs including the impact of the CCA on resource
18 dispatch and power costs. He also addresses PSE's proposal to annually
19 update variable power costs included in the PCA power cost baseline rate
20 and to retain the PCORC to recover in rates fixed costs associated with
21 new and renewed resources.

- 1 11. Mark A. Carlson, Exh. MAC-1CT: Mr. Carlson describes the production
2 O&M expenses that PSE presents for recovery in this proceeding, how
3 PSE determined those expenses, and the purpose behind and projects
4 related to those expenses.
- 5 12. James P. Hogan, Exh. JPH-1CT: Mr. Hogan requests threshold prudence
6 for multiple utility scale projects. He discusses PSE’s plans to re-grout and
7 modernize the upper section of the Baker River Hydroelectric Project as
8 well as crest improvements for the lower section of the project. He also
9 provides testimony for the plans for construction and management of the
10 Beaver Creek Wind Project.
- 11 13. Zacarias C. Yanez, Exh. ZCY-1CT: Mr. Yanez provides testimony
12 regarding the prudence of the 20-year Power Sales Agreement with Public
13 Utility District No. 1 of Chelan County (“Chelan PUD”) for a 25 percent
14 share of the output of the Rocky Reach and the Rock Island Hydroelectric
15 Projects, which renews and extends the 2006 power sales agreement with
16 Chelan PUD.

17 **D. Energy Delivery**

- 18 14. Michelle L. Vargo, Exh. MLV-1T: Ms. Vargo is the policy witness for
19 Energy Delivery and provides an overview of PSE’s electric and natural
20 gas operations, how PSE invests in the ongoing operations and
21 maintenance of electric and natural gas infrastructure, how PSE prioritizes

1 natural gas and electric transmission and distribution projects, and the
2 prudence of transmission construction project for which PSE seeks
3 recovery in this proceeding. She also introduces Mr. Bamba who provides
4 detailed support for this area and Mr. Murphy, who addresses PSE's
5 proposed wildfire tracker.

6 15. Ryan Murphy, Exh. RM-1T: Mr. Murphy provides an overview of PSE's
7 wildfire risk and the steps PSE is taking to mitigate risk. He describes
8 wildfire mitigation investments planned for the multiyear rate plan that
9 will be included in the Wildfire Prevention Tracker.

10 16. Roque B. Bamba, Exh. RBB-1T: Mr. Bamba provides an overview of how
11 PSE manages and executes on capital infrastructure projects and
12 programs. He also discusses PSE's approach to investing in its
13 infrastructure, how PSE optimizes the benefits from each project or
14 program, and why flexibility is needed for PSE to optimize benefits. He
15 also describes certain major projects in greater detail, such as the progress
16 of implementation and benefits of PSE's AMI investment and PSE's
17 request for full recovery of its investment in this case. He also discusses
18 PSE's Wildfire Mitigation Plan, including the benefits resulting from these
19 investments.

1 **E. Customer Vision and Programs**

2 17. Aaron A. August, Exh. AAA-1T: Mr. August addresses PSE’s goal to be
3 the clean energy partner of choice for its customers. Customers play a
4 crucial role in the clean energy transformation by participating in
5 renewable energy, smart technologies, transportation electrification, and
6 distributed resources. He provides testimony on PSE efforts towards
7 continuous improvement in customer satisfaction, evolving SQI measures
8 that enable deeper customer engagement, and affordability. He also
9 introduces Ms. Wallace who provides detailed support regarding energy
10 assistance programs for customers.

11 18. Carol L. Wallace, Exh. CLW-1T: Ms. Wallace provides testimony
12 regarding (i) PSE’s customer solutions work and how it supports
13 customer’s evolving needs, and (ii) the evolution of PSE’s energy
14 assistance services to its customers. Her testimony describes the
15 significant engagement with advisory groups to design and implement the
16 new programs for income-qualified customers, and to continue to refine
17 the existing programs.

18 **F. Energy Equity**

19 19. Troy A. Hutson, Exh. TAH-1T: Mr. Hutson is the policy witness for
20 PSE’s incorporation of customer equity into its business and into this rate
21 plan. He provides an overview of Commission guidance regarding energy
22 equity. He discusses PSE’s approach and progress toward addressing

1 energy equity and provides an overview of the witnesses who discuss
2 energy equity in their areas of PSE's business.

3 20. Monica Martinez, Exh. MM-1T: Ms. Martinez, a former utility
4 commissioner in Michigan, provides an independent third-party
5 perspective on energy equity, including an overview of national and state
6 perspectives, standards and benchmarks. She reviews PSE's progress on
7 energy equity and provides recommendations for PSE and the
8 Commission as they seek to incorporate a culture of equity.

9 **G. Financial**

10 21. Daniel A. Doyle, Exh. DAD-1CT: Mr. Doyle is the policy witness for
11 Financial matters and provides an overview of PSE's requests for a 9.95
12 percent return on equity in Year One and 10.50 percent return on equity in
13 Year Two of the multiyear rate plan, as well as an equity ratio that
14 increases from the current level of 49.0 percent to 50.0 percent in Year
15 One and 51.0 percent in Year Two of the multiyear rate plan. He discusses
16 PSE's financial status following tax reform and the outcome of the 2022
17 general rate case decision, and steps PSE has taken to control costs and
18 earn its authorized rate of return. He testifies that PSE's proposed
19 multiyear rate plan allows PSE to maintain financial strength while
20 providing service to customers and carrying out state energy policies. He
21 also introduces the witnesses who provide detailed support for his area.

1 22. Ann E. Bulkley, Exh. AEB-1T: Ms. Bulkley presents evidence regarding
2 the appropriate return on equity for PSE and assesses PSE’s proposed
3 capital structure for ratemaking.

4 23. Todd A. Shipman, Exh. TAS-1T: Mr. Shipman provides a description of
5 ratings and ratings agencies and how these ratings effect customers. He
6 discusses how these ratings are used by investors and others and the
7 unique influence regulation has on the ratings process for utilities.

8 24. Cara G. Peterman, Exh. CGP-1CT: Ms. Peterman describes PSE’s
9 requested capital structure, cost of capital, and overall rate of return for
10 each year of the multiyear rate plan. She discusses PSE’s credit ratings
11 performance and the factors that have affected PSE’s performance. She
12 demonstrates that PSE has reduced its cost of long-term debt and that
13 PSE’s requested overall rate of return during the multiyear rate plan is
14 consistent with the authorized rate of return in the early to mid-2010s. She
15 discusses the need from a cash flow perspective for the rate making
16 mechanisms—the Clean Generation Resources Rate Adjustment and the
17 Wildfire Prevention Tracker proposed in this case. Finally, she
18 demonstrates compliance with regulatory commitments regarding capital
19 structure and cost of capital.

20 25. Joshua A. Kensok, Exh. JAK-1CT: Mr. Kensok explains (i) how PSE’s
21 financial planning system, tools, processes, reporting, and governance
22 operate, (ii) how they have performed over time, and (iii) why they can be

1 relied upon for developing and administering the multiyear rate plan. He
2 also provides the planned capital spending, plant in service, and O&M
3 spending for each year of the multiyear rate plan.

4 26. Mark N. Lowry, Exh. MNL-1T: Mr. Lowry provides testimony regarding
5 current inflationary pressures and how PSE has incorporated expectations
6 of inflation into its forecast that underlie their request in this proceeding.

7 27. Stacy W. Smith, Exh. SWS-1T: Mr. Smith presents PSE's income
8 statement and balance sheet and addresses the processes and procedures to
9 validate the completeness and accuracy of financial information used in
10 the test year for electric and gas revenue requirements. He also discusses
11 the calculation of PSE's capital structure and provides the Affiliated
12 Interest and Subsidiary Transaction Report.

13 28. Matthew Marcellia, Exh. MRM-1T: Mr. Marcellia addresses the treatment
14 of accumulated deferred income taxes and excess deferred income taxes in
15 the multiyear rate plan, the restating adjustment for income taxes, and
16 potential tax law changes and their likely impact on the multiyear rate
17 plan. He also discusses the potential tax benefits PSE is eligible for under
18 the Infrastructure Investment and Jobs Act and the Inflation Reduction
19 Act.

1 **H. Human Resources**

2 29. Thomas M. Hunt, Exh. TMH-1T: Mr. Hunt describes the elements of
3 PSE’s compensation and benefits programs, the steps PSE takes to
4 compete in a challenging labor market and retain a skilled workforce
5 while controlling wage and benefits costs, and changes in the labor market
6 in recent years.

7 **I. Information Technology**

8 30. Brian E. Fellon, Exh. BEF-1T: Mr. Fellon describes the IT capital
9 investments related to business enablement and systems modernization
10 that PSE seeks recovery for in this case.

11 **J. Rates, Tariffs and Depreciation**

12 31. Susan E. Free, Exh. SEF-1T: Ms. Free discusses the revenue requirement
13 calculations, including those subject to refund, for the multiyear rate plan,
14 demonstrates that PSE’s current rates are insufficient for its current
15 operations. Ms. Free also supports the new trackers we are proposing and
16 that I have previewed in my testimony: the Clean Generation Resources
17 Rate Adjustment, the Decarbonization Rate Adjustment, and the Wildfire
18 Prevention Tracker.

19 32. Ned W. Allis, Exh. NWA-1T: Mr. Allis sponsors the results of a new
20 limited depreciation study of PSE’s gas assets to align depreciation of the
21 natural gas plant with state policy objectives.

- 1 33. Birud D. Jhaveri, Exh. BDJ-1T: Mr. Jhaveri presents the status of PSE’s
2 implementation of its Time-Varying Rates pilot. He also presents PSE’s
3 Energy Burden Analysis and addresses how PSE has considered equity in
4 the development of its residential rates.
- 5 34. Christopher Mickelson, Exh. CTM-1T: Mr. Mickelson presents PSE’s
6 restated and normalized test year revenues from electric operations,
7 electric cost of service study, electric revenue allocation and rate design,
8 the derivation of projected rate year revenue, the overall rate impacts for
9 the projected rate years in the multiyear rate plan, and updated allowed
10 revenue for PSE’s electric and natural gas decoupling mechanisms.
- 11 35. John D. Taylor, Exh. JDT-1T: Mr. Taylor presents PSE’s natural gas cost
12 of service study and its rate spread and rate design.
- 13 36. Dr. Chhandita Das, Exh. CD-1T: Ms. Das presents the results of PSE’s
14 Class Load Research used to perform its electric cost of service study and
15 rate design.
- 16 37. Curt D. Puckett, Exh. CDP-1T: Mr. Puckett presents the results of the gas
17 load study used to perform its natural cost of service study and rate design.

1 **VIII. CONCLUSION**

2 **Q. Please provide a high-level summary of your testimony.**

3 A. PSE retains the responsibility to safely and reliably serve its customers. The clean
4 energy transition is occurring at an accelerated pace and PSE is responding
5 appropriately to comply with the state’s laws driving the transition. Although PSE
6 has successfully navigated the early stages of this transition, PSE continues to
7 face a number of financial and other challenges that jeopardize PSE’s ability to
8 meet the urgency of the energy transition.

9 The proposed multiyear rate plan will help PSE overcome these challenges. With
10 the relief requested in this case, PSE can meet these challenges and support a
11 successful and equitable energy transition for the customers and communities we
12 serve. The proposed multiyear rate plan holds PSE accountable to perform, and
13 appropriately balances the interests of PSE and its customers, and therefore
14 should be approved.

15 **Q. Does that conclude your prefiled direct testimony?**

16 A. Yes.