EXH. JAK-1CTr
DOCKETS UE-240004/UG-240005
2024 PSE GENERAL RATE CASE
WITNESS: JOSHUA A. KENSOK

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 (CONFIDENTIAL) OF

JOSHUA A. KENSOK

ON BEHALF OF PUGET SOUND ENERGY

REDACTED VERSION

REVISED
MARCH 4, 2024

FEBRUARY 15, 2024

PUGET SOUND ENERGY

PREFILED DIRECT TESTIMONY (CONFIDENTIAL) OF JOSHUA A. KENSOK

CONTENTS

I. INTRODUCTION 1

II. PSE'S PROCESS FOR ALLOCATING CAPITAL AND OPERATING EXPENSES IS ROBUST 3

A. PSE's Business Planning Processes 3

B. Changes to FP&A Practices Incorporated by PSE for the Proposed Multiyear Rate Plan. 6

C. PSE Must Be Able to Flexibly Manage Its Capital Spending and Budget When External Factors Arise 14

III. OVERVIEW OF PSE'S FIVE-YEAR INVESTMENT PLAN AND PROJECTED FINANCIAL SPEND 17

A. Multiyear Rate Plan Revenue Requirement Components 17

B. Process of Getting from the Five-Year Plan Approved by the Board of Directors to this Multiyear Rate Plan Filing 22

IV. PSE'S APPROACH TO MANAGING VARIANCES BETWEEN ACTUAL AND BUDGETED SPENDING 26

A. Intra-Year Assessments: Actual Performance Versus Plans 26

B. Process for Reallocating Investments 29

V. PSE'S HISTORICAL ABILITY TO MANAGE CAPITAL AND OPERATIONS SPENDING 33

A. PSE's History of Forecasting Expenditures 33

B. Management of O&M Expenditures 36

VI. PSE'S PERFORMANCE METRICS ADDRESSING OPERATIONAL EFFICIENCY AND EARNINGS 40

VII. CONCLUSION.....42

PUGET SOUND ENERGY

PREFILED DIRECT TESTIMONY (CONFIDENTIAL) OF JOSHUA A. KENSOK

LIST OF EXHIBITS

Exh. JAK-2	Professional Qualifications
Exh. JAK-3	Actual vs. Forecast: O&M and Capital Expenditures, Gross Utility Capital Additions
Exh. JAK-4	Ten-Year O&M Expense Growth: 2014-2023
Exh. JAK-5C	Projections: O&M and Capital Expenditures (Plan v. MYRP), Gross Utility Capital Additions (Plan v. MYRP): 2024-2028

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I. INTRODUCTION

Q. Please state your name, business address, and position with Puget Sound Energy.

A. My name is Joshua A. Kensok. My business address is 355 110th Avenue NE, Bellevue, WA 98004. I am Vice President ("VP"), Finance for Puget Sound Energy ("PSE").

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

A. Yes, I have. Please see the First Exhibit to the Prefiled Direct Testimony of Joshua A. Kensok, Exh. JAK-2, which describes my education, relevant employment experience, and other professional qualifications.

Q. What are your duties as VP, Finance at PSE?

A. As VP, Finance, I oversee corporate financial planning and analysis ("FP&A"), capital allocation and budgeting, and strategic finance matters, including forecasting PSE's enterprise valuation for shareholders. I am further responsible for PSE's long-term financial forecasting, including managing the process to develop PSE's five-year business plan and gain Board of Directors approval of

five-year budgets for operations and maintenance ("O&M") and capital expenditures.

Q. Please summarize this prefiled direct testimony.

A. PSE based the multiyear rate plan presented in this case on a business planning process governed by PSE's Board of Directors. Existing financial planning systems, tools, processes, reporting, and governance enable PSE to develop, administer, and monitor business plans, including multiyear rate plans.

This prefiled direct testimony provides the following:

- Section II explains (i) that PSE's projected capital and operations spending throughout the current multiyear rate plan are reliable and based on sound financial planning and budgeting systems, processes, tools, controls, and governance and (ii) the importance of remaining operationally and financially flexible to allow PSE to respond to changed or changing business conditions, business needs, or exogenous factors.

- Section III provides an overview of the multiyear rate plan proposed by PSE in this proceeding and its development.

- Section IV demonstrates the robustness of the systems, processes, tools, controls, and governance used to manage PSE's finances and explains how PSE's financial management approach adapts to changing circumstances.

- Section V describes PSE's ability to respond and adapt to changes from budgeted and forecasted plans with respect to capital and operating spending.

- Section VI describes PSE's continued support for the performance metrics developed by the Commission to measure PSE's performance in terms of operational efficiency and earnings during the multiyear rate plan.

- Section VII contains the conclusion to this prefiled direct testimony.

II. PSE'S PROCESS FOR ALLOCATING CAPITAL AND OPERATING EXPENSES IS ROBUST

A. PSE's Business Planning Processes

Q. Please provide an overview of PSE's five-year financial planning and budgeting process.

A. PSE undertakes an annual five-year financial planning and budgeting process overseen by the Business Planning Committee ("BPC") of the Board of Directors.[1] The business planning process results in an operating plan and financial statement projections. The process produces forecasts for all major financial outputs, including energy and customer demand, cost of service revenue forecasts, cost of goods including power and gas costs, depreciation and amortization of utility property, other income and expense, interest expense, and taxes. The purpose of the financial planning and budgeting process is to bring focus to Commission-authorized programs that maximize the benefits to customers.

Q. What is the timing of the annual business planning process?

A. The annual business planning process commences at the beginning of each calendar and fiscal year with the finalization of actual financial results for the

[1] The Business Planning Committee of the Board of Directors also oversees the development of PSE's annual operating targets for O&M, capital expenditures, and other key financial performance indicators, as well as additional quantitative and qualitative service quality indices.

prior calendar and fiscal year. During development of the business plan throughout the year, PSE iteratively updates the plan based on changing business conditions, inputs, and assumptions. The process generally concludes when the Board of Directors approves the business plan in November. Once the plan "goes live" the following January, PSE's intra-year assessment process, described in further detail in Section IV below, takes effect.

Q. Please describe the tools and processes PSE uses in the business planning process.

A. PSE employs the following in the business planning process:

(i) a governance and oversight process involving PSE's management and Board of Directors;

(ii) a suite of tools for budgeting, forecasting, and recording financial results for review by PSE's management and Board of Directors; and

(iii) well-defined processes and planning frameworks.

The primary tools deployed by PSE to support its financial planning processes are (i) SAP's Business Planning and Consolidation ("SAP") software and (ii) the Utilities International Model ("UI Model"). These software tools facilitate budgeting, forecasting, and overall financial planning with a high degree of accuracy and facilitate alignment with actual spending and results that are captured in SAP. PSE's toolkit also includes Hexagon's Portfolio Planning and Management software ("EPPM") that captures and demonstrates the control over the three-tier capital planning governance and allocation process.

Q. Please describe PSE's business planning governance, oversight, and performance management processes.

A. PSE applies governance and financial controls throughout a three-tiered business planning process that includes PSE management, the BPC, and the Board of Directors, culminating in Board approval of the five-year plan, which includes capital and O&M plans. Capital investment requests include spending authorization approvals governed by configured controls within the EPPM system in alignment with this three-tiered framework.

Tier one is the departmental tier and is typically where projects and expenditures originate in the process, largely at the manager and director cost center level. Managers and directors operate on the front lines of the business and are best prepared to propose expenditures and projects that will meet the needs of the business and customers in the areas that they oversee.

Tier two involves interdepartmental prioritization within a functional business unit, generally at a vice president level. In this tier, managers and directors aggregate their cost center expenditures and projects into a functional business unit view that is reviewed and compared against a preliminary budget target at the vice president level for that business unit in each year of the five-year plan. Each functional business unit is required to iterate internally with its vice president, directors, managers, and subject matter experts to discuss, analyze, judge, and evaluate proposed expenditures and projects until the business unit arrives at a portfolio of expenditures and projects that funds the highest priority work within

its budget targets. Each functional business unit then submits its proposed portfolio of expenditures and projects to the tier three process.

Tier three is a company-wide prioritization that occurs across the enterprise, which establishes organizational budget targets. Senior management and the Board of Directors are ultimately responsible for the evaluation and prioritization of all investments so that the allocation of capital resources represents the highest priority set of investments to deliver customer value.

PSE also measures its performance against objectives by regularly monitoring variances in budget forecast to actual costs to enable continuous planning and support reallocation decisions and help ensure the delivery of benefits to customers. Regular reporting of financial and operational performance provides transparency of expectations at an organizational, project, and cost causation level. Please see Section IV for additional details regarding PSE's variance management practices.

B. Changes to FP&A Practices Incorporated by PSE for the Proposed Multiyear Rate Plan.

Q. What changes has PSE made to FP&A practices for the proposed multiyear rate plan?

A. Changes to FP&A practices incorporated by PSE for this multiyear rate plan include incremental improvements to address (i) energy equity in PSE's planning

processes and (ii) the accelerating need to invest in infrastructure to enable the clean energy transition.

Q. What changes has PSE introduced to FP&A practices to address energy equity?

A. PSE is in the process of developing and implementing methods to consider impacts on energy equity as part of its corporate capital planning and allocation processes to help address societal equity considerations. As discussed in the Prefiled Direct Testimony of Troy A. Hutson, Exh. TAH-1T, PSE has adopted the definition of energy equity proposed by the Energy Equity Project at the University of Michigan. PSE will use the Energy Equity Project framework to drive a consistent approach in incorporating energy equity across operations. In addition to recognizing the need to *consider* equity, PSE is working to address equity from a procedural perspective. PSE has revised capital investment request processes to be more inclusive and accessible and include engagement by and representation of communities that have been historically excluded or marginalized in the development, prioritization, and implementation of utility programs.

Q. What other changes has PSE introduced to FP&A practices to address energy equity?

A. The EPPM software collects investment-level details, including the expected impact on energy equity. PSE qualitatively evaluates expected impacts on energy equity using mandatory input and insight into projects' projected impacts on

named communities, the environment, affordability, access to clean energy, system resilience, and/or other benefits. By collecting this information, PSE can provide the Board of Directors with a year-by-year percentage distribution of investments with expected energy equity impacts. The intent is to bring greater transparency to the benefits of the capital portfolio to communities that have historically been underrepresented in decision-making. PSE has designed each tier in the capital planning process to provide visibility into the expected equity impacts. The evolution of PSE's planning and allocation processes introduced by the EPPM tool has enabled broader visibility of investment requests, their alignment to strategic objectives, and their impacts on energy equity.

Q. What changes has PSE introduced to FP&A practices to address implementation of the clean energy transition?

A. PSE must make significant investments to implement the state's policy and the clean energy transition. As discussed in the Prefiled Direct Testimony of Daniel A. Doyle, Exh. DAD-1CT, PSE projects that it must make $9.5 billion of incremental capital expenditures to meet the requirements of the Clean Energy Transformation Act and other state policy objectives. Existing FP&A processes are able to address this scale of investment, but the magnitude of the capital programs to which PSE must apply these processes over the next decade will be considerably greater than in any period of corporate history. PSE remains focused on sustaining and improving the robustness of its financial planning processes in order to deliver the greatest value to customers.

The FP&A organization has focused on opportunities to enhance processes that would allow PSE to make simultaneous investments in a variety of resources, such as (i) renewable and non-emitting electric generation resources; (ii) bulk transmission infrastructure to deliver generation to load centers; (iii) distribution system enhancement; (iv) transportation electrification infrastructure; (v) decarbonization of the gas system; (vi) information technology systems; and (vii) other categories of capital spend to facilitate each of the foregoing. The infrastructure needs are material, and PSE must make informed procurement decisions today to facilitate successful integration of these resources on the timelines established by state policy.

Q. How have PSE's processes evolved to address the need to make these large investments in clean energy infrastructure?

A. PSE evaluates and prioritizes capital projects using capital investment request data from the EPPM tool. This tool is a central repository that captures capital investment demands for approximately five years, including data attributes that increase the visibility of strategic alignment, including clean energy. The capital spending evaluations within PSE involve a robust capital spending authorization process, which has evolved to address the large projected capital spending needs by enhancing practices that connect investments to strategic alignment, energy equity considerations, and value to customers.

The EPPM tool also reflects the results of PSE's concession process and subsequent portfolio balancing decisions made by the Executive Finance Strategy

Committee. This process prioritizes investment requests based on diverse qualitative and quantitative criteria, including strategic alignment, energy equity, and risk and financial scoring. These practices have evolved to provide greater visibility of the alignment of PSE investment decisions in support of clean energy infrastructure.

Q. How does PSE account for macroeconomic trends in the preparation of its capital planning processes?

A. PSE has evaluated a variety of options for addressing the effects of trends in the broader economy on capital plans. Many of the capital projects introduced by PSE in this proceeding, and many of the capital projects that PSE expects to undertake through 2030 and beyond, take multiple years to develop and construct. As a result, PSE's processes have exposed these projects to market risks related to inflation, geopolitical conflicts, changes in technology, and other influences. Further, these market risks have been amplified in recent years due to the impacts of the COVID-19 pandemic and persistent inflation throughout the global economy, amongst other drivers, necessitating evaluation of PSE's existing planning and forecasting methods. PSE has addressed the effects these influences may have on its capital program through introducing a more dynamic cost escalation methodology, although PSE cannot fully control for exogenous factors through more rigorous planning methods.

Q. Why is dynamic cost escalation important?

A. Dynamic cost escalation allows PSE to reflect the actual and evolving costs of developing projects by adjusting the revenue requirements to reflect inflation factors that apply to different categories of cost. As explained in the Prefiled Direct Testimony of Dr. Mark N. Lowry, Exh. MNL-1T, president of Pacific Economics Group Research LLC ("PEG"), these factors are based on forward looking price projections from reputable external parties. By way of example, a utility capital project may derive a large proportion of its costs from concrete and steel. The inflation that applies to these two cost categories may differ substantially over the period between the end of the test year (i.e., June 30, 2023) and the end of the proposed multiyear rate plan (i.e., December 2026). The cost of labor used to construct the project is another cost category that will change at yet another rate. PSE has applied differentiated escalation factors to project costs more accurately.

Q. What are the different categories of costs with differentiated escalation factors?

A. Specific cost escalation factors apply to types of power (e.g., electric and natural gas) as well as types of construction (e.g., transmission, distribution) costs. In addition, PSE escalates O&M costs separately from capital costs.

Q. How has PSE developed the escalation factors?

A. PSE has derived escalation factors using empirical data from reputable sources that track inflation in the local and macro economy. Please see the Prefiled Direct

Testimony of Dr. Mark N. Lowry, Exh. MNL-1T, for a discussion of the specific approach used by PSE for the projections.

Q. How does the dynamic cost escalation methodology differ from prior PSE practices?

A. PSE previously applied a global cost escalation methodology, in which cost escalators remained largely static over time and adjusted for known and measurable costs such as service provider contracts. While still differentiated between major cost categories (such as an escalation factor of 3.5 percent for labor and an escalation factor of 2 percent for outside services and software licenses), historical price stability has enabled PSE to plan with more predictability, which, in turn, has produced price stability. Given the current dynamic price environment, however, it is appropriate for PSE to introduce a more data-driven cost escalation methodology that acknowledges ongoing price variability.

Q. How has PSE implemented the dynamic cost escalation methodology into its financial planning processes, and this projected multiyear rate plan?

A. PSE has adapted historical processes for cost escalation to incorporate a centralized method for cost escalation moving forward. In practice, this means that all PSE employees who participate in the financial planning process must now forecast expenses in "real" dollars (e.g., unit and unit price projections in 2023 dollars), except where there are known and measurable cost increases, such as in the case of multi-year maintenance agreement contracts or agreed-upon

increases in union contract costs. PSE then escalates the forecast of those "real" dollars based on cost escalators provided by an external third party (in this case, PEG) to achieve the "nominal" (i.e., inflation-adjusted) cost projections that serve as the basis of the proposed multiyear rate plan.

This method allows PSE to control for the consistent application of cost escalators across unique business departments and a population of more than 250 individual forecasters, which are prone to variability based on individual judgment and user input. This method also allows PSE to evaluate the impacts of different inflationary scenarios in the future and impacts to customer bills, a valuable tool when evaluating strategic priorities. PSE will update these cost escalators on a regular cadence, moving forward consistent with PSE's annual business and financial planning process.

Q. Has PSE evaluated the cost escalators provided by PEG for reasonableness?

A. Yes. The cost escalators provided by PEG and included in the proposed multiyear rate plan have been reviewed, discussed, and evaluated for fit based on PSE's unique business characteristics by members of PSE's financial team, regulatory affairs group, and affected business areas. The cost escalators reflect a reasonable estimation of inflationary forecasts based on publicly available information and PSE's knowledge of leading practices for utility cost forecasting.

C. PSE Must Be Able to Flexibly Manage Its Capital Spending and Budget When External Factors Arise

Q. Are there external factors that affect PSE's ability to manage to financial targets?

A. Yes. Several external factors can affect PSE's capital spending plan, budget, and ability to manage financial targets, such as earnings before interest, tax, depreciation, and amortizations ("EBITDA"), cash flow, and credit metrics. These factors are often outside PSE control and can include, for example, one or more of the following:

1. new local, state, or federal legislation, regulations, initiatives, and mandates, including changes in tax law;

2. increases in customer demand for capital projects that PSE must complete under a time constraint, such as new customer construction and public improvement work;

3. volatility of power and gas costs (e.g., regional market dynamics, extreme heat increases, peak demand that stress capacity and reserve margins, the Enbridge pipeline explosion, etc.);

4. major unplanned equipment failures, whether related to PSE's assets, adjacent systems of other utilities, or regional markets in which PSE participates;

5. permitting and siting delays;

6. price changes and unexpected project or field conditions (e.g., inflation, supply chain issues, availability of contract resources that can drive costs higher than normal cost escalators, changes in scope and timing of project activities);

7. changes in the timing of plant investments going into service that affects depreciation and amortization expense and accruals of allowance for funds used during construction ("AFUDC");

8. unforeseen events, such as extreme weather and force majeure events (e.g., storm response may require the reallocation of financial and people resources, which could prevent PSE from executing on original operational plans);

9. changes in financing costs and access to liquidity and capital from public markets (e.g., due to market and/or macroeconomic stress or shocks such as persistent high inflation); and

10. unanticipated outcomes in routine regulatory filings (e.g., Purchased Gas Adjustment ("PGA") mechanism, Power Cost Adjustment ("PCA") mechanism, conservation, decoupling, property taxes, gas cost recovery mechanism, all of which alter cash flows in comparison to plans).

Q. Please provide examples of external factors that have affected PSE's ability to manage actual performance to approved budgets.

A. External factors that have affected PSE's performance include new customer construction, legislation, and permitting delays. These external factors can vary significantly from year to year. For example, PSE's natural gas spending in new customer construction has continued to trend higher than estimated due to customer demand and building code standards that either did not pass or were delayed going into effect. As a result, PSE's actual natural gas spending for 2023 was approximately 60 percent higher than the forecast included by PSE in its budget for 2023. In another example, permitting delays for the Energize Eastside Transmission Project have resulted in over $39 million in costs and at least two

years' schedule delay to account for resulting studies and construction costs, thereby shifting the spend profile from what PSE projected.

Q. What steps might PSE take to reprioritize its capital budget when faced with external demands not reflected in the budget?

A. When PSE must make adjustments to budgeted capital projects, PSE management must reconsider the prioritization of capital and operating expenditure investments to maintain liquidity while continuing to support strategic objectives, including clean energy and energy equity. As part of the tiered process, a Director Finance Subcommittee, as directed by the Executive Finance Strategy Committee, assesses and prioritizes investments to provide recommendations. Recommendations may defer a portion of the project portfolio to a future period, or perhaps cancel lower priority investments. In all cases, PSE's objective is to identify and complete the highest priority projects within the overall financial constraints.

Q. What are the implications of these external factors on PSE's financial planning process and the implementation of the multiyear rate plan?

A. Given the dynamic nature of PSE's business with growing sources of uncontrollable externalities, PSE must adapt to changing conditions while still delivering safe, reliable, and affordable energy services to customers and complying with the parameters outlined in the multiyear rate plan. PSE must balance competing projects and planned spending using clear financial objectives and associated controls. Exogenous factors will cause PSE's actual expenditures

to differ from PSE's projected expenditures in the proposed multiyear rate plan. PSE must be able to reallocate capital and expenses to respond to non-controllable factors, within reasonable guardrails and with support from PSE's governance and planning processes, to manage the business to projected results in the multiyear rate plan while still approximating the spend levels approved by the Commission in this proceeding.

III. OVERVIEW OF PSE'S FIVE-YEAR INVESTMENT PLAN AND PROJECTED FINANCIAL SPEND

A. Multiyear Rate Plan Revenue Requirement Components

Q. What components of the multiyear rate plan revenue requirement does this prefiled direct testimony sponsor?

A. This prefiled direct testimony sponsors the five-year projections of capital expenditures, gross capital additions, and O&M expenditures included in the overall multiyear rate plan revenue requirement discussed in the Prefiled Direct Testimony of Susan E. Free, Exh. SEF-1T.

Please see the Fourth Exhibit to the Prefiled Direct Testimony of Joshua A. Kensok, Exh. JAK-5C, for PSE's five-year projections of capital expenditures, gross capital additions, and O&M expenditures presented in this proceeding.

Q. What capital expenditures has PSE included in the proposed multiyear rate plan?

A. Table 1 presents projections of capital expenditures approved by the Board of Directors for calendar years 2024, 2025, and 2026. Columns labeled 2025 and

2026 reflect the projected capital expenditures included in PSE's proposed multiyear rate plan. These figures were developed using a capital allocation process as described in Section II of my testimony. The capital expenditures in the multiyear rate plan have been approved by the Board of Directors, with updated information as described in Section III.B of my testimony, below.

Table 1. Projected Capital Expenditures by Function Class

	2024	2025	2026
Production	$586,264,098	$789,276,466	$1,058,937,010
Transmission	128,986,330	120,979,215	124,778,037
Electric Distribution	537,039,234	546,023,080	628,957,711
Intangible Plant	132,979,211	162,838,168	131,439,085
General Plant	92,386,381	97,920,881	91,923,638
Gas Distribution and Storage	242,489,411	229,027,929	221,565,042
Total	**$1,720,144,664**	**$1,946,065,739**	**$2,257,600,523**

Please see the Fourth Exhibit to the Prefiled Direct Testimony of Joshua A. Kensok, Exh. JAK-5C for PSE's full five-year (2024-2028) projection of capital expenditures by function class.

Q. Please describe the gross utility capital additions component.

A. Gross utility capital additions represent the cost of adding new assets or improving existing assets that are used and useful in supporting the essential services PSE provides to customers.

Q. What level of gross utility capital additions has PSE included in its proposed multiyear rate plan?

A. Table 2 below presents projections of gross utility capital additions plant additions approved by the Board of Directors for calendar years 2024, 2025, and

2026. The Column labeled 2024 reflects gross utility capital additions projected to be in service at the start of the PSE's proposed multiyear rate plan. Columns labeled 2025 and 2026 reflect the projected gross utility capital additions included in PSE's proposed multiyear rate plan. Additional details can be found in Table 6 of the Prefiled Direct Testimony of Joshua A. Kensok.

Table 2. Projected Gross Utility Capital Additions by Function Class

	2024	2025	2026
Production	$ 63,784,848	$ 1,905,623,943	$ 129,196,998
Transmission	281,529,662	59,679,169	50,470,036
Electric Distribution	450,933,566	569,101,439	644,070,597
Intangible Plant	137,534,858	176,114,660	146,103,474
General Plant	72,210,781	92,960,201	79,321,701
Gas Distribution and Storage	235,747,197	199,173,632	191,379,832
Total	**$ 1,241,740,912**	**$ 3,002,653,043**	[redacted]

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Please see the Fourth Exhibit to the Prefiled Direct Testimony of Joshua A. Kensok, Exh. JAK-5C for PSE's full five-year (2024-2028) projection of gross utility capital additions by function class.

Q. What level of O&M expenditures has PSE included in its proposed multiyear rate plan?

A. Table 3 below presents projections of O&M expenditures approved by the Board of Directors for calendar years 2024, 2025, and 2026. Columns labeled 2025 and

2026 reflect the projected O&M expenditures included in PSE's proposed multiyear rate plan.

Table 3. Projected O&M Expenses

Electric O&M	2024	2025	2026
Low Income	$38,238,443	$38,400,927	$38,809,809
Generation	107,741,082	138,414,092	152,801,015
Transmission	27,376,437	34,096,436	34,173,580
Distribution	96,059,892	104,286,755	105,483,464
Customer Accounts	54,211,618	60,062,756	64,010,045
Customer Service	39,251,160	44,303,667	45,844,257
Admin and General	192,963,631	205,859,741	207,183,650
Total Electric	**$555,842,264**	**$625,424,373**	**$648,305,820**
Gas O&M	**2024**	**2025**	**2026**
Low Income	$16,708,850	$16,328,856	$16,215,423
Generation	11,992,152	12,715,127	13,301,544
Transmission	–	–	–
Distribution	60,762,467	61,203,478	61,944,420
Customer Accounts	26,336,792	26,595,389	27,744,444
Customer Service	17,772,615	21,344,946	22,084,579
Admin and General	67,961,694	72,464,016	72,601,143
Total Gas	**$201,534,570**	**$210,651,811**	**$213,891,552**
Subtotal O&M – Electric, Gas	**$757,376,834**	**$836,076,185**	**$862,197,372**
PLNG	10,310,583	11,865,590	14,088,537
Total O&M Originally Approved	**$767,687,416**	**$847,941,775**	**$876,285,908**

Please see the Fourth Exhibit to the Prefiled Direct Testimony of Joshua A. Kensok, Exh. JAK-5C for PSE's five-year (2024-2028) projection of O&M expenses by function.

Q. Is the pattern of spending growth represented in PSE's multiyear rate plan consistent with historical spending?

A. No. The pattern of capital expenditures represented in PSE's multiyear rate plan is not consistent with historical spending. Given PSE's dual mandate to maintain a safe and reliable utility while also facilitating state policy to transition to clean energy, PSE must make significant investments in infrastructure over the proposed multiyear rate plan and for the foreseeable future. This results in an increase in capital spending relative to the current multiyear rate plan and PSE's five-year business plan developed in 2022. For example, PSE's projected capital expenditures for calendar year 2024 reflected in Table 1 above are about 30 percent higher than the projected capital expenditures for calendar year 2024 submitted in the 2022 multiyear rate plan. Additionally, the projected capital expenditures over the four-year period 2024-2027 are approximately $2.1 billion higher than the projected capital expenditures over the same period in the business plan developed by PSE in 2022. These projected increases in capital expenditures reflect increases across all major electric investment categories.

PSE's projected O&M expenditures, however, remain in line with historical spending patterns. These projected O&M expenditures reflect

(i) stable spending in line with inflation projections (with the exception of known and measurable incremental investments, such as production related O&M expense for the new Beaver Creek Wind Project or new contract terms with the IBEW) and

(ii) efficiency benefits that allowed PSE to redistribute approximately $39 million related to new clean energy resources for calendar years 2025 and 2026.

Please see Section IV of this prefiled direct testimony for specific actions undertaken by PSE to manage expenses.

Q. How did PSE develop the capital expenditure, gross utility capital additions, and O&M expense projections for the multiyear rate plan?

A. PSE used the processes and practices described in Section II of this prefiled direct testimony to develop the capital expenditure, gross utility capital additions, and O&M expense projections for the proposed multiyear rate plan. Through the use of tools to collect and monitor data, controlled governance processes that utilize multi-tiered approvals and performance analysis at individual and organizational levels, PSE is able to project costs of future work while embracing flexible practices to adjust to changes.

B. Process of Getting from the Five-Year Plan Approved by the Board of Directors to this Multiyear Rate Plan Filing

Q. How did the process to develop the five-year business plan intersect with the process to develop this multiyear rate plan filing?

A. The processes to develop the five-year business plan and the multiyear rate plan remain distinct processes. Due to the timing of this multiyear rate plan filing,

however, the five-year business plan process and the information gathering process for the multiyear rate plan filing continue to align closely from a calendar standpoint. This similar timing created the expectation that the two planning processes would produce identical results. After the Board of Directors approved the five-year business plan in November 2023, the FP&A group collaborated with the regulatory group to identify and reconcile any variances between the results of the two processes at an enterprise level.

Q. What did this identification and reconciliation process indicate?

A. The analysis indicated that, where present, variances resulted from changes in the assumptions used to support each process. In other words, assumptions for some investments changed in the intervening time between (i) use of assumptions for purposes of development of the five-year business plan and (ii) collection of assumptions for preparing the multiyear rate plan filing. The causes of those changes are typical in the industry and include actual performance, updated plans, and other factors such as storms, contract negotiations, resource availability, to name a few. These factors dictate that PSE's plans, both at the individual investment level and at the enterprise level, be flexible so PSE can respond to changing factors and assumptions and continue to prioritize investments. For example, in response to changes that affect strategic objectives (e.g., safety, reliability, clean energy), flexibility allows PSE to evaluate, reprioritize, and/or accelerate projects and programs to achieve the objectives and associated benefits.

Q. Are there differences between values in the current five-year plan and the proposed multiyear rate plan filing?

A. Yes. As shown in Tables 4, 5, and 6 below, there are differences between the five-year business plan approved by the Board of Directors and the proposed multiyear rate plan for O&M, capital, and capital additions, respectively. These changes largely reflect updates to the approach to categorizing and incrementally including the investments, distributing the funding, rate recovery mechanisms, and work completion rates.

As shown in Table 4 below, changes between the board-approved plan and the multiyear rate plan represent incremental additions. Please see the Prefiled Direct Testimony of Susan E. Free, SEF-1T for how the amounts on Row g of Table 4 were further adjusted for inclusion in the filing.

Table 4. Reconciliation of Total O&M

Row	Description	2025	2026
a	**Total O&M Originally Approved**	**$848,000,000**	**$876,000,000**
b			
c	Add: Incremental Wildfire Costs	3,329,579	3,819,757
d	Add: Phase 2 Decarb Study Costs	10,600,000	11,700,000
e	Add: Participatory Funding	-	-
f	Add: Long Term Incentive Plan (LTIP)	966,856	1,000,696
g	**Total Approved Plan as Adjusted**	**$862,896,435**	**$892,520,453**

As shown in Table 5 below, changes were made to categorization and distribution of capital expenditures between the board-approved plan and amounts used in this rate case with no overall difference in the portfolio totals.

Table 5. Reconciliation of Projected Capital Additions

	2024	2025	2026
Total CAP Originally Approved	$1,720,144,664	$1,946,065,739	$2,257,600,523
Production	7,614,991	(25,448,866)	12,763,683
Transmission	-	5,343,593	5,318,709
Electric Distribution	3,030,151	30,417,409	585,787
Intangible Plant	-	277,958	1,111,831
General Plant	(10,645,141)	(10,590,094)	(19,780,009)
Gas Distribution and Storage	-	-	-
Basis for multiyear rate plan	**$1,720,144,664**	**$1,946,065,739**	**$2,257,600,524**
Total Difference	**$0**	**$0**	**-$1**

As shown in Table 6 below, changes were made to Capital Additions between the board-approved plan and amounts used in this rate case related to project categorization adjustments and work completion rate assumptions. Please see Ms. Free's testimony for how the amounts on row 15 of Table 6 were further adjusted for inclusion in the filing.

Table 6. Reconciliation of Capital Additions

Row	Description	2025	2026
9	Capital Additions Originally Approved	$2,975,690,086	$1,244,671,024
10	Move the closing date for Marine Crossing beyond 2026	(996,760)	(19,795,294)
11	Adjust project categories and in service dates for DER* projects	26,552,526	(28,434,880)
12	Adjust in-service assumptions on Infrastructure Program Mgmt projects	21,632,890	20,748,257
13	Adjust in-service assumptions from Dec to Aug 2025 for Beaver Creek	(35,642,988)	-
14	Add incremental wildfire projects	15,417,288	23,353,531
15	**Basis for multiyear rate plan**	**$3,002,653,043**	**$1,240,542,639**

** Distributed Energy Resource*

Q. What conclusions can be made regarding the relationship between the current five-year business plan and the proposed multiyear rate plan?

A. A straightforward way to understand the relationship between the current five-year business plan and this multiyear rate plan filing is to recognize that PSE made the investment assumptions in the five-year business plan several months before the Board of Directors approved the plan and before PSE gathered information for purposes of preparing this multiyear rate plan filing. Therefore, the two distinct processes would not necessarily produce identical results on an investment-by-investment basis because the proposed multiyear rate plan filing would reflect more current information.

Q. When will PSE review and update the five-year business plan?

A. PSE will review and update and seek approval from the Board of Directors of the five-year business plan before the first year of the multiyear rate plan proposed in this filing.

IV. PSE'S APPROACH TO MANAGING VARIANCES BETWEEN ACTUAL AND BUDGETED SPENDING

A. Intra-Year Assessments: Actual Performance versus Plans

Q. How does PSE track actual expenses for individual capital projects?

A. PSE uses work orders to record actual expenses. The systematic assignment of work orders to a work breakdown structure ("WBS") prevents actual expenses incurred from being misapplied to an incorrect WBS. The WBS concept allows for tracking of dollars for budgeted work versus actual work.

Q. Please provide an overview of PSE's systems and processes for managing variances between actual versus budget and actual versus forecasted financial results on an intra-calendar year basis.

A. There are several components to PSE's systems and processes for managing variances between actual versus budget and actual versus forecasted financial results during the calendar year. At a high-level, PSE employs a performance management process in which actual versus forecasted results are reviewed and analyzed at the end of every month. This review and analysis focuses on both cumulative year-to-date budget and schedule variances, and on monthly variances for the last month in the cumulative year-to-date period.

Q. Who at PSE conducts the review of variances?

A. In general, cost center managers review and analyze individual variances for O&M and capital expenditures for their respective cost centers. The FP&A group reviews and analyzes variances related to electric and gas margins, energy demand forecasts, depreciation and amortization expense, interest expense, tax expense, and other items included in the corporate center, such as overhead expenses, storm costs, and employee benefits, among others.

Q. Does PSE monitor plant in-service projections?

A. Yes. PSE monitors plant in-service projections. In general, cost center managers review and analyze their individual variances for plant in-service dates, and the regulatory group reviews and analyzes variances related to gas, electric, and overall outlook.

Q. How often does PSE perform these reviews?

A. PSE performs these reviews on a monthly basis.

Q. What is the purpose of these reviews and analyses?

A. As mentioned above, there are many exogenous factors that invariably create variances between actual and budgeted results. PSE seeks to understand the source of these variances and the impacts they impose on PSE's overall operational and financial plans for any given calendar year. This is important not only for O&M and capital expenditures, but for all other components of PSE's financial profile (e.g., electric and gas margins, depreciation, and amortization expense). Without a review of variances affecting PSE's operational and financial performance, it would be difficult for PSE to understand and react to the exogenous factors in any calendar year. For example, these monitoring practices enabled PSE to adjust delivery of investments by function class to distribute 15 percent more electric capital additions in 2022.

Q. What happens next?

A. Once cost center managers have reviewed and analyzed individual variances for O&M and capital expenditures and the FP&A group has reviewed and analyzed the type of variances outlined above, the organization shifts its efforts to determine how cumulative year-to-date budget to actual variances will impact PSE's operational and financial performance plans for the remainder of the year. Cost center managers will prepare revised operational and financial forecasts for the remainder of the year, and the FP&A group does the same for the financial

components under its purview. All this information is aggregated and rolled up into a complete corporate operational and financial perspective for further review and analysis.

Q. Have there been any changes in this process since PSE filed the 2022 multiyear rate plan in January of 2022?

A. Yes. In the settlement of the 2022 multiyear rate plan, parties agreed to PSE's original proposal that the annual review of capital additions would be performed on a portfolio basis. The portfolio review provides that PSE was not held to every project that was included in its forecast used to set rates; instead, provided that PSE's actual capital additions were prudently managed to the total additions assumed when setting rates, then no refund would be required. The review process is further described in Susan Free's testimony, Exh. SEF-1T.

PSE has implemented controls as part of the monthly review process to measure achievement of these capital addition targets and to re-prioritize projects where needed and appropriate.

B. Process for Reallocating Investments

Q. How does PSE review and evaluate this investment reallocation process?

A. There are three basic components to the investment reallocation process. Each stage of the investment reallocation process includes consideration of energy equity, just as in the initial capital allocation process.

First, at approximately the end of the third week in every calendar month, the FP&A group holds what is called an "Operations Review" meeting attended by PSE's managerial team. During this meeting, PSE's managerial team is briefed on the current status of PSE's operational and financial performance results, including a review of cumulative year-to-date actual versus budget variances and a review of forecast versus budget variances for the calendar year. It is important to note that, for purposes of the "Operations Review" meetings, the word "forecast" is defined as cumulative year-to-date actual results plus revised forecasted results for the remainder of the year.

Next, PSE's senior management team receives and reviews the operational and financial information covered in each Operations Review meeting. To the extent material deviations from plan occur, the officers will be briefed and have opportunities to provide input into the monthly forecasting process. Assuming that there has been no material exogenous impact or shock to PSE's operational and financial plans during the first four months of the year, no changes to authorized budgeted plans will be made. The reason for this is that cumulative year-to-date actual versus budget variances work in both ways and often offset one another within the bounds of materiality in the context of PSE's calendar year operational and financial plans. In these circumstances there is no need to make or authorize any change to budgeted plans.

Finally, after the steps described above are complete, management monthly briefs the Board of Directors on the status of PSE's operational and financial

performance on an actual cumulative year-to-date basis and on a forecasted basis for the remainder of the year.

Q. What is the Director Finance Subcommittee and what role does it play in the monthly review process?

A. The Director Finance Subcommittee is a cross-functional director committee that works directly with finance and senior leadership to administer the monthly forecasting process to meet their stated objective to achieve PSE's operational and financial plans for each calendar year. The Director Finance Subcommittee is responsible for evaluating and making recommendations regarding material reprioritization and performing due diligence in accordance with PSE's governance, processes, and procedures. These recommendations facilitate the processes by which the Executive Finance Strategy Committee makes decisions based on comprehensive and complete information.

While monthly reforecasting processes administered at the cost center and project level are robust, exceptions result due to unique circumstances, including, for example, the new gross capital addition performance targets discussed above that require cross-functional or enterprise level-resolution. The Director Finance Subcommittee is uniquely positioned to address and manage these exceptions.

Q. How does PSE make and authorize changes to calendar year budgets?

A. PSE makes and authorizes changes to calendar year budgets in one of two ways. First, PSE's senior leadership team will be notified immediately whenever an exogenous business event or circumstance (e.g., major storm, power or gas cost

spikes) affects PSE. To the extent that PSE's senior leadership team determines that the organization should take action to maintain operational and financial performance for the remainder of the calendar year, PSE's senior leadership team will authorize the necessary actions, and these authorizations will be subsequently communicated to the Board of Directors. This first method is the exception rather than the rule.

The second—and more common—way that PSE makes and authorizes changes to calendar year budgets is through what is called PSE's "5&7 deep dive" exercise.[2] In the "5&7 deep dive" exercise, PSE examines cumulative year-to-date actual versus budget variances based on actual expenditures through the end of May of that calendar year to determine areas in which there are "overspend variances" (i.e., areas in which PSE's actual expenditures exceed budgeted expenditures over the first five months) or "underspend variances" (i.e., areas in which PSE's budgeted expenditures exceed actual expenditures over the first five months). Through this process, PSE can make adjustments to budgets to reflect forecasted amounts more accurately for the remainder of the year.

Q. How does the financial management process allow PSE to meet emergent, high priority needs without a material disruption in customer experience?

A. The capital allocation process prioritizes business and customer needs annually and over the near-term financial planning horizon. For example, consider a major

[2] The "5&7" in the phrase "5&7 deep dive" refers to the fact that, at the time of such exercise in June of the calendar year, PSE has actual expenditure data for the first five months of the year and the remaining seven calendar months remain budget projections.

storm that causes $100 million in damages to utility facilities and equipment. PSE must immediately incur restoration expenses to restore service. These immediate restoration expenditures will necessitate adjustments to the O&M and capital budgets for the remainder of the year due to the diversion of capital and human resources. All else being equal, PSE will not complete some budgeted work during the fiscal year due to the diversion of resources.

V. PSE'S HISTORICAL ABILITY TO MANAGE CAPITAL AND OPERATIONS SPENDING

A. PSE's History of Forecasting Expenditures

Q. Have PSE's actual capital and O&M expenditures in recent years tracked closely to amounts budgeted by PSE for capital and O&M expenditures for those years?

A. Yes. PSE's cost control performance has resulted in actual capital and O&M expenditures that closely track PSE's budgeted capital and O&M expenditures. However, as discussed earlier, events arise in nearly every year that require PSE to commit resources to emergent, higher priority needs, which results in reprioritization of capital and O&M spending. This may occasionally require PSE to defer certain projects in the approved budgets to address higher priority needs. As mentioned previously, PSE's approach to financial management is designed to accommodate these events. Even as it has pivoted at various points to address exigent circumstances, PSE has managed to control spending to within the budgeted levels established through the financial planning processes.

Q. How closely has PSE's actual capital and O&M expenditures tracked budgeted capital and O&M expenditures over the past decade?

A. As shown in Figure 1 below and the Second Exhibit to the Prefiled Direct Testimony of Joshua A. Kensok, Exh. JAK-3, PSE's actual O&M expenditures have deviated from budgeted O&M expenditures by only 1.7 percent over the past decade, with five years having slightly higher O&M expenditures than budgeted and four years having slightly lower O&M expenditures than budgeted.

Figure 1. PSE Budget and Actual O&M Expenditures (Electric and Gas Combined, 2014-2023)

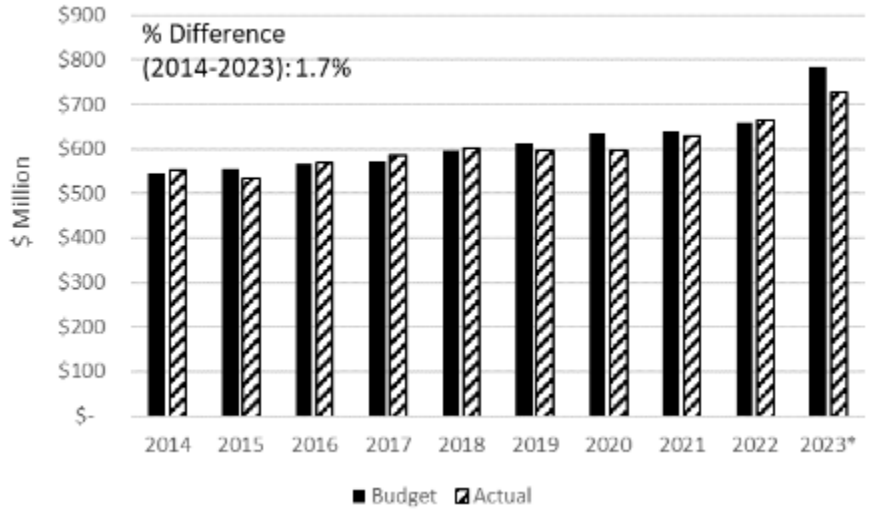
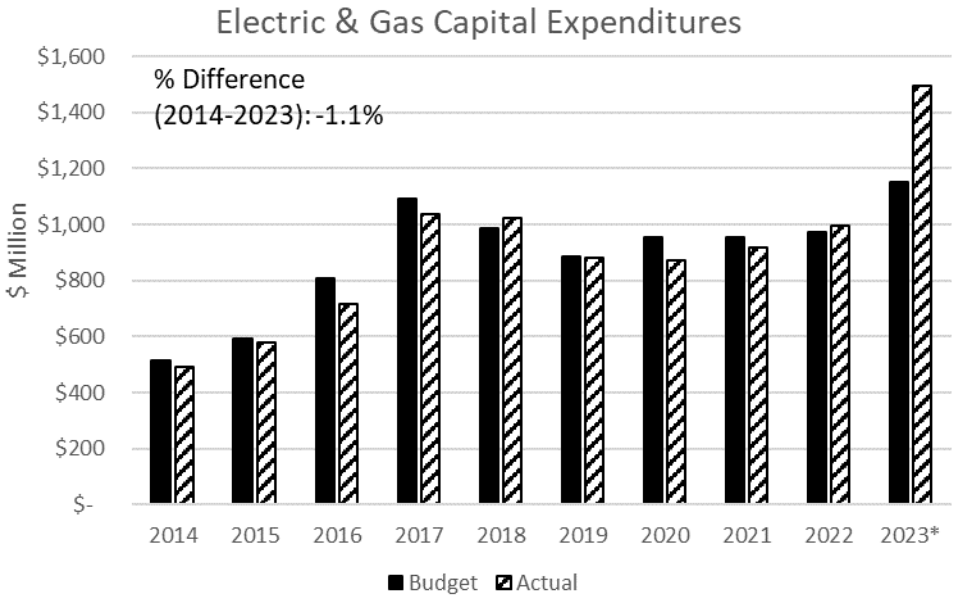


Figure 2 below provides a comparison of actual capital expenditures to budgeted capital expenditures for the same period. As shown below and in the Second Exhibit to the Prefiled Direct Testimony of Joshua A. Kensok, Exh. JAK-3, actual capital expenditures have been within -1.1 percent of budgeted expenditures on a cumulative basis over the 2014-2023 period.

Figure 2. PSE Actual Capital Expenditures (2014-2023)



Q. Has PSE experienced budget challenges under the current multiyear rate plan as it seeks to comply with CETA clean energy requirements?

A. Yes. First, for O&M the 2023 budget target reflected a higher level of O&M spend than what was in the 2022 GRC settlement to reflect inflationary pressures on specific items including PSE labor, insurance premiums, and other contracted services. After evaluating financial performance targets for 2023 and the need to maintain credit ratings criteria, it became clear that PSE would significantly fall below its allowed rate of return and other financial performance targets for the year. Senior management determined that it was appropriate to reduce O&M spending targets as part of the 5&7 deep dive to manage financial performance while still maintaining safe and reliable utility services. In addition, on the capital side, PSE has announced that it will be making an investment in the Beaver Creek

wind farm which will require significant capital investments above and beyond what was included in the budget target, which will not otherwise be offset by reductions in other capital investments. This incremental investment will require incremental equity and debt financing all else being equal as outlined in the Prefiled Direct Testimony of Cara G. Peterman, Exh. CGP-1CT. Both of these budget deviations provide real world examples for the increasing level of uncertainty that PSE is experiencing as it seeks to comply with CETA clean energy requirements which will create more volatility in spending performance in the future.

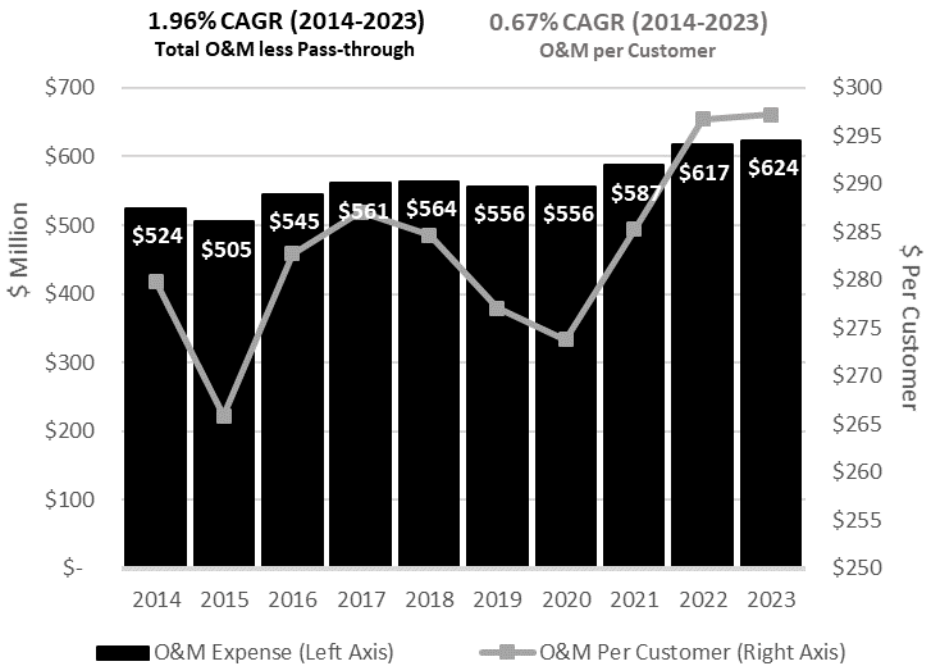
B. Management of O&M Expenditures

Q. What actions has PSE taken to manage O&M expenditures?

A. PSE has historically used a broad-based approach to manage operating expenditures. As a general guideline, PSE targeted growth in budgets and spending at the rate of customer growth, which has been approximately 1.0 percent for gas and electric combined for the 2014-2023 period. As illustrated in Figure 3 below, PSE has managed the growth of O&M expense per customer (excluding pass-through items such as low income and Commission fees) to an annual average increase of 0.67 percent compound average growth rate during the 2014-2023 period. This rate is approximately 20 percent under the compound average growth rate during the prior ten-year period (2014-2023) despite a 10-

year average annual rate of inflation of 2.83 percent, a three-year average annual rate of inflation of 5.1 percent, and customer growth rate increases. Additionally, PSE's growth in O&M expenses net of pass-throughs has under-paced inflation in absolute terms over the past ten years, as is illustrated in Figure 3 below.

Figure 3. Compound Annual Growth Rate ("CAGR") of PSE's O&M Expenses (2014 – 2023)



Q. What specific actions has PSE taken to manage O&M expenses for this multiyear rate plan filing?

A. Given the significant increase in capital expenditures in PSE's business plan and the expected increases to customer bills, PSE management took a new approach to realign PSE's cost structure by cost category in 2023, with the objective of

[3] U.S. Bureau of Economic Analysis, Table 1.5.4, as referenced in the Prefiled Direct Testimony of Dr. Mark N. Lowry, Exh. MNL-1T.

building sustainable cost savings into the business plan. In developing the five-year business plan in 2023, PSE sought out $85 million in lower annual O&M expense relative to the five-year business plan developed in 2022. This $85 million in lower annual O&M represents a reduction in customer bills of approximately 2 percent, beginning in 2024 and extending through 2028 (the final year of the five-year business plan).

Q. How did PSE achieve these reduced budget O&M spending levels?

A. PSE achieved the $85 million in annual O&M budget reductions through applying cost reduction tactics targeted to each specific cost category, such as labor, outside services, employee expenses, etc. Cost reduction tactics are common practices that PSE has had success implementing in the past and will continue to leverage to achieve budget targets in the future.

Q. How did PSE achieve budget reductions in labor?

A. Labor is PSE's largest cost category within O&M expense. PSE has historically maintained a total employee headcount in the 3,100 to 3,400 range, with minor fluctuations based on the size of the capital portfolio and other relevant factors. PSE also has a significant service provider footprint with long-time service providers, such as Potelco and Infrasource, which affects PSE labor needs.

The five-year business plan developed in 2022 projected an expansion in PSE's workforce to deliver on the clean energy transition from the recent 3,400 headcount level to over 3,600. The PSE management team decided that, although the planning process used to develop the larger headcount number in the five-year

business plan was responsive to the challenges of CETA, it was too aggressive and would be too costly. In response, management challenged leaders in the organization to evaluate how PSE could achieve the same objectives without the increase in headcount. This process required leaders in the organization to reprioritize activities, thereby allowing the organization to focus resources on activities of the greatest priority.

Overall, the targeted effort to reduce the projected increase in PSE employees was a success. To further memorialize the changes in thinking and process, PSE formalized headcount controls including the following:

- a temporary hiring freeze to prevent near-term hiring fell while the new controls were put into place;
- a new headcount reporting tool to ensure that all leaders are working from a single data source;
- a formalized headcount review process that requires each leader to complete a questionnaire that enables prioritization of new positions relative to PSE's strategic and operational priorities; and
- a formalized headcount approval process, in which PSE's senior management team reviews, discusses, and approves every new or backfilled headcount.

Q. How did PSE achieve budget reductions in outside services?

A. The second largest O&M cost category for PSE is outside services, which includes PSE's service provider relationships discussed earlier and a wide variety of services provided by third parties, ranging from vegetation management to IT managed services to facilities and management consulting. The five-year business

plan developed in 2022 projected approximately $207 million in O&M expense related to outside services for calendar year 2024.

Due to the diversity of outside services provided, the most effective way for PSE to review and prioritize expenses was for the management team to conduct a broad review. Each corporate officer reviewed outside service budgets for which they were responsible at the line-item level, with a focus on reducing, in full or in part, expenses, with a goal to achieve roughly $20 million in annual cost reductions without affecting objectives necessary to continue to operate a safe and reliable utility and deliver on the state's clean energy transition.

VI. PSE'S PERFORMANCE METRICS ADDRESSING OPERATIONAL EFFICIENCY AND EARNINGS

Q. Are you supporting any performance metrics in this case?

A. Yes. I am supporting the metrics shown in the table below that address operational efficiency and earnings. These metrics were developed and approved by the Commission in Order 24/10.

Table 7. Performance Measures, Cost Controls and Metric Calculations

Metric	Metric Definition	Metric Calculation
Cost Controls		
Gas O&M total expense divided by Operating Revenue	Percentage of Gas O&M total expense to operating revenue	Sum of gas O&M total expense (normalized CBR results) divided by sum of total gas operating revenue (normalized CBR results) multiplied by 100.
Electric O&M total expense divided by Operating Revenue	Percentage of Electric O&M total expense to operating revenue	Sum of electric O&M total expense (normalized CBR results) divided by sum of total electric operating revenue (normalized CBR results) multiplied by 100.

Gas Operating Revenue divided by AMA Total Rate Base	Percentage of Gas Operating expense to AMA total rate base	Sum of total gas operating revenue (normalized CBR results) divided by sum of total authorized gas rate base AMA (normalized CBR results) multiplied by 100
Electric Operating Revenue divided by AMA Total Rate Base	Percentage of Electric Operating expense to AMA total rate base	Sum of total electric operating revenue (normalized CBR results) divided by sum of total authorized electric rate base AMA (normalized CBR results) multiplied by 100
Gas Operating Revenue divided by EOP Total Rate Base	Percentage of Gas Operating Revenue to EOP Total Rate Base	Sum of total gas operating revenue (normalized CBR results) divided by sum of total gas rate base EOP multiplied by 100
Electric Operating Revenue divided by EOP Total Rate Base	Percentage of Electric Operating Revenue to EOP Total Rate Base	Sum of total electric operating revenue (normalized CBR results) divided by sum of total electric rate base EOP multiplied by 100
Gas Current Assets divided by Current Liabilities AMA	Percentage of Current Gas Assets to Current Liabilities AMA	Sum of current gas asset AMA (per CBR balance sheet) divided by total current gas liabilities authorized AMA (per CVR balance sheet multiplied by 100.
Gas Current Assets divided by Current Liabilities EOP	Percentage of Current Gas Assets to Current Liabilities EOP	Sum of current gas asset EOP (per CBR balance sheet) divided by total current gas liabilities EOP (per CVR balance sheet) multiplied by 100
Electric Current Assets divided by Current Liabilities AMA	Percentage of Current Electric Assets to Current Liabilities EOP	Sum of current electric asset EOP (per CBR balance sheet) divided by total current electric liabilities EOP (per CVR balance sheet) multiplied by 100
Electric Current Assets divided by Current Liabilities EOP	Percentage of Current Total Assets to Current Liabilities	Sum of current total assets EOP (per CBR balance sheet) divided by total current liabilities EOP (per CVR balance sheet) multiplied by 100
Electric Net Income divided by Operating Revenue	Percentage of Electric Net Income to Operating Revenue	Sum of electric net income (CBR actuals) divided by sum of electric operating revenue (normalized CBR results) multiplied by 100
Gas Net Income divided by Operating Revenue	Percentage of Gas Net Income to Operating Revenue	Sum of gas net income (CBR actuals) divided by sum of gas operating revenue (normalized CBR results) multiplied by 100
Retained Earnings divided by Total Equity	Percentage of Retained Earnings to Total Equity	Sum of retained earnings AMA (CBR actuals) divided by sum of total equity AMA (CBR actuals) multiplied by 100

Q. Why has PSE chosen to retain these metrics for its next rate plan?

A. These performance metrics were developed by the Commission to measure PSE's performance and operations related to operational efficiency and company earnings during the multiyear rate plan, and PSE agrees with the Commission that

these metrics continue to be helpful for monitoring PSE's performance in these areas.

VII. CONCLUSION

Q. Does this conclude your prefiled direct testimony?

A. Yes, it does.