

**Exh. CRM-4
UE-240004/UG-240005/UE-230810
Witness: Chris McGuire**

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY,

Respondent.

**DOCKETS UE-240004,
UG-240005 and UE-230810
(Consolidated)**

EXHIBIT TO TESTIMONY OF

CHRIS McGUIRE

**STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

PSE Response to Staff Data Request 110

August 6, 2024

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

**Dockets UE-240004 & UG-240005
Puget Sound Energy
2024 General Rate Case**

WUTC STAFF DATA REQUEST NO. 110:

REQUESTED BY: Chris McGuire

Please refer to the PSE work paper titled “240004-05-PSE-WP-JAK-Projected OandM-Opex forecast by category”.

In the tab titled “2024-2028 Data Table” PSE includes several items labeled “Management Reserve”, some of which are positive dollar amounts (see Excel rows 1107, 1129, and 5010) and some of which are negative dollar amounts (see Excel rows 1106 and 5008).

Management Reserves with positive dollar amounts:

<u>Cost Element Description</u>	<u>2025</u>	<u>2026</u>
Outside Services-Service Prov	25,308,725	41,173,490
Benefits OH	2,178,780	2,274,312
Outside Services Other	15,803,904	17,275,488

Management Reserves with negative dollar amounts:

<u>Cost Element Description</u>	<u>2025</u>	<u>2026</u>
Outside Services Legal	(28,821,540)	(4,403,704)
Outside Services Other	(17,704,296)	(19,267,608)

Please provide the following:

- a. A narrative description of these Management Reserves and why they are included in the Company’s O&M forecasts,
- b. An explanation for why the “Outside Services-Service Prov” Management Reserve grows by nearly \$16 million in 2026 (\$41,173,490 in 2026 versus \$25,308,725 in 2025), and

- c. An explanation for why the amounts for some of the items identified as Management Reserves are included in the O&M forecast as negative numbers.

Response:

- a. The management reserve is a cost category that represents allocated funds approved by the board for, and controlled by, Puget Sound Energy's ("PSE") senior executives to potentially offset any unforeseen or unplanned expenses. They are included in PSE's total operations and maintenance ("O&M") forecast and when utilized, directly impact PSE's financial performance.
- b. During the detailed planning process, which concluded since the filing, a prioritization exercise refined the allocation to the cost center and cost element levels. As a result, detailed plans have been solidified and previously unallocated outside services-service provider management reserve funds are now reflected at the cost center and cost element levels, effectively eliminating the outside services-service provider management reserve balance.
- c. During the detailed planning process, which concluded since the filing, a prioritization exercise refined the target to the cost center and cost element levels. As a result, the targets are now reflected at the business unit, cost center, and cost element level, and management reserves included in the O&M corporate items are positive amounts. Management reserves for outside services other is \$1.5 million and \$0.8 million in 2025 and 2026, respectively. Additionally, management reserves for outside services legal is now zero in each of the rate plan years.