

Exh. JDW-19
UE-240004/UG-240005/UE-230810
Witness: John D. Wilson

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY,

Respondent.

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

EXHIBIT TO TESTIMONY OF

JOHN D. WILSON

**ON BEHALF OF STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

PSE's Response to Staff DR No. 28, UE-230313

August 6, 2024

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

**Docket UE-230313
Puget Sound Energy
2022 Power Cost Adjustment Mechanism Report**

WUTC STAFF INFORMAL DATA REQUEST NO. 028:

REQUESTED BY: John Wilson

RE: Power Costs

Please confirm that all costs related to capital expenditures at the Rock Island and Rocky Reach projects are included in Chelan Power System Net Costs, as discussed in Exh. ZCY-4 beginning at p. 79. If not confirmed, please explain how any costs not included in net costs are considered in the Chelan PSA.

- a. If there are distinctions between current and future projects, please explain in detail.
- b. If there are distinctions between civil (e.g., embankments, dam structures) and mechanical (e.g., generator) projects, please explain in detail.
- c. In your response, please use the upgrade projects described in Exh. ZCY-3 at 27-28 as examples, and explain the cost responsibility for each upgrade project.
- d. If the annual fixed cost premium in the Chelan PSA reflects any portion of PSE's responsibility for capital costs associated with the PSA, please explain in detail.

Response:

Puget Sound Energy ("PSE") interprets WUTC Staff Informal Data Request No. 028 as asking if all future capital expenditures will be included in the Chelan Power System net costs ("Net Costs"), as discussed in Exh. ZCY-4C, beginning at p. 79. PSE confirms that all costs of operating and improving the Rocky Reach and Rock Island Projects (collectively, "The Projects") will be included in Net Costs as detailed in the Chelan Power Sales Agreement ("Chelan PSA"). In summary, Net Costs include:

Operating and Maintenance Costs - All operating and maintenance costs of every kind and description, both direct and indirect ("Operating Costs"), paid or accrued by Chelan PUD with respect to the operation, maintenance and repair of, or the production, sale or delivery of Output from, the Chelan Power System or any part thereof. Including Taxes and Assessments, Certification, Relicensing and Decommissioning Costs, Litigation, and Loss Prevention.

Financing Costs - The monthly accrual, as determined by the District costs payable or deemed payable by the District or the Chelan Power System, as the case may be, in connection with the issuance, incurring and carrying of Debt Obligations. These costs can include Outstanding Debt Obligations, Future Debt Obligations, and Refunding Obligations.

Capital Recovery and Debt Reduction Charge Adjustments - If Chelan PUD purchases, redeems or defeases outstanding debt of the Chelan Power System from moneys on deposit in the Capital Recovery Charge Fund or Debt Reduction Charge Fund, or from proceeds of insurance received with respect to components of the Capital Improvements that the PUD elects not to repair, rebuild or replace, all as determined by Chelan PUD, Chelan PUD shall provide PSE with a credit against its monthly Financing Costs.

- a. PSE interprets WUTC Staff Informal Data Request No. 028(a) as asking whether future capital improvements will be included in Net Costs consistent with the treatment of current projects as opposed to specific accounting treatment of any single capital project. As described in the contract, Chelan PUD will follow accounting treatment consistent with GAAP, FERC regulations (including FERC's Uniform System of Accounts) and the District's accounting policies, practices, and procedures. The specific accounting treatment of any capital project will be determined by the applicable accounting rules and details of that project.
- b. PSE interprets WUTC Staff Informal Data Request No. 028(b) as asking whether different kinds of capital improvements, for example civil improvements, will be included in Net Costs consistent with the treatment of other capital projects. As described in the contract, Chelan PUD will follow accounting treatment consistent with GAAP, FERC regulations (including FERC's Uniform System of Accounts) and the District's accounting policies, practices, and procedures. The specific accounting treatment of any capital project will be determined by the applicable accounting rules and details of that project.
- c. The costs associated with the project improvements detailed in Exh. ZCY-3 at 27-28, are covered under the existing Chelan Power Sales Agreement ("2006 Chelan PSA") and not the Chelan PSA in question. However, the Chelan PSA is functionally a renewal or extension of the 2006 Chelan PSA and has materially the same contractual terms surrounding Net Costs. PSE is responsible for its purchaser share, 25%, of the Net Costs associated with those improvements. To the extent that financing of the capital improvements projects in question extend beyond the current contract, which expires in October 2031, it will be reflected in the Net Costs of the new Chelan PSE.
- d. The Fixed Cost Annual payment does not reflect any portion of PSE's responsibility for Net Costs, including capital improvements. As described in

Section 7.01(A) and Section 7.01(C), Exh. ZCY-4 at 35 -36, the Fixed Annual Payment and the Net Costs are separate pricing components.