

Exh. JDW-4
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. 118

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. 118:

REQUESTED BY: John Wilson

RE: Power Costs

Referring to Mueller, Exh. BDM-1T, p. 48-49:

- a. Please confirm that the new resource acquisitions that PSE may seek prudence determinations for in an annual PCA compliance filing would only be PPAs, and that prudence determinations for physical assets would occur in either PCORCs or general rate cases. If not, please explain.
- b. Would PSE support providing parties with the option to request that prudency reviews for new resource acquisitions that have atypically complex terms and may require more extensive discovery and analysis to be deferred to the next general rate case or PCORC filing rather than being considered in the annual PCA compliance filing? If not, please explain.

Response:

Puget Sound Energy (“PSE”) objects to WUTC Staff Data Request No. 118 to the extent it requests information that is publicly available or obtainable from some other source that is more convenient, less burdensome, or less expensive. Notwithstanding these objections, and subject thereto, PSE responds as follows:

- a. PSE is not proposing that prudence for large utility scale owned assets (“generation assets”) be obtained in its annual Power Cost Adjustment (“PCA”) compliance filings. For PSE’s proposal to obtain prudence for generation assets, please see the Prefiled Direct Testimony of Susan E. Free, Exh. SEF-1T, pages 13 through 18. Additionally, the benefit of the power from the generation asset¹ should not be included in rates until the time that rates are changed to begin recovery of the generation asset so that there is a proper matching of costs and benefits. Therefore, PSE’s proposal to use the annual PCA compliance filing to seek prudence determinations for new resources is limited to power purchase

¹ In the case of a generation asset, benefits are generally a reduction to PSE’s variable power costs, as discussed in Exh. BDM-1T on page 15. Once the costs of a new resource have been included in rates, it is necessary for the benefits of that resource to also be reflected in customer rates.

agreements (“PPA”). PSE’s proposal is similar to treatment of power costs obtained in PSE’s existing GRC settlement from Docket UE-220066, et al. in that a PPA resource can be included in rates before a prudence determination is received and such determination would be sought in the annual PCA compliance filing. In this way, an accurate variable baseline rate will be maintained. While PSE may be able to defer the costs of new resources for future collection, such deferrals create a mismatch between the customers receiving the benefits of a new resource and those ultimately paying the costs of the new resource. Seeking prudence determinations at the earliest available opportunity for both generation assets and PPAs minimizes the time that new resource costs spend in deferral and better aligns the timing of new resource cost recovery with the benefits of those resources.

- b. PSE is not fundamentally opposed to delaying or deferring prudence reviews to the extent additional time is necessary for parties to complete reasonable discovery and analysis of PSE’s decisions to acquire new resources, but PSE would determine its support or objection for such proposals on a case-by-case basis. However, as described in response to part a. above, it is generally preferable to complete prudence review of new resources at the earliest available opportunity— especially when the benefits of a new resource should be matched to the cost of the resource. Further, it is worth noting that a power cost only rate case proceeding is a six-month process and would therefore only provide slightly more time for discovery than the five months between PSE’s April 30th PCA compliance filing and the September 30th deadline for Commission approval of those filings.