

**Exh. CRM-8
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 106

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. 106:

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 identifies a forecasted “reserve contingency” related to CETA Administration in the amounts of \$7,706,551 in 2025 and \$6,8909,560 in 2026 (Excel row 5012).

Please provide the following:

- a. A narrative description of these expenses,
- b. An explanation of what the term “reserve contingency” means within the context of O&M expense forecasting, and
- c. An explanation for why the reserve contingency amounts in 2025 and 2026 are significantly higher than the amount in 2024 (\$2,555,221).

Response:

- a. The reserve contingency expenses for 2025 and 2026 in row 5012 include costs for labor to support utility-scale resource acquisition to meet clean energy and capacity needs, the Distributed Energy Resources Empowerment Pilot aligned with Condition 27 of UTC Order 08 for the 2021 Clean Energy Implementation Plan (“CEIP”),¹ additional incentives for Distributed Energy Resources for named communities particularly customers in the deepest need, and equitable clean energy engagement activities.
- b. Within the context of PSE’s overall operations and maintenance (“O&M”) expense budget, a reserve contingency is established for a project or program based on best estimates at time the budget is established. Since the detailed expense drivers of projects or programs are not fully known at the time budgets are set, reserve contingencies are established to offset unforeseen detailed expenses. From a forecasting perspective, the amount of

¹ *In the Matter of Puget Sound Energy Clean Energy Implementation Plan Pursuant to WAC 480-100-640*, Docket UE-210795, Order 08 Approving CEIP Subject to Conditions (Jun. 6, 2023).

- reserve contingency that is expected to be deployed in a given year is updated on a monthly basis by the project or program leadership team. Reserve contingency expenses are not explicitly in the budget at the project or program level and are only released after having gone through the appropriate governance process which includes leadership review and approval.
- c. Due to the dynamic nature of detailed O&M planning related to the development of the next CEIP, at the time the rate filing occurred, all of the anticipated CEIP expenses for the first two years of the next CEIP implementation period were not fully allocated to the detailed cost center and cost element levels. Therefore, for transparency, all approved but unallocated funds were captured in the reserve contingency cost element. During the detailed planning process, which concluded since the filing, all CEIP expenses have been reflected at the detailed cost center and cost element, where the actual expenses will be recorded.