Exh. JBN-6
Dockets UE-220066, UG-220067, UG-210918
Witness: Joel B. Nightingale

BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, **Complainant,** **v.** **PUGET SOUND ENERGY,** **Respondent.**	**DOCKETS UE-220066, UG-220067, UG-210918 (consolidated)**
In the Matter of the Petition of **PUGET SOUND ENERGY** **For an Order Authorizing Deferred Accounting Treatment for Puget Sound Energy's Share of Costs Associated with the Tacoma LNG Facility**	

EXHIBIT TO TESTIMONY OF

JOEL B. NIGHTINGALE

STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION

PSE Response to UTC Staff Data Request No. 261

July 28, 2022

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Dockets UE-220066 & UG-220067
Puget Sound Energy
2022 General Rate Case

<u>WUTC STAFF DATA REQUEST NO. 261:</u>
REQUESTED BY: Joel Nightingale

Re: Energize Eastside

The Commission's Used and Useful Policy statement (see Docket U-190531) requires the identification of "estimated or projected costs (including all offsetting factors and duplicative recovery considerations)" for provisional capital plant additions. Exhibit SEF-1T, at page 16, says "the various witnesses who discuss each of the projects or programs provides discussion of offsetting benefits *as applicable*." (emphasis added). Witness Koch does not discuss offsetting factors in Exhibit DRK-1T. In Exhibit JAK-1T, witness Kensok lists estimated benefits by Corporate Spending Authorization in Table 1, but does not include Energize Eastside.

a. Does PSE consider offsetting factors to be applicable and/or quantifiable in the Energize Eastside project?
b. If so, please provide documentation of PSE's analysis of offsetting factors, including the results of such analysis.
c. If not, please provide a rationale as to why offsetting factors are not applicable and/or not quantifiable to the Energize Eastside project.

<u>Response:</u>

Puget Sound Energy ("PSE") provides the following response to WUTC Staff Data Request No. 261.

a. PSE does not consider all projects to have discreet offsetting benefits, as outlined in the Prefiled Direct Testimony of Joshua A. Kensok, Exh. JAK-1T, page 14. One benefit of the Energize Eastside project will be the plant retirement of the existing 115 kV transmission lines associated with Energize Eastside, which will follow the normal process for plant retirements. The retired plant will no longer result in depreciation expense, and the reduced depreciation will have a corresponding impact to accumulated depreciation and deferred income taxes. However, offsetting this benefit will be an increase to the operation and maintenance ("O&M") costs associated with the 230 kV transmission line upgrade as the new transmission substation will require incremental O&M expense to comply with North American Electric Reliability Corporation ("NERC") reliability standards including, for example, required annual inspections that are not needed for the existing 115 kV line that will be retired. O&M expenses are discussed in the Prefiled Direct Testimony of Catherine A. Koch, Exh. CAK-1T, pages 64 to 70.

b. As noted in the Prefiled Direct Testimony of Susan E. Free, Exh. SEF-1T, at 25:8-12, "in Adjustment 6.30 and 11.30, PSE has incorporated the impact of estimated plant retirements based on a three year historical average. Over the multiyear rate plan, this adjustment decreases the revenue requirement on electric by $16.7 million, while for natural gas, this adjustment reduces revenue requirement by $3.2 million."

This methodology does not forecast specific assets being retired, as it is based on historical averages, but a portion of these forecasted retirements would be related to the category of assets that will retire when PSE places the Energize Eastside project into service. The revenue requirement impact of the retirements is to decrease depreciation expense, as the rate base impact is net neutral as both gross plant and accumulated depreciation decrease by the same amount.

PSE's work paper *NEW-PSE-WP-SEF-16-Capital-Forecast-22GRC-01-2022* contains forecasted information for the Energize Eastside project. Column B in tab "Plant Closing Detail fr JAK wp" contain the two WBS elements associated with the project: R.10005.01.01.01: E Eastside 230Kv Subs Richards Creek and R.10005.01.01.07: E Eastside 230Kv Tlines. These two WBS are categorized into the below depreciation groups as detailed in *NEW-PSE-WP-SEF-6E-11G-DeprRollFwd-WBS-to-Depr-Grp-22GRC-01-2022*.

WBS	Depreciation Group	Percent
R.10005.01.01.01	E3536 TSM Substation Equipment E3900 GEN Structures & Improvements	54.37% 45.63%
R.10005.01.01.07	E355 TSM Poles & Fixtures E3556 TSM Poles E356 TSM O/H Conductors & Devices E3566 TSM O/H Conductors & Devices E3970 GEN Comm Equip, new*	75.18% 8.70% 13.59% 1.57% 0.96%

*E3970 has a 15 year life and amortizes over that period and is retired when fully amortized

As detailed in the "Pivot Reduce Depr Expense" tab of *NEW-PSE-WP-SEF-6E-11G-EstPlantRetiresDeprRevsl-22GRC-01-2022*, which supports Adjustments 6.30 and 11.30 as noted in Exh. SEF-1T, PSE has forecasted a decrease in depreciation expense related to the depreciation groups from which the 115kV line will be retired. While this estimated depreciation includes other projects beyond Energize Eastside, a portion of the below depreciation expense decrease is deemed to be related to the Energize Eastside project.

Depreciation Group	2021	2022	2023	2024	2025
E353	(12,629)	(134,544)	(312,372)	(481,066)	(694,760)
E355	(762)	(9,198)	(15,143)	(22,743)	(30,343)
E356	(39)	(1,029)	(1,847)	(2,756)	(3,666)
E390	(365)	(9,117)	(22,947)	(34,186)	(45,425)

c. Please see PSE's response to subpart a.