

**EXH. LCM-3
DOCKETS UE-220066/UG-220067
2022 PSE GENERAL RATE CASE
WITNESS: LAUREN C. MCCLOY**

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY,

Respondent.

**Docket UE-220066
Docket UG-220067**

**SECOND EXHIBIT (NONCONFIDENTIAL) TO THE
PREFILED RESPONSE TESTIMONY OF**

LAUREN C. MCCLOY

**ON BEHALF OF NW ENERGY COALITION, FRONT AND CENTERED, AND
SIERRA CLUB**

JULY 28, 2022

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

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

NWEC DATA REQUEST NO. 001:

Re: Power Costs

Please explain whether and how PSE plans to incorporate the results of (a) the All-source RFP in docket UE-210220 and (b) the DER/DR RFP in docket UE-210878 into this case. If PSE does not intend to incorporate the results of these RFPs into this case, please explain how PSE intends to seek cost recovery for resources included in its CEIP? Please answer for both (a) and (b).

Response:

There are two aspects to this request addressing incorporation of the results of the Requests for Proposals (“RFP”): the recovery of power costs and the recovery of capital costs. Both are addressed below.

Recovery of power costs:

As described in the Prefiled Direct Testimony of Paul K. Wetherbee, Exh. PKW-01CT, the power supply portfolio reflected in Puget Sound Energy’s (“PSE”) power cost projections includes only existing resources and contracts that have been executed as of PSE’s initial filing in this proceeding. PSE plans to update its power cost projections in early August for the rebuttal filing on August 23, 2022. PSE expects to execute contracts as part of the All-source RFP and Distributed Energy Resource (“DER”)/Demand Response (“DR”) RFP processes starting in late 2022 and into 2023, and does not expect to have executed contracts prior to updating power cost projections for the rebuttal filing in August.

Additionally, Order 03 in Dockets UE-220066 and UG-220067 limits the items that PSE can update in its power cost projections for the rebuttal filing. Based on the limitations in Order 03, any new PPAs acquired through the All-source RFP or DER/DR RFP prior to the rebuttal filing would still not be allowed in the power cost update.

The power costs associated with resources and contracts acquired and executed through the All-source RFP or DER/DR RFP would be included in the first rate case or annual power cost update filing following their execution. Based on the expected timing of the All-source RFP and DER/DR RFP processes, power costs related to some new contracts would be included in a 2023 annual power cost update filing in April 2023 for

rates effective January 1, 2024, consistent with the proposal for annual updates presented in the Prefiled Direct Testimony of Janet K. Phelps, Exh. JKP-01T, if approved. Any additional new contracts that are executed too late for inclusion in the January 1, 2024 rate change would be included in subsequent annual filings, if approved.

Recovery of capital costs:

The capital cost projections of DER and DR from the DER/DR RFP in Docket UE-210878 are included in this proceeding as detailed in Table 8 at 73:16-17 in Exh. WTE-1CT. The prudence is supported by the testimony of Mr. Einstein and, as noted in Exh. WTE-1CT at 74:4, approximately 74 percent of these expenditures are allocated to PSE's Clean Energy Implementation Plan while the remainder relate to PSE's DER Energy Storage Demonstration Strategy.

As detailed in Exh. SEF-4, the DER expenditures are included in PSE's revenue requirement in this proceeding within adjustments 6.31 (Programmatic Provisional Proforma) and 6.33 (Specific Provisional Proforma). Specifically, they are included within the Customer Sited Energy Storage and Rooftop Solar programs. The DR expenditure is included within adjustment 6.34 (Projected Provisional Proforma) along with all other projects assigned to this category.

As noted above, PSE does not expect to execute contracts related to the DER/DR RFP until late 2022 and into 2023, so the final costs cannot be updated in this proceeding. As noted in the Prefiled Direct Testimony of Susan E. Free, Exh. SEF-1T at 28:15-21, PSE is proposing that rates that are recovering estimated utility plant related items beyond 2021, which includes the above DER/DR investments, be set subject to refund. PSE has also proposed a retrospective review of the amounts that are subject to refund, in which actual expenditures will be compared to the forecasts utilized in this proceeding to determine if any refund is necessary. PSE describes its retrospective review proposal in more detail in Exh. SEF-1T pages 29-50.