

**EXH. RJB-5
DOCKETS UE-220066/UG-220067
2022 PSE GENERAL RATE CASE
WITNESS: RONALD J. BINZ**

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY,

Respondent.

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

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

RONALD J. BINZ

**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. 034:

Re: Revenue Requirement Model

Please provide all documents that evaluate using a revenue-cap approach for PSE's electric utility service in Washington. As used herein, the term "revenue-cap" refers to a limit on rate growth as described in Exhibit MNL-3 starting on page 37 of 73.

Response:

Puget Sound Energy ("PSE") never evaluated the indexing approach to the design of a revenue adjustment mechanism which is discussed in Dr. Lowry's report starting on page 37. Dr. Lowry explains in those pages that this approach to ratemaking frequently provides inadequate funding for capital expenditures in the short run, and this has frequently led to the approval of supplemental capital funding (e.g., capital cost trackers) in multi-year rate plans that include such an index. The design of comprehensive revenue cap indexes is particularly complicated for a vertically integrated electric utility ("VIEU") like PSE for reasons that include the following.

- They are engaged in generation as well as transmission and distribution.
- The extent of involvement by VIEUs in these activities varies, as do the age and nature of the generation facilities that they own.
- It is challenging to design a single revenue cap index that applies to all of these services.

For reasons like these, revenue cap indexes have rarely been used to regulate VIEUs.

A comprehensive revenue cap index may also be inconsistent with the used and useful policy established by the Commission in Docket U-190531 or some provisions of RCW 80.28.425 – see for example the language in Section 3(b).