

**Exh. ECO-11
Dockets UE-170033/UG-170034
Witness: Elizabeth O'Connell**

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY,

Respondent.

**DOCKETS UE-170033 and
UG-170034 (*Consolidated*)**

**EXHIBIT TO
TESTIMONY OF**

Elizabeth C. O'Connell

**STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

PSE's response to Staff data request 278.

June 30, 2017

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

**Dockets UE-170033 and UG-170034
Puget Sound Energy
2017 General Rate Case**

WUTC STAFF DATA REQUEST NO. 278

WUTC STAFF DATA REQUEST NO. 278:

RE: Environmental Remediation Projects adjustment

Please refer to Exh. No. SEF-1T, page 23:1 – 5. Explain the Company’s rationale for using the amounts in PSE workpaper “6.19E & 6.19G Environmental 17GRC.xlsx,” in the “Future Costs” tab, to allocate the unassigned insurance and third party recoveries to offset part of the actual costs.

Response:

Puget Sound Energy (“PSE”) has substantially exhausted many available policies and believes the prospect of additional significant recoveries is low. Because current future cost estimates exceed potential additional recoveries, PSE has proposed to retain a portion of its existing recoveries to help offset additional remediation costs in the future. In addition, there are a small number of sites where PSE regularly receives proceeds from third parties. These recoveries are directly applied to each specific site to offset costs incurred.

PSE had concerns about intergenerational inequities that could occur if the entire amount of proceeds were used to offset actual costs and thought it best to reserve a portion of the proceeds to ensure that some recoveries would be available to address the remediation associated with projects that are still early in the remediation process. As a result, PSE relied on existing Generally Accepted Accounting Principles (“GAAP”) under Financial Accounting Standards Board Accounting Standards Codification No. 410-30-25 Asset Retirement and Environmental Obligations (“ASC 410-30-25”), which requires the recognition of liabilities associated with environmental liabilities. PSE utilized this existing GAAP requirement to determine a reasonable estimate of what the total net environmental costs would be by adding the mid-range of the future cost estimate to the existing net environmental costs as of September 30, 2016. The proportion of the net environmental costs incurred through September 30, 2016 to the total net environmental costs was used to determine the proportion of the unallocated insurance and third party proceeds to pass back in the current proceeding. Conversely, the remaining proportion would be held to apply against the future costs yet to be

incurred, for which ASC 410-30-25 provides a reasonable estimate. Attached as Attachment A to PSE's Response to WUTC Staff Data Request No. 278, please find a copy of ASC 410-30-25.