

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND)	DOCKETS UE-240004,
TRANSPORTATION COMMISSION,)	UG-240005, and UE-230810
)	(<i>Consolidated</i>)
Complainant,)	
)	
v.)	
)	
PUGET SOUND ENERGY,)	
)	
Respondent.)	
_____)	
)	
In the Matter of the Petition of)	
)	
PUGET SOUND ENERGY)	
)	
Petitioner,)	
)	
For an Accounting Order Authorizing)	
deferred accounting treatment of)	
purchased power agreement expenses)	
pursuant to RCW 80.28.410)	
_____)	

**RESPONSE TESTIMONY OF CHAD D. WILCOX
ON BEHALF OF
MICROSOFT CORPORATION**

August 06, 2024

1 **I. INTRODUCTION AND SUMMARY**

2 **Q. PLEASE STATE YOUR NAME AND OCCUPATION.**

3 A. My name is Chad D. Wilcox. I am an independent consultant organized as Chad Wilcox
4 Consulting, LLC. My witness qualification statement can be found in Exhibit No. CDW-
5 2.

6 **Q. PLEASE IDENTIFY THE PARTY ON WHOSE BEHALF YOU ARE**
7 **TESTIFYING.**

8 A. I am testifying on behalf of Microsoft, a PSE customer taking electric distribution service
9 under the Special Contract (“SC”) class tariff.

10 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

11 A. The purpose of my testimony is to discuss an error that was included in PSE’s initial
12 filing and to recommend a correction to remedy that error.

13 **Q. WHAT IS THE SCOPE OF YOUR REVIEW?**

14 A. I reviewed PSE’s filed testimony, workpapers and rate design models used to determine
15 rates for the SC class. I have reviewed PSE’s responses to data requests submitted by
16 Microsoft including Microsoft Data Request Nos. 001 through 008.

17 **Q. PLEASE SUMMARIZE YOUR PRINCIPLE RECOMMENDATIONS AND**
18 **CONCLUSIONS.**

19 A. My recommendation is that PSE should correct an error reflected in its initial filing by
20 properly crediting Contributions in Aid of Construction (CIAC) made by Microsoft to the
21 cost of plant used to determine distribution charges for the SC class within 240004-05-
22 PSE-WP-CTM-6-ELEC-RATE-DESIGN-(SC-DIST)-24GRC-02-2024. This error was
23 acknowledged by PSE in response to Microsoft Data Request No. 003. This data
24 response is attached as Exhibit CDW-3.

1 **II. PSE’S ERROR IN CALCULATING THE SC RATE**

2 **Q. WHAT ERROR DID PSE MAKE IN CALCULATING THE SC RATE?**

3 **A.** In response to Microsoft Data Request No. 003, PSE confirmed that the calculation of the
4 distribution charges for the SC class did not account for CIAC from Microsoft totaling
5 \$8,340,426.38. This oversight resulted in an overstatement of the cost of plant used to
6 serve the SC class, which provides a basis for determining directly assigned distribution
7 costs to the SC class, and an overstatement of SC class distribution rates for the 2025 and
8 2026 rate years.

9 **Q. WHAT IS A CIAC?**

10 **A.** CIAC, or Contributions in Aid of Construction, refers to payments or contributions made
11 by a customer, such as Microsoft, to a utility company to fund specific infrastructure or
12 facility upgrades. These contributions help cover the costs of construction and installation
13 of utility assets, reducing the financial burden on the utility and its ratepayers. In general,
14 CIAC should be reflected as a credit or reduction to the installed cost of electric plant.

15 **Q. WHAT CIAC DID MICROSOFT MAKE?**

16 **A.** As noted in PSE’s response to Microsoft Data Request 003, CIAC charged to Microsoft
17 associated with plant additions since February 2021 total \$6,961,433.28 already paid by
18 Microsoft and an additional \$1,365,753.21 CIAC invoiced to Microsoft and awaiting
19 payment, for a total Microsoft CIAC of \$8,340,426.38. PSE’s workpapers provided
20 details of these payments.

21 **Q. WHAT IS THE STATUS OF MICROSOFT’S PAYMENTS TO PSE?**

22 **A.** My understanding is that Microsoft is working with PSE to reconcile any outstanding
23 invoices. PSE should be able to report on the status of this effort in its rebuttal testimony.

24 **Q. HOW SHOULD MICROSOFT’S CIAC BE REFLECTED IN THE**
25 **CALCULATION OF DISTRIBUTION RATES FOR THE SC CLASS?**

1 A. Microsoft's CIAC is associated with plant additions to distribution feeders used to serve
2 Microsoft's East Campus and should be credited against the cost of distribution feeders
3 serving this campus. Relative to PSE's initial filing, the cost of distribution feeders
4 serving the SC class should be reduced by \$8,340,426.38.

5 **Q. HOW DOES THE CORRECTION OF PSE'S ERROR AFFECT RATES FOR THE**
6 **SC CLASS?**

7 A. The proposed adjustment reduces the originally filed SC class distribution charges by
8 \$819,899.85 for MYRP 2025 and by an additional \$89,289 for MYRP 2026. These
9 adjustments also result in reductions to Sch 141WFP Rate Plan charges totaling \$44,601
10 for MYRP 2025 and \$11,085 for MYRP 2026. In total, SC class charges should be
11 reduced by approximately \$864,500 for MYRP 2025 and by \$100,374 for MYRP 2026.
12 This adjustment reduces PSE's originally proposed GRC Revenue Change for the SC
13 class from 72.66% to 58.51% for MYRP 2025 and from 5.71% to 5.20% for MYRP
14 2026.

15 **Q. IS THIS CORRECTION CONSISTENT WITH A REMEDY THAT HAS BEEN**
16 **PROPOSED BY PSE?**

17 A. Yes, this correction is consistent with the adjustment proposed by PSE in responding to
18 Microsoft Data Request 003. In that response, PSE provided a revised set of exhibits and
19 workpapers outlining the proposed adjustment I have described above. Moreover, PSE
20 proposed that it would update the record to incorporate this adjustment as part of its
21 rebuttal testimony.

22 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

23 A. Yes.