

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**Dockets UE-170033 and UG-170034
Puget Sound Energy
2017 General Rate Case****PUBLIC COUNSEL DATA REQUEST NO. 071****PUBLIC COUNSEL DATA REQUEST NO. 071:**

Re: Direct Testimony of Booga Gilbertson, Exhibit No. BKG-1T, at 32-34 (Electric Cost Recovery Mechanism).

At page 32, Ms. Gilbertson states, “A model similar to the Gas CRM would be beneficial in enhancing PSE’s electric reliability. By allowing PSE to recover prudently incurred costs related to the repair, improvement, and replacement of specific, targeted aging infrastructure through an electric cost recovery mechanism would allow PSE to maintain and improve the efficiency, safety, reliability and resiliency of the existing infrastructure at a faster pace than done historically.” Please respond to the following:

- (a) Please explain whether Ms. Gilbertson or Puget Sound Energy are claiming any inability to “recover prudently incurred costs” associated with electric utility reliability investments that are made by the utility in the normal course of business and in the absence of the proposed new Electric CRM.
- (b) Has PSE failed to prudently invest in needed electric utility reliability investments in prior years in the absence of an Electric CRM?
- (c) Please explain and quantify the scope of any affirmative response to part (b), indicating which investments were not made in identified prior years that should have been made, due to any inability of PSE to recover investment costs.
- (d) Does PSE or Ms. Gilbertson contend that the Company will make needed incremental future investments in electric utility plant only if the proposed Electric CRM is approved?
- (e) Please explain and quantify the scope of any affirmative response to part (d), indicating the specific investment projects and programs and related forecasted investment costs by year that will only be undertaken in the presence of a Commission-approved Electric CRM.

Response:

- (a) No. Puget Sound Energy (“PSE”) has recovered prudent investments through normal general rate case proceedings. The proposed plan as described in the Prefiled Direct Testimony of Catherine A. Koch, Exhibit No. ____ (CAK-1CT) and Exhibit No. ____ (CAK-3C) elevates spending beyond historic levels that make the economics of accelerating this type of investment challenging considering the approximate 27 month or more regulatory lag associated with traditional ratemaking. Please see PSE’s Response to Public Counsel Data Request No. 041.
- (b) No. PSE has prudently invested in reliability investments as discussed in the Prefiled Direct Testimony of Booga K. Gilbertson, Exhibit No. ____ (BKG-1T), at pages 17:17-20 to 18:1-8 and 26:9-21 to 27:1-22 and 30:3-16 to 31:1-21, and those reliability investments have effectively reduced customer interruptions as discussed at 28:11-17 to 29:1. PSE will continue to focus on reliability in its traditional way, but the proposed plan drives reliability beyond historic levels by focusing on causes that increase outage trends, and doing so in areas that have traditionally been challenging to address based on costs and benefits.
- (c) PSE did not respond affirmatively to part (b).
- (d) No. PSE will continue to focus on reliability investments. For the specific targeted areas proposed in PSE’s Electric Cost Recovery Mechanism (“ECRM”), should the proposed plan not be approved, PSE will not pursue completion at the accelerated rate as proposed.
- (e) PSE did not respond affirmatively to part (d). PSE’s proposed elevated expenditures for the proposed plan are described in the Prefiled Direct Testimony of Catherine A. Koch, Exhibit No. ____ (CAK-1CT), at pages 15:1-7 and 16:10-16. Absent approval of the proposed ECRM, PSE would return to the historical five year investment level for the two target areas mentioned in the testimony.

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**Dockets UE-170033 and UG-170034
Puget Sound Energy
2017 General Rate Case****PUBLIC COUNSEL DATA REQUEST NO. 072****PUBLIC COUNSEL DATA REQUEST NO. 072:**

**Re: Direct Testimony of Catherine Koch, Exhibit No. CAK-1CT, at 7;
Exhibit No. CAK-3C (Electric Reliability Plan and Cost Recovery Mechanism).**

At page 7, Ms. Koch states, “A structured mechanism would provide an incentive for investment in identified areas that may otherwise take PSE a substantial amount of time or resources to address, such as with the worst performing circuits. It would also provide incentive to address the failure prone HMW underground cable before it fails therefore saving the customer from an unnecessary inconvenience and impact due to an outage.” Please respond to the following:

- (a) Confirm that Puget Sound Energy will only undertake the “2017 and 2018 Electric Reliability Plan” set forth in Exhibit No. CAK-3C if the Commission approves the Electric CRM cost recovery proposal, or explain any inability to provide such confirmation.
- (b) Does Ms. Koch or PSE contend that the costs of its proposed “2017 and 2018 Electric Reliability Plan” set forth in Exhibit CAK-3C is only prudently incurred if the Commission approves the Electric CRM cost recovery proposal?
- (c) Please explain any affirmative response to part (b) and provide supporting calculations and documentation in support of your response.
- (d) Does Ms. Koch or PSE contend that the costs of its proposed “2017 and 2018 Electric Reliability Plan” as set forth in Exhibit No. CAK-3C, are affordable by the Company only if the Commission approves the Electric CRM cost recovery proposal?
- (e) Please explain any affirmative response to part (d) and provide supporting financial forecasts, calculations and documentation in support of your response.
- (f) To what extent does Ms. Koch or PSE believe that the “2017 and 2018 Electric Reliability Plan” set forth in Exhibit No. CAK-3C represents a prudent and

reasonable commitment of resources without regard to the ratemaking treatment afforded the investment and expenses incurred?

- (g) To what extent is it reasonable for PSE ratepayers to pay higher rates through an Electric CRM in order to incent electric plant investment that does not prioritize reliability improvements that result in the greatest benefits for the costs, which approach is noted as PSE's current investment prioritization methodology within Ms. Koch's testimony (page 7, line 6)?

Response:

- (a) Puget Sound Energy's ("PSE") proposed plan will be completed during the 2017 through 2018 timeframe if the Commission approves the Electric Cost Recovery Mechanism ("ECRM"). If the ECRM is not approved, the 2018 work plan will be delayed, and PSE will complete this work in accordance with the historic spending level and timeframe described in the Prefiled Direct Testimony of Catherine A. Koch, Exhibit No. ___(CAK-1CT). Please also see PSE's Response to Public Counsel Data Request No. 011 and 012.
- (b) No. PSE's proposed plan specifically targets improvements that are prudent irrespective of the Commission's approval of the ECRM. PSE will complete these projects per the historic spending level and timeframe if the ECRM is not approved.
- (c) PSE did not respond affirmatively to part (b).
- (d) PSE's proposed plan is an increased annual expenditure which is beyond historic spending levels that have been typically established by aligning spending with customer growth rates and associated revenue levels. The proposed plan as described in the Prefiled Direct Testimony of Catherine A. Koch, Exhibit No. ___(CAK-1CT) and Exhibit No. ___(CAK-3C) elevates spending beyond historic levels, thereby exceeding the revenue levels and making the economics of accelerating this type of investment challenging considering the approximate 27 months or more of regulatory lag associated with traditional ratemaking.
- (e) Attachment A to PSE's response to Public Counsel Data Request No. 072 is an MS Excel spreadsheet that provides the calculation of the first two years of revenue requirement associated with both the 2017 and 2018 reliability plan expenditures and represents the revenue impact associated with the regulatory lag.
- (f) PSE has provided a proposed plan that was scoped through its normal planning processes and benefit and cost analysis and therefore is a prudent and

reasonable commitment of resources. Please see PSE's Response WUTC Staff Data Request No. 079 (a) for more information about PSE's planning process.

- (g) PSE's planning process optimizes benefit and cost across a portfolio based on given financial constraints. It does not specifically rank work in a priority order or determine what is not beneficial as planning engineers only input feasible projects that bring benefit. By increasing spending beyond historic levels the optimal portfolio expands to include additional projects that may have had less value only as defined by a given funding level. The term prioritization refers to what is "funded" and "not funded" as a result of the constraints.

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**Dockets UE-170033 and UG-170034
Puget Sound Energy
2017 General Rate Case****PUBLIC COUNSEL DATA REQUEST NO. 075****PUBLIC COUNSEL DATA REQUEST NO. 075:****Re: Direct Testimony of Jon Piliaris, Exhibit No. JAP-1T, at 147; Exhibit No. JAP-32 (Electric CRM Proposal).**

At page 147, Mr. Piliaris states, “As discussed in the Prefiled Direct Testimonies of Ms. Booga Gilbertson, Exhibit No. ___(BKG-1T) and Ms. Catherine A. Koch, Exhibit No. ___(CAK-1T), PSE is requesting an Electric Cost Recovery Mechanism (“ECRM”) in order to accelerate the replacement of targeted reliability improvements intended to reduce the number and length of outages” and he quantifies, “...the estimated revenue requirement associated with the ECRM in the first year is approximately \$10.5 million” with calculations that are set forth in Exhibit No. JAP-32. Please respond to the following:

- (a) Does Mr. Piliaris or Puget Sound Energy contend that the revenue requirement associated with the Company’s proposed additional expenditures to “accelerate the replacement of targeted reliability improvements intended to reduce the number and length of outages” is not affordable to be undertaken from PSE’s future electric utility revenues, income and cash flows under traditional regulation and in the absence of an Electric CRM?
- (b) Please explain the basis for any affirmative response to part (a) and provide complete copies of all studies, reports, analyses, workpapers, projections and other documents relied upon in support of your response.
- (c) Does Mr. Piliaris or PSE agree that it may be possible for the Company’s other future expenses or prioritized capital investments to decline, freeing up financial resources that could be available to help fund the Company’s proposed additional expenditures to “accelerate the replacement of targeted reliability improvements intended to reduce the number and length of outages”?
- (d) Please explain the basis for any negative response to part (c) and provide complete copies of all studies, reports, analyses, workpapers, projections and other documents relied upon in support of your response.

Response:

- (a) Please see Puget Sound Energy's ("PSE") Response to Public Counsel Data Request No. 072(d).
- (b) Please see PSE's Response to Public Counsel Data Request No. 072(e).
- (c) Possibly, just as it is also possible that PSE's future expenses and other prioritized capital investments may increase, making it uncertain whether other financial resources will be available for this work. Therefore, the only way to ensure that this accelerated electric reliability plan will be completed on the proposed timeline is approval of the Electric Cost Recovery Mechanism.
- (d) PSE did not respond negatively or affirmatively to part (c) above. The Response is knowable on its face without the need for studies, reports, analyses, workpapers, projections and other documents and, as such, none were relied upon.