

**Exh. RMM-7
Dockets UE-220066, UG-220067,
UG-210918
Witness: Roxie M. McCullar**

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY,

Respondent.

**DOCKETS UE-220066, UG-220067,
UG-210918 (consolidated)**

In the Matter of the Petition of

PUGET SOUND ENERGY

**For an Order Authorizing Deferred
Accounting Treatment for Puget Sound
Energy's Share of Costs Associated with
the Tacoma LNG Facility**

EXHIBIT TO TESTIMONY OF

ROXIE M. McCULLAR

**ON BEHALF OF STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

PSE Responses to UTC Staff Data Request Nos. 224 and 225

July 28, 2022

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

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

WUTC STAFF DATA REQUEST NO. 224:

REQUESTED BY: Roxie McCullar

Re: Depreciation Expense

Regarding Account 380, Services:

- a. Is it a correct statement that the underground services in Account 380 are generally retired in place? If this is not a correct statement, provide the corrected statement and the support for the corrected statement.
- b. In total for the most recent five years included in the filed Depreciation Study were at least 80% of the services in Account 380 that retired during those years retired in place? If this is not a correct statement, provide the corrected statement and the support for the corrected statement.
- c. In total for the most recent five years included in the filed Depreciation Study what percent of the services in Account 380 that were retired during those years were retired in place?
- d. If the response to part (b) is other than an unqualified affirmative, explain the most frequent reason that the services were not retired in place, and explain how they were physically retired (for example dug up the entire length and physically removed).

Response:

Please see below for Puget Sound Energy's ("PSE") response to WUTC Staff Data Request No. 224.

- a. Generally, underground services in Account 380 are retired in place, or deactivated (as this is the term that is used internally). PSE follows franchise agreements within our service territories, private land owner preferences, as well as construction standards on when and how to decide whether to deactivate distribution mains that are being retired.
- b. PSE does not specifically track in its accounting system whether retired underground services are deactivated or physically removed from their location. Further, PSE does not currently track the method of disposition of the physical asset being retired that can be reported in an aggregate manner. All underground

services retired in PSE's accounting systems are either deactivated or physically removed and as such, the data presented within the depreciation study represents both deactivated and physically removed underground services. The cost of removal will be higher for those services where PSE was required to physically remove. The relationship between cost of removal and the original cost of retirements is studied as part of the depreciation study and the results of the depreciation study incorporate a multi-year analysis to determine the appropriate level of cost of removal – which contain the costs for both deactivation and physical removal – to be built in to depreciation rates, as highlighted in the Second Exhibit to the Prefiled Direct Testimony of Ned W. Allis, Exh. NWA-3 Part IV *Net Salvage Considerations*.

While PSE is unable to determine an exact percentage, the understanding of the franchise agreements in place with service jurisdictions, as well as internal construction standards, support that a relatively high percentage of underground services are deactivated, and believed to be more than 80%.

- c. As highlighted in PSE's response to subpart b above, PSE is unable to determine a specific percentage of those underground services in Account 380 that are deactivated verses physically removed.
- d. When underground services cannot be deactivated or retired in place, frequent reasons include:
 - a. The services are in the physical way of another construction activity, such as construction or relocation of other utilities or assets owned by the municipality, or in conflict with an improvement, such as a new sidewalk.
 - b. The services are in a location that requires removal in accordance with internal standards (aligned with federal or industry standards), such as under a structure, under a roadway, or required by a needed permit.
 - c. The municipality enforces its authority to request PSE to remove services under the governing franchise agreements to support public improvement work or other needs at the discretion of the municipality.
 - d. Private land owner requests PSE to remove services.

When the services are required to be physically removed, the specific scope, including footage of pipe is determined, as it could be a short section of pipe or much longer depending on the specific site conditions and the requirements, as described above. The section to be physically removed is trenched and removed. Services are typically cut and capped at the main and any exposed services are physically removed. Retired services connected to either an active main or

deactivated main are terminated in accordance with internal standards and sealed with expansive foam or capped in another manner.

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

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

WUTC STAFF DATA REQUEST NO. 225:

REQUESTED BY: Roxie McCullar

Re: Depreciation Expense

Regarding Account 366, Underground Conduit:

- a. Is it a correct statement that the underground conduit in Account 366 are generally retired in place? If this is not a correct statement, provide the corrected statement and the support for the corrected statement.
- b. In total for the most recent five years included in the filed Depreciation Study were at least 80% of the conduit in Account 366 that retired during those years retired in place? If this is not a correct statement, provide the corrected statement and the support for the corrected statement.
- c. In total for the most recent five years included in the filed Depreciation Study what percent of the conduit in Account 366 that were retired during those years were retired in place?
- d. If the response to part (b) is other than an unqualified affirmative, explain the most frequent reason that the conduits were not retired in place, and explain how they were physically retired (for example dug up the entire length and physically removed).

Response:

Please see below for Puget Sound Energy's ("PSE") response to WUTC Staff Data Request No. 225.

- a. Generally, electric underground conduit in Account 366 is retired in place, or abandoned (as this is the term that is used internally). PSE follows franchise agreements within its service territories as well as construction standards on when and how to decide whether to abandon electric underground conduit that is being retired.
- b. PSE does not specifically track in its accounting system whether retired conduit is abandoned or physically removed from their location. Further, PSE does not currently track the method of disposition of the physical asset being retired that can be reported in an aggregate manner. All underground conduit retired in

PSE's accounting systems is either abandoned or physically removed and as such, the data presented within the depreciation study represents both abandoned and physically removed conduit. The cost of removal will be higher for those underground conduit assets where PSE was required to physically remove. The relationship between cost of removal and the original cost of retirements is studied as part of the depreciation study and the results of the depreciation study incorporate a multi-year analysis to determine the appropriate level of cost of removal – which contain the costs for both deactivation and physical removal – to be built in to depreciation rates, as highlighted in the Second Exhibit to the Prefiled Direct Testimony of Ned W. Allis, Exh. NWA-3, Part IV *Net Salvage Considerations*.

While PSE is unable to determine an exact percentage, the understanding of the franchise agreements in place with service jurisdictions, as well as internal construction standards, support that a relatively high percentage of underground conduit assets are abandoned, believed to be more than 80%.

- c. As highlighted in PSE's response to subpart b above, PSE is unable to determine a specific percentage of those underground conduit assets in Account 366 that are abandoned verses physically removed.
- d. When underground conduit cannot be abandoned or retired in place, frequent reasons include:
 - i. The conduit is in the physical way of another construction activity, such as construction or relocation of other utilities or assets owned by the municipality, or in conflict with an improvement, such as a new sidewalk.
 - ii. The municipality enforces its authority to request PSE to remove conduit under the governing franchise agreements to support public improvement work or other needs at the discretion of the municipality.

When conduit is abandoned, the cabling inside is removed.

When the underground conduit is required to be physically removed, the specific scope, including footage is determined, as it could be a short section or much longer depending on the specific site conditions and the requirements, as described above. The section to be physically removed is trenched and removed. As the cabling inside was already removed, no capping is required on conduit alone.