

**Exh. JBN-1T
Dockets UE-220066, UG-220067,
UG-210918
Witness: Joel B. Nightingale**

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY,

Respondent.

**DOCKETS UE-220066, UG-220067,
and 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**

TESTIMONY OF

Joel B. Nightingale

**STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

Energize Eastside Project

July 28, 2022

TABLE OF CONTENTS

I. INTRODUCTION 1

II. SCOPE AND SUMMARY OF TESTIMONY 2

III. DISCUSSION..... 3

 A. Energize Eastside Project Background..... 3

 B. Solutions to the Problem..... 5

 C. Project Approach 9

 D. Adjustment Review 10

 1. Provisional inclusion in rates..... 10

 2. Preliminary prudence review 14

 E. Adjustment 6.33..... 19

LIST OF EXHIBITS

Exh. JBN-2	PSE Response to UTC Staff Data Request No. 96, Attachment A
Exh. JBN-3	PSE Response to UTC Staff Data Request No. 148
Exh. JBN-4	PSE Response to UTC Staff Data Request No. 273
Exh. JBN-5	PSE Response to UTC Staff Data Request No. 149, Attachment A
Exh. JBN-6	PSE Response to UTC Staff Data Request No. 261
Exh. JBN-7	PSE Response to UTC Staff Data Request No. 272
Exh. JBN-8	Staff Proposal for Energize Eastside Revenue Requirement Calculation

1 **I. INTRODUCTION**

2

3 **Q. Please state your name and business address.**

4 A. My name is Joel Nightingale, and my business address is 621 Woodland Square
5 Loop SE, Lacey, Washington, 98503. My business mailing address is P.O. Box
6 47250, Olympia, Washington, 98504-7250. My business email address is
7 joel.nightingale@utc.wa.gov.

8

9 **Q. By whom are you employed and in what capacity?**

10 A. I am employed by the Washington Utilities and Transportation Commission
11 (Commission) as a Regulatory Analyst in the Conservation and Energy Planning
12 Section of the Regulatory Services Division.

13

14 **Q. How long have you been employed by the Commission?**

15 A. I have been employed by the Commission since September 2021.

16

17 **Q. Please state your qualifications to provide testimony in this proceeding.**

18 A. I have a Bachelor of Science degree in Mechanical Engineering from the University
19 of Portland and am an Engineering Intern in Oregon. I have a Master of Science
20 degree in Sustainable Engineering from Villanova University where one of my areas
21 of focus was renewable energy systems.

22

1 **Q. Have you testified previously before the Commission?**

2 A. No.

3

4 **II. SCOPE AND SUMMARY OF TESTIMONY**

5

6 **Q. What is the scope and purpose of your testimony?**

7 A. My testimony addresses Puget Sound Energy's (PSE or Company) Energize Eastside
8 project including the Company's request for a prudence determination. The Energize
9 Eastside project is described primarily in the testimony and exhibits of Company
10 witness Dan'l R. Koch.

11

12 **Q. Please summarize Staff's recommendation.**

13 A. Staff recommends the Commission allow Energize Eastside plant to enter rate base
14 provisionally during Rate Year 1 (2023) (RY1) and Rate Year 2 (2024) (RY2) for
15 the project's respective phases, per the timeline described later in this testimony.
16 Additionally, Staff recommends that this plant be subject to a full prudence review
17 and possible refund as described in Staff Witness Ball's testimony.¹

18

19 **Q. Have you prepared any exhibits in support of your testimony?**

20 A. Yes. I prepared Exhibits JBN-2 through JBN-8.

21 • Exh. JBN-2 shows the Company's ongoing analysis of the need for the Energize
22 Eastside project. In particular, this exhibit shows the most recent PSE system-

¹ Ball, Exh. JLB-1T at 24:8-16.

1 wide and King County winter and summer peak load forecasts and PSE system-
2 wide, and King County actual/observed peak loads.

- 3 • Exh. JBN-3 shows a summary of Corrective Action Plans (including load
4 shedding events) implemented by PSE in the eastside area.
- 5 • Exh. JBN-4 shows PSE’s level of certainty around the forecasted cost of the
6 Energize Eastside project and level of certainty that the project will be built on
7 the timeline proposed.
- 8 • Exh. JBN-5 shows PSE’s expected recovery of plant associated with the
9 Energize Eastside project including the updated timeline for expected plant in-
10 service dates and revenue requirement impacts.
- 11 • Exh. JBN-6 shows PSE’s consideration of offsetting factors related to the
12 Energize Eastside project.
- 13 • Exh. JBN-7 shows PSE’s response to a UTC Staff data request about cost
14 controls applied to the Energize Eastside project.
- 15 • Exh. JBN-8 shows Staff’s proposed Energize Eastside revenue requirement
16 calculation.

17
18 **III. DISCUSSION**

19
20 **A. Energize Eastside Project Background**

21 **Q. What is the Energize Eastside project?**

22 A. Energize Eastside is a project that aims to fix a peak transmission capacity deficit in
23 the portion of PSE’s service territory just east of Lake Washington in King County

1 (hereinafter “eastside area”).² After studying the need, and alternatives to meeting
2 that need, PSE has chosen as its preferred alternative, a project that involves
3 upgrading an existing transmission corridor from 115 kilo-volts (kV) to 230 kV, and
4 construction of a new substation (Richards Creek) at the center of that corridor.³
5

6 **Q. Briefly describe the location and history of the existing transmission corridor in**
7 **the eastside area.**

8 A. The existing transmission corridor runs north from the Talbot Hill substation in
9 Renton to the Lakeside substation in Bellevue and continues north to the
10 Sammamish substation in Redmond. The Sammamish and Talbot Hill substations
11 represent potential direct 230 kV injection points into the eastside area. Those two
12 substations currently convert high capacity 230 kV electricity into lower-capacity
13 115 kV electricity before sending it along the existing eastside transmission corridor
14 to the Lakeside substation at the center of the eastside area. The corridor has existed
15 in essentially its current form since the 1960s. Since then, the eastside area
16 population has grown from approximately 50,000 to about 400,000.⁴
17

18 **Q. What was the origin of the Energize Eastside project?**

19 A. After earlier indications that there may be an emerging transmission reliability issue
20 in central King County, PSE identified a developing need in the eastside area during
21 its 2009 reliability assessment – an annual transmission planning assessment (TPL)

² Koch, Exh. DRK-1T at 43:17-19.

³ Koch, Exh. DRK-1T at 43:9-15.

⁴ Koch, Exh. DRK-1T at 44:12-17.

1 report required by the North American Electric Reliability Corporation (NERC).⁵ To
2 further understand this need, PSE hired Quanta Technology to conduct a needs
3 assessment.⁶ In 2015, Quanta Technology produced a supplemental needs
4 assessment report⁷ which updated the original report with several changes to power
5 flow cases. Both the 2013 needs assessment report and the 2015 supplemental needs
6 assessment report concluded that by the winter of 2017-2018, and summer of 2018, a
7 transmission capacity deficiency in the eastside area would increasingly put
8 customers at risk of outages. As will be discussed in the sections below, PSE chose
9 the Energize Eastside project as a solution to the developing deficiency of the current
10 eastside area transmission infrastructure.

11
12 **B. Solutions to the Problem**

13
14 **Q. What alternatives did PSE explore to fix the identified deficiency?**

15 A. PSE explored two types of solutions to this deficiency: “wires,” and “non-wires”
16 alternatives.

17
18 **1. Wires Alternatives**

19
20 **Q. What are “wires” alternatives?**

21 A. Wires alternatives are projects that involve upgrading traditional distribution and
22 transmission infrastructure like power lines and substation elements to meet

⁵ Koch, Exh. DRK-1T at 49:9-12.

⁶ Koch, Exh. DRK-3.

⁷ Koch, Exh. DRK-4.

1 distribution or transmission deficiencies. They are called “wires” alternatives
2 because they often involve installing more, or higher capacity, distribution or
3 transmission lines.

4

5 **Q. What “wires” alternatives did PSE explore to fix the identified deficiency?**

6 A. PSE explored several types of “wires” alternatives and multiple routing options to
7 address the deficiency. Quanta Technology, in their Eastside Transmission Solutions
8 Report (2014)⁸ and the subsequent Supplemental Eastside Transmission Solutions
9 Report (2015),⁹ brainstormed potential solutions (both “wires” and “non-wires”) and
10 evaluated them against electrical and non-electrical factors. The “wires” options
11 explored in these reports included existing transmission line upgrades, expansion of
12 transmission substations, and new 115 kV lines. These reports (as well as a 2013
13 study performed by Tetra Tech¹⁰) also analyzed many different route options based
14 on land use and environmental factors. In two other studies looking at “wires”
15 alternatives, Power Engineers, Inc. explored the feasibility of running portions of the
16 transmission lines underwater (2014)¹¹ (in Lake Washington) or underground
17 (2014).¹²

18

⁸ Koch, Exh. DRK-5.

⁹ Koch, Exh. DRK-6.

¹⁰ Koch, Exh. DRK-22.

¹¹ Koch, Exh. DRK-13.

¹² Koch, Exh. DRK-14.

1 **Q. How has the need for the project changed over time?**

2 A. PSE’s annual NERC-required transmission planning assessment (TPL) reports have
3 continued to show both summer and winter deficiencies in the eastside area since the
4 deficiency was identified up to the latest study from 2021.¹⁷ Summer peak
5 deficiencies have tended to increase over time. Actual peak loads in the summer
6 have been increasing in recent years¹⁸ roughly in line with expectations in PSE’s
7 load forecasts.¹⁹

8 However, while peak loads in the summer have increased, winter peak loads
9 have not kept up with PSE’s historic load forecasts and recently appear to be
10 trending downward in King County.²⁰ This apparent trend is not consistent with load
11 forecasts which continue, even in the latest 2021 forecast, to show winter load
12 growth.²¹ This optimistic projected winter growth in PSE’s load forecasts, relative to
13 observed system peaks, was noted by the Commission in its Acknowledgement
14 Letter of PSE’s 2017 IRP²² and also in a MaxETA Energy / Synapse Energy
15 Economics, Inc. report commissioned by the city of Newcastle in 2020.²³

16
17 **Q. Does PSE recognize this changing need for the project in this case?**

18 A. No. PSE does not directly recognize the changing need for the project in this case,
19 but Company witness D. Koch’s testimony noted that “the level of need for peak

¹⁷ Nightingale, Exh. JBN-2.

¹⁸ Nightingale, Exh. JBN-2.

¹⁹ Koch, Exh. DRK-12 at 23-24.

²⁰ Nightingale, Exh. JBN-2.

²¹ Nightingale, Exh. JBN-2.

²² Puget Sound Energy 2017 Integrated Resource Plan, Docket UE-160918, Attachment to UTC Acknowledgement Letter (June 19, 2018).

²³ Koch, Exh. DRK-12.

1 demand in the summer for the Energize Eastside project has been exceeded four out
2 of the last five years” without pointing to other such system stressing events during
3 winter peaks.²⁴ In response to UTC Staff Data Request No. 148, PSE identified
4 occurrences since 2013 during which load shedding events, or corrective action plans
5 were implemented in the eastside area. The only events PSE identified were during
6 summer months.²⁵

7
8 **C. Project Approach**

9
10 **Q. What is the scope of the Energize Eastside project?**

11 A. PSE has divided the Energize Eastside project into two phases: the south phase and
12 the north phase.

- 13 1. The south phase includes the development of the new 230-115 kV Richards
14 Creek substation in Bellevue and upgrading the Talbot Hill to Lakeside
15 portion of the transmission line from 115 kV to 230 kV.
16 2. The north phase includes upgrading the Sammamish to Lakeside portion of
17 the transmission line from 115 kV to 230 kV.

18
19 **Q. What is the status of the Energize Eastside project?**

20 A. The south phase of the project is currently under construction.²⁶ The north phase of
21 the project is awaiting pending permitting decisions.²⁷ The south and north phases

²⁴ Koch, Exh. DRK-1T at 53:13-14.

²⁵ Nightingale, Exh. JBN-3.

²⁶ Koch, Exh. DRK-1T at 78:2-4.

²⁷ Koch, Exh. DRK-1T at 77:10-13.

1 are expected to be in service by October 2023 and October 2024, respectively. This
2 new timeline, which pushes the in-service dates for the Energize Eastside project into
3 the rate effective period, are based on PSE’s response to UTC Staff Data Request
4 No. 149.²⁸ Timing of this project matters because recovery of plant in base rates,
5 discussed in the following section, depends on the timing of plant being put in
6 service to customers.

7
8 **D. Adjustment Review**

9
10 **1. Provisional inclusion in rates**

11
12 **Q. How did Staff evaluate whether it is appropriate to include the forecasted**
13 **Energize Eastside project costs in rates provisionally?**

14 A. While the Used & Useful Policy Statement²⁹ notes that inclusion of “provisional pro
15 forma adjustments will be determined on a case-by-case basis,” Staff focused on the
16 key elements in the statement to evaluate whether it is appropriate to include the

²⁸ Nightingale, Exh. JBN-5.

²⁹ *In the Matter of the Commission Inquiry into the Valuation of Public Service Company Property that Becomes Used and Useful after Rate Effective Date*, Policy Statement on Property that Becomes Used and Useful, Docket U-190531 (Jan. 31, 2020) (hereinafter “Used and Useful Policy Statement”).

1 Energize Eastside project in rates provisionally.³⁰ These key elements are described
2 in Staff Witness Ball’s testimony as:³¹

- 3 1. Degree of certainty as to the budget;
- 4 2. Degree of certainty that project will be built;
- 5 3. Demonstration of the need for the project;
- 6 4. Consideration of all offsetting factors; and
- 7 5. Reasonable expectations of cost controls.

8

9 **Q. How certain is the budget of the Energize Eastside project, and how certain is**
10 **the project to be built?**

11 A. The budget for the Energize Eastside project and that the project will be built are
12 relatively certain. As with any project, the costs become more certain as the
13 Company progresses through the project lifecycle. In response to UTC Staff Data
14 Request No. 273, the Company noted that it had “substantially completed
15 construction” of the Richards Creek substation (a major component of the south
16 phase of the Energize Eastside project), and that “44 percent of construction has been
17 completed on the transmission line and cost bids have been secured.”³² PSE’s
18 submitted Project Implementation Plan, updated last in November 2021, shows that

³⁰ The Commission has stated that the Used and Useful Policy Statement provides relevant guidance pertaining to the recovery of provisional capital within the context of a multi-year rate plan. *See WUTC v. Northwest Natural Gas, d/b/a NW Natural*, Dockets UG-200994 et al., Order 05 at fn. 5 (Oct. 21, 2021) (“RCW 80.04.250, which forms the basis for the Policy Statement, is neither superseded nor displaced by RCW 80.28.425, which governs multiyear rate plans. Rather, the requirements set out in RCW 80.28.425 are consistent and compatible with RCW 80.04.250. Accordingly, the Policy Statement continues to provide relevant guidance for regulated utilities and non-company parties that propose recovery of rate effective period property in a multiyear rate plan where rates approved for years two through four are provisional and subject to refund.”).

³¹ Ball, Exh. JLB-1T at 28:5-13.

³² Nightingale, Exh. JBN-4.

1 the north phase of the project reached the 90 percent design phase in March 2018.³³
2 Based on the project's current status and the timeline for permit approval in PSE's
3 direct testimony,³⁴ Staff believes that the updated estimated in-service dates provided
4 by PSE are reasonable.³⁵ Though there is still potential for unexpected costs, the
5 status of the Energize Eastside project would indicate that it is relatively certain to be
6 built as planned within current cost estimates.

7

8 **Q. Is there a need for the Energize Eastside project?**

9 A. Yes. As described earlier in my testimony, PSE provided sufficient evidence to
10 demonstrate the need for the Energize Eastside project.

11

12 **Q. Did PSE consider and include offsetting factors?**

13 A. Yes. The Energize Eastside project will replace an existing transmission line. As
14 such, PSE identified the reduced depreciation cost of the existing infrastructure as
15 the primary source of offsetting benefits.³⁶ Company witness Free notes that, "PSE
16 has incorporated the impact of estimated plant retirements based on a three-year
17 historical average" and considers plant retirements associated with the Energize
18 Eastside project to make up a portion of the associated decrease in depreciation
19 expense.³⁷

20

³³ Koch, Exh. DRK-21.
³⁴ Koch, Exh. DRK-19 and DRK-21.
³⁵ Nightingale, Exh. JBN-5.
³⁶ Nightingale, Exh. JBN-6.
³⁷ Free, Exh. SEF-1T at 25.

1 **Q. Did PSE provide reasonable expectations for cost controls?**

2 A. Yes. The Energize Eastside project generally follows PSE's Project Lifecycle Model
3 which includes budget, schedule, and scope controls, and requires ongoing
4 governance (including Corporate Spending Authorizations³⁸ and Project Change
5 Requests) as the project moves through each phase of its lifecycle.³⁹ However, due to
6 the complexity of the project (e.g., managing a project that is in multiple phases
7 simultaneously, and permitting a linear project) it receives additional oversight from
8 Company leadership.⁴⁰ Changes to the scope and budget of the Energize Eastside
9 project, and associated rationales, were also documented chronologically in the
10 Company's Project Implementation Plan.⁴¹

11
12 **Q. What is Staff's recommendation on inclusion of the forecasted Energize
13 Eastside project costs in rates on a provisional basis?**

14 A. Staff recommends Energize Eastside plant enter rates provisionally in RY1 and RY2
15 for the south phase and north phase, respectively. The Adjustment 6.33 section,
16 below, describes the timeline for these inclusions in more detail.

17
18 **Q. Is Staff proposing a review process or timeline for provisional rate-effective
19 period investments?**

³⁸ Koch, Exh. DRK-20.

³⁹ Bamba, Exh. RBB-1T.

⁴⁰ Nightingale, Exh. JBN-7.

⁴¹ Koch, Exh. DRK-21.

1 A. Yes. Staff witness Ball discusses Staff’s response to PSE’s proposed review process
2 for provisional (rate-effective period) investments.⁴² In general, Staff’s proposed
3 review process is similar to PSE’s proposal, but includes additional details as well as
4 specific performance measures.

5
6 **2. Preliminary prudence review**

7
8 **Q. When does the Commission review prudence of provisional pro forma plant**
9 **placed into rates?**

10 A. Within the Used and Useful Policy Statement, the Commission has indicated that a
11 prudence review of provisional pro forma plant will continue in future review
12 processes after the plant has been placed into service.⁴³ The Commission will then
13 need to examine the continued prudence of company investments and operations
14 based on actual utility performance.⁴⁴ With that said, below are Staff’s preliminary
15 thoughts on the prudence of the Energize Eastside project.

16
17 **Q. Why is Staff not making a final prudence recommendation at this time?**

18 A. As described in Staff witness Ball’s testimony⁴⁵ (and consistent with the
19 Commission’s Used and Useful Policy statement),⁴⁶ Staff believes prudence is a

⁴² Ball, Exh. JLB-1T at 32:13-36:2.

⁴³ See Used and Useful Policy Statement at ¶ 38-42 (“[R]eview and verification of [provisional pro forma] investments must occur in a future period, necessitating a framework of provisional recovery of identified rate-effective period investments, with a retrospective review and verification process, and with rates subject to refund. . . .The Commission’s longstanding practice is to audit and review the prudence of a company’s investment in plant after the plant is placed into service.”).

⁴⁴ Ball, Exh. JLB-1T at 20:15-16.

⁴⁵ Ball, Exh. JLB-1T at 18:22-19:10.

⁴⁶ *Id.*

1 process that applies backward-looking standards. In the “Adjustment 6.33” section,
2 below, Staff describes the new estimated in-service dates for the project which land
3 entirely during the rate-effective period. Without any part of the project being in
4 service, Staff cannot apply these backward-looking standards at this time. As
5 described in the “Provisional inclusion in rates” section of this testimony, Staff
6 recommends the first and second phases of this project enter rates provisionally in
7 RY1 and RY2, respectively, both subject to review and possible refund. This review
8 will include the backward-looking elements of prudence as described in Staff witness
9 Ball’s testimony.

10
11 **Q. Can you briefly describe the prudence standard?**

12 A. As described in Staff Witness Ball’s testimony, the Commission uses a
13 reasonableness standard for making determinations of prudence for capital
14 investments.⁴⁷ This standard asks what a reasonable board of directors and company
15 management would have decided given what they knew or reasonably should have
16 known to be true at the time a decision was made. Staff witness Ball describes a test
17 that examines three factors: “(1) Was the initiation of the project prudent? (2) Was
18 the continued construction of the project prudent?⁴⁸ and (3) Were the construction
19 expenses prudently incurred?” Witness Ball continues to describe how these tests are
20 applied at different points in time during the MYRP process. The Commission has

⁴⁷ Ball, Exh. JLB-1T at 17:25-18:7.

⁴⁸ See also Used and Useful Policy Statement at fn. 39 (“Prudence is always part of the investment threshold question and is continuously evaluated during the life of an investment.”).

1 also stated the need for investor-owned utilities to provide contemporaneous
2 evidence to demonstrate prudence of provisional capital.⁴⁹

3

4 **Q. How does Staff respond to these prudence factors as applied to the Energize
5 Eastside project?**

6 A. As described earlier in this testimony, the need for the Energize Eastside project was
7 established by the Company and alternatives were considered. At this point, Staff did
8 not uncover anything that it believes was imprudent about initiation of the Energize
9 Eastside project. However, the project is ongoing, and as such, Staff expects the
10 Company to continue to adjust to changing circumstances and will return to this
11 point during the future review process for the Energize Eastside project. Lastly, at
12 this point in the Energize Eastside project lifecycle, final project costs are not yet
13 available for review, but the estimated project cost (\$238 million) is still within the
14 budget range estimated from 2014 (\$154 million to \$289 million).⁵⁰ As mentioned in
15 the “Provisional Inclusion in Rates” section of this testimony, the inclusion in rates
16 for rate effective period plant additions is subject to review and possible refund.

17

18 **Q. Are there any other factors that Staff considers relevant to the prudence of
19 capital projects?**

⁴⁹ *WUTC v. Avista Corp. et. al*, Docket UE-190882, Order 05 at 43 (March 20, 2020) (“Documentation and evidence of prudent decision making must be kept contemporaneously with a company’s decision making or the Commission’s ability to evaluate prudence is thwarted. Regulated companies bear the burden of proving their decisions were prudent.”).

⁵⁰ Koch, Exh. DRK-1T at 80:3-10.

1 A. Yes. Staff witness Reynolds discusses the inclusion of equity considerations in
2 Staff's understanding of the public interest.⁵¹ Staff witness Brewer presents Staff's
3 recommendations for including in PSE's capital planning processes an examination
4 of the equitable distribution of benefits and burdens.⁵² Staff witness Navarro's
5 testimony outlines Staff's recommendation regarding the need for PSE to
6 demonstrate that its portfolio of investments is achieving equitable outcomes.⁵³

7
8 **Q. How do these considerations of equity relate to the Energize Eastside project?**

9 A. Staff's recommendations on equitable distribution of burdens and benefits are
10 primarily forward-looking. Staff would expect a project like Energize Eastside to be
11 subject to the proposed changes to the capital planning processes moving forward
12 but understands that the majority of the Energize Eastside project has occurred
13 during the time before new legislation including equity in the public interest took
14 effect.

15
16 **Q. What is Staff's recommendation in response to PSE's request for a prudence
17 determination for the Energize Eastside project?**

18 A. As echoed by Staff witness Ball, the prudence evaluation is an ongoing process.
19 Accordingly, Staff recommends that the Commission allow the forecasted
20 provisional costs of the south and north phases of the Energize Eastside project to

⁵¹ Reynolds, Exh. DJR-1T at 11:9-23.

⁵² Brewer, Exh. MAB-1T at 3-4.

⁵³ Navarro, Exh. HEN-1T at 56:5-13.

1 enter rates provisionally in RY1 and RY2, respectively, subject to review and
2 possible refund after the conclusion of its specified review process.⁵⁴

3

4 **Q. Is there anything Staff will be especially interested in during the prudence**
5 **review of the Energize Eastside project?**

6 A. Yes. As mentioned above, Staff is interested in reviewing how PSE responds to a
7 shifting need for the project (i.e., an apparently shrinking winter need). If the need
8 shifts entirely to a summer need, certain summer-peaking “non-wires” alternatives
9 may look more attractive than they do now with both a winter and summer need.
10 Staff also notes that PSE is early in the process of including the effects of climate
11 change in its load forecasts. A general warming trend would likely produce higher
12 summer peaks (hotter summers) and lower winter peaks (milder winters) which
13 would tend to continue reducing the winter portion of the established need for
14 Energize Eastside.

15 PSE notes that the Company’s Board of Directors has continued to approve
16 the Energize Eastside project in each annual Five-Year Plan starting in 2014. Staff
17 expects that any changing conditions impacting the need for the Energize Eastside
18 project, and/or the most prudent approach to meeting the need, will be
19 communicated with the appropriate management body.

20

⁵⁴ See Used and Useful Policy Statement at fn. 39 (“Prudence is always part of the investment threshold question and is continuously evaluated during the life of an investment.”). See also *id.* At ¶ 46 “[T]his Policy Statement establishes a two-step approval process. The first step involves provisional approval for the inclusion in rates of identified rate-effective period investment. The second step involves final approval after the investments are reviewed and confirmed to be used and useful and prudent.”); See also *id.* at ¶ 20 (“Under this process, we make our final decision on rate recovery in a future period after sufficient information about the property in question has become available.”).

1 **E. Adjustment 6.33**

2

3 **Q. What specific revenue requirement adjustment captures the costs of the**
4 **Energize Eastside project?**

5 A. Adjustment 6.33 is PSE’s pro forma adjustment that captures capital investments in
6 “Specific” projects including the Energize Eastside project.

7

8 **Q. Please describe what costs PSE included in Adjustment 6.33 with respect to the**
9 **Energize Eastside project.**

10 A. PSE’s direct testimony proposes to include costs from the two phases of the Energize
11 Eastside project in rate base according to their estimated in-service dates. The south
12 phase of the project was estimated to be in service by the end of 2022 (and included
13 in RY1 rates), and the north phase was estimated to be in service by the end of 2023
14 (and included in RY2 rates).⁵⁵

15

16 **Q. What is Staff’s recommendation regarding the costs related to Energize**
17 **Eastside that PSE included in revenue requirement via Adjustment 6.33?**

18 A. Staff recommends recalculating the costs included in revenue requirement associated
19 with Energize Eastside to reflect the Company’s revised estimates for the projected
20 in-service dates for the two project phases. PSE now anticipates that the south phase
21 of the project will be in service by October 2023 and the north phase will be in

⁵⁵ Koch, Exh. DRK-1T at 46.

1 service by October 2024.⁵⁶ These changes have been incorporated into Staff's
2 electric Adjustment 6.33.⁵⁷

3

4 **Q. How do the revisions to PSE's projected in-service dates for Energize Eastside**
5 **impact revenue requirement?**

6 A. In Staff's revenue requirement calculation, the revenue requirement associated with
7 Energize Eastside is \$881,652 in 2023 (RY1), \$10,024,781 in 2024 (RY2), and

8 \$31,932,823 in 2025 (RY3).⁵⁸ Relative to PSE's as-filed case, Staff's
9 recommendations on Energize Eastside reduce revenue requirement by

10 approximately \$3.5 million in 2023, \$2.7 million in 2024, and \$1.0 million in 2025.⁵⁹
11

12 **Q. How did Staff arrive at these revenue requirement calculations for the Energize**
13 **Eastside project?**

14 A. Staff's revenue requirement calculations are the result of three steps. First, PSE
15 provided in response to UTC Staff Data Request No. 149 the spreadsheet that the

16 Company used to calculate its revenue requirement for the project. This spreadsheet
17 including both the original as-filed revenue requirement, and the updated revenue

18 requirement per the updated in-service timeline. Second, Staff noticed an error in the
19 cells referenced in that spreadsheet and fixed it.⁶⁰ Finally, Staff changed the rate of

⁵⁶ Nightingale, Exh. JBN-5.

⁵⁷ See McGuire, Exh. CRM-1T at 38:9-39:2.

⁵⁸ Nightingale, Exh. JBN-8.

⁵⁹ Nightingale, Exh. JBN-8 at 1. The revenue requirement reduction shown in JBN-8 relative to PSE's as-filed request includes the impact of Staff's recommended reduction to PSE's requested rate of return.

⁶⁰ Columns R through W appeared to have been shifted up by two rows in the "E3536" tab which impacted the accumulated deferred income tax on the "Rev Req" tab. Staff corrected the formulas on the "Rev Req" tab to reference the correct cells in the "E3536" tab.

1 return and weighted average cost of debt to reflect Staff witness Parcell's
2 recommended values.⁶¹

3

4 **Q. Does this conclude your testimony?**

5 A. Yes.

6

7

⁶¹ Parcell, Exh. DCP-3.