

**Exh. ASR-8  
Dockets UE-220066, UG-220067,  
UG-210918  
Witness: Andrew S. Rector**

**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**

**ANDREW S. RECTOR**

**STAFF OF  
WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION**

*PSE Responses to Select UTC Staff Data Requests*

**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. 270:**

REQUESTED BY: Andrew Rector

**Re: Transportation Electrification**

The Commission's Policy Statement on Property That Becomes Used and Useful After Rate Effective Date (see Docket U-190531) states that "[t]he threshold for including provisional pro forma adjustments will be determined on a case-by-case basis." The Commission further requires that purely projected investments have "information regarding the level of spending, cost controls, and the specific need for the project." (emphasis added).

- a. Please discuss how certain the company is that the investments expected to be made through the TEP will in fact be made.
- b. Please discuss how certain the company is that the investments expected to be made through the TEP will cost what the company claims they will cost in its filing.

**Response:**

As noted on line 32 on page 3 of the Fourth Exhibit to the Prefiled Direct Testimony of Joshua A. Kensok, Exh. JAK-5T, the Transportation Electrification Plan ("TEP") was determined to be a Programmatic investment. Per the Policy Statement in U-190531 ("Policy Statement"), the inclusion of information regarding the level of spending, cost controls, and the specific need for the projected investment is only required for purely *Projected* (emphasis added) investments. Puget Sound Energy ("PSE") has a separate category and adjustment for purely Projected investments, which did not include any component of the TEP investment. Regardless, please refer to the below for the specific information requested for these investments:

- a. As demonstrated by multiple letters of support filed with the Commission as part of WUTC Staff Investigation of PSE's TEP,<sup>1</sup> and PSE's recently approved Phase I Transportation Electrification tariff schedules under Docket UE-220294,<sup>2</sup> there is strong customer interest in the products and services outlined

<sup>1</sup> Docket [UE-210191](#)

<sup>2</sup> Docket [UE-220294](#)

in PSE's TEP. As voluntary customer participation is necessary, this level of interest gives PSE confidence that investments will be made.

- b. PSE detailed in its Cover Letter to the first phase of tariff filings associated with the implementation of PSE's TEP under Docket UE-220294, that PSE "may need to modify its expenditure allocations across its portfolio of TEP products and services to best meet customer expectations and to adjust to an evolving TE market."<sup>3</sup> While PSE modeled the investments using data gathered through PSE's Up & Go Electric Pilots, PSE cannot with specific certainty commit that the investments expected to be made through the TEP will cost what the company estimates they will cost in its filing. In addition to the customer and market impacts noted above, PSE may have to adjust spending to account for other external factors that it can neither predict nor control, such as supply chain limitation, inflationary or other financial issues that could arise. Such impacts are possible, however PSE will use standard cost control, project management and mitigation strategies to make investments that align as closely to the costs proposed in this proceeding as possible. Cost control measures for major projects, such as the TEP, are managed through the Corporate Spending Authorization ("CSA") and project change request processes. Please refer to the Prefiled Direct Testimony of Joshua A. Kensok, Exh. JAK-1T, pages 5-15, for a description of the capital allocation and CSA process. As noted in Exh. JAK-1T on page 33:6-7, PSE's capital allocation process has produced "a strong record of cost control performance, which has resulted in actual spending closely tracking to budgeted/forecasted levels."

Additionally, as discussed in the Prefiled Direct Testimony of Susan E. Free, Exh. SEF-1T, at page 28:17-18, "PSE is proposing that rates that are recovering estimated utility plant related items beyond 2021 be set subject to refund." As noted in Exh. SEF-1T at pages 29-50, PSE has proposed a retrospective review process of forecasted plant expenditures included in this proceeding as compared to actual costs for projects that are above or below their estimated amounts. PSE's proposal is that the review of plant be conducted on a portfolio basis to allow the ability to optimize its investments to ensure prudent decision making when responding to the dynamic business environment under which the decisions will be made. As such, precise adherence to current estimates and timing of plant in service would not be required as long as multiyear rate plan investments as a whole are within a reasonable degree of amounts used to set rates, as described in more detail in Ms. Free's testimony. And ultimately, the earnings sharing test that is also described in Ms. Free's testimony provides safeguards against the setting of rates that are too high in comparison to actual investments ultimately made.

<sup>3</sup> Docket [UE-220294-Advice-2022-13-PSE-CItr-\(4-26-22\).pdf](#); page 5.

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

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

**WUTC STAFF DATA REQUEST NO. 052:**

REQUESTED BY: Andrew Rector

**Re: Transportation Electrification**

Exhibit WTE-1CT at 51:5-6 says that “30 percent of spend within each product and services category” will be towards diversity, equity, and inclusion (DEI). Please describe how PSE will determine whether dollars spent are spent “towards” DEI.

**Response:**

To determine whether dollars are spent towards Equity-Focused (“DEI”) based programs, Puget Sound Energy (“PSE”) will employ standard accounting mechanisms, such as specific work breakdown structures (“WBS”) or order numbers to track dollars spent toward Equity-Focused activities. PSE defines a DEI customer or activity as a service provided to a customer that is part of Named Communities and the community based organizations, government agencies, and tribal entities that serve them. These accounting practices are consistent with the accounting practices established as part of the implementation of PSE’s Up & Go pilot products and services.

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

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

**WUTC STAFF DATA REQUEST NO. 263:**

REQUESTED BY: Andrew Rector

**Re: Distributed Energy Resources**

The Commission's Policy Statement on Property That Becomes Used and Useful After Rate Effective Date (see Docket U-190531) requires the identification of "estimated or projected costs (including all offsetting factors and duplicative recovery considerations)" for provisional capital plant additions. Exhibit SEF-1T, at page 16, says "the various witnesses who discuss each of the projects or programs provides discussion of offsetting benefits as applicable." (emphasis added). Witness Einstein does not discuss offsetting factors in Exhibit WTE-1CT.

- a. Does PSE consider offsetting factors to be applicable and/or quantifiable in the DER preferred portfolio?
- b. If so, please provide documentation of PSE's analysis of offsetting factors, including the results of such analysis.
- c. If not, please provide a rationale as to why offsetting factors are not applicable and/or not quantifiable in the DER preferred portfolio.

**Response:**

- a. Puget Sound Energy ("PSE") has considered offsetting factors, such as impacts on system, transmission and distribution needs and the broader production cost modeling used when evaluating Distributed Energy Resources ("DER") programs, but does not believe they are quantifiable within the context of the multiyear rate plan ("MYRP") and the PSE forecast utilized within the MYRP.

PSE's selection process for the DER Preferred Portfolio considers offsetting factors applicable to the DER programs under consideration. The offsetting factors included in the selection process for the DER Preferred Portfolio mirror those included in PSE's 2021 Integrated Resource Plan ("IRP") with the application of these offsetting factors following the same methodology used in the 2021 IRP.<sup>1</sup> The offsetting factors in question include the System, Transmission, and Distribution Avoided Costs (included in PSE's 12/10/21 Schedule 91

<sup>1</sup> <https://www.pse.com/IRP/Past-IRPs/2021-IRP>

Revisions filed with the UTC<sup>2</sup>), Effective Load Carrying Capacity factors (included in 2022 Updated CEIP, Appendix A-2, tab “Reliable Capacity”<sup>3</sup>), and a Flexibility Benefit that was applied to Battery Energy Storage Systems (included in 2022 Updated CEIP, Appendix A-2, tab “Flex Cost Savings”<sup>3</sup>). The development of the combined Avoided Costs, Effective Load Carrying Capacity factors, and the Flexibility Benefit are all described in depth in PSE’s 2021 IRP, Appendix G: Electric Analysis Models.<sup>4</sup>

In addition to the offsetting factors described above, PSE is currently exploring the development and application of other offsetting factors to the valuation of DER, including various offsetting factors under the broader category of ancillary services. If PSE is able to accurately value any additional factors, they will be included in future DER valuation processes with corresponding documentation of their development.

- b. See part a. above.
- c. As noted above, potential offsetting factors are identified through a number of factors as described in PSE’s IRP. As noted in the Prefiled Direct Testimony of Joshua A. Kensok, Exh. JAK-1T, at pages 16-17, PSE does not solely build its O&M forecast from individual projects and instead uses a top-down approach to keep O&M growth below the rate of inflation. The O&M growth below the rate of inflation inherently reflects the introduction of efficiencies which include, but are not limited to, the offsetting benefits outlined above.

Additionally, to the extent the above offsetting factors represent reductions to capital costs, PSE includes these in the forecasted capital expenditures benefits through the deployment of capital costs to other necessary projects.

<sup>2</sup> <https://apiproxy.utc.wa.gov/cases/GetDocument?docID=14&year=2021&docketNumber=210816>

<sup>3</sup> <https://www.cleanenergyplan.pse.com/ceip-documents>

<sup>4</sup> <https://www.pse.com/-/media/PDFs/IRP/2021/appendix/18->

[IRP21\\_AppG\\_033021.pdf?sc\\_lang=en&modified=20220307202830&hash=DC60FAB79FAA589462C902F98F4A1303](https://www.pse.com/-/media/PDFs/IRP/2021/appendix/18-IRP21_AppG_033021.pdf?sc_lang=en&modified=20220307202830&hash=DC60FAB79FAA589462C902F98F4A1303)

## BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

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

#### **WUTC STAFF DATA REQUEST NO. 264:**

REQUESTED BY: Andrew Rector

#### **Re: Distributed Energy Resources**

The Commission's Policy Statement on Property That Becomes Used and Useful After Rate Effective Date (see Docket U-190531) states that "[t]he threshold for including provisional pro forma adjustments will be determined on a case-by-case basis." The Commission further requires that purely projected investments have "information regarding the level of spending, cost controls, and the specific need for the project." (emphasis added). Please describe the cost controls that the company has in place for its DER portfolio programs and energy storage demonstration projects.

#### **Response:**

As noted on lines 34 and 44 on page 3 of the Fourth Exhibit to the Prefiled Direct Testimony of Joshua A. Kensok, Exh. JAK-5, the Customer-Sited Energy Storage and Rooftop Solar projects, which comprise the Distributed Energy Resources ("DER") preferred portfolio and energy storage demonstration project, were determined to be Programmatic and Specific investments, respectively. They are not categorized as Projected investments which is the topic of this request. Per the Policy Statement in Docket U-190531 ("Policy Statement"), the inclusion of information regarding the level of spending, cost controls, and the specific need for the projected investment is only required for purely *Projected* (emphasis added) investments. Puget Sound Energy ("PSE") has a separate category and adjustment for purely Projected investments, which did not include any component of the DER preferred portfolio or energy storage demonstration project investments. Regardless, please refer below for the specific information requested for these investments.

Cost control measures for major projects, such as the DER portfolio programs and energy storage demonstration projects, are managed through the Corporate Spending Authorization ("CSA") and project change request processes. Please refer to the Prefiled Direct Testimony of Joshua A. Kensok, Exh. JAK-1T, pages 5-15, for a description of the capital allocation and CSA process. As noted in Exh. JAK-1T on page 33:6-7, PSE's capital allocation process has produced "a strong record of cost control performance, which has resulted in actual spending closely tracking to budgeted/forecasted levels." Additionally, for energy storage demonstration projects, PSE will use the New Technology Framework provided in Attachment A to PSE's Response to WUTC Staff Data Request No. 207, as a governance structure for increased visibility of demonstration projects scope, schedule and costs.

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

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

**WUTC STAFF DATA REQUEST NO. 266:**

REQUESTED BY: Andrew Rector

**Re: Distributed Energy Resources**

The Commission's Policy Statement on Property That Becomes Used and Useful After Rate Effective Date (see Docket U-190531) states that "[t]he threshold for including provisional pro forma adjustments will be determined on a case-by-case basis." The Commission further requires that purely projected investments have "information regarding the level or spending, cost controls, and the specific need for the project." (emphasis added)

- a. Please discuss how certain the company is that the investments expected to be made through the DER preferred portfolio will in fact be made.
- b. Please discuss how certain the company is that the investments expected to be made through the DER preferred portfolio will cost what the company claims they will cost in its filing.

**Response:**

As noted on lines 34 and 44 on page 3 of the Fourth Exhibit to the Prefiled Direct Testimony of Joshua A. Kensok, Exh. JAK-5, the Customer-Sited Energy Storage and Rooftop Solar projects, which comprise the Distributed Energy Resources ("DER") preferred portfolio and energy storage demonstration project, were categorized as Programmatic and Specific investments, respectively. They are not categorized as Projected investments, which is the topic of this request. Per the Policy Statement in U-190531 ("Policy Statement"), the inclusion of information regarding the level of spending, cost controls, and the specific need for the projected investment is only required for purely *Projected* (emphasis added) investments. Puget Sound Energy ("PSE") has a separate category and adjustment for purely Projected investments, which did not include any component of the DER preferred portfolio or energy storage demonstration project investments. Regardless, please refer to the below response for the specific information requested for these investments.

PSE cannot be certain that the investments expected to be made through the DER preferred portfolio will all be deployed or that they will ultimately cost the same as what



is included in this filing. Please see the below discussion regarding the provisions of PSE's proposal that allow for the flexibility to optimize spending within its capital portfolio within the multiyear rate plan.

When developing the DER Portfolio, PSE used the best available information for program and resource costs. These costs are necessarily estimates as they were developed prior to any acquisition process. PSE relied on subject matter experts to provide cost information from similar programs/projects. It is PSE's intention to move forward with these investments based on the results of the DER Request for Proposals process<sup>1</sup> and any other additional acquisition processes required. It is expected that the acquisition process will result in a refinement of cost information that will be provided through progress reports associated with the Clean Energy Action Plan and the Clean Energy Implementation Plan.

Additionally, as discussed in the Prefiled Direct Testimony of Susan E. Free, Exh. SEF-1T, at page 28:17-18, "PSE is proposing that rates that are recovering estimated utility plant related items beyond 2021 be set subject to refund." As noted in Exh. SEF-1T at pages 29-50, PSE has proposed a retrospective review process of forecasted plant expenditures included in this proceeding as compared to actual costs for projects that are above or below their estimated amounts. PSE's proposal is that the review of plant be conducted on a portfolio basis to allow the ability to optimize its investments to ensure prudent decision making when responding to the dynamic business environment under which the decisions will be made. As such, precise adherence to current estimates and timing of plant in service would not be required as long as multiyear rate plan investments as a whole are within a reasonable degree of amounts used to set rates, as described in more detail in Ms. Free's testimony. And ultimately, the earnings sharing test that is also described in Ms. Free's testimony provides safeguards against the setting of rates that are too high in comparison to actual investments ultimately made.

<sup>1</sup> <https://www.pse.com/pages/energy-supply/acquiring-energy?srce=rfp#2022targeted>

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

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

**WUTC STAFF DATA REQUEST NO. 206:**

REQUESTED BY: Andrew Rector

**Re: Distributed Energy Resources**

Please address the following questions regarding the Company's proposed DER preferred portfolio:

- a. Is the Company currently tracking any performance metrics related to its proposed DER preferred portfolio?
- b. If the answer to Question a. is no, is the Company proposing, or does it intend to propose, to track any metrics associated with its proposed DER preferred portfolio? If so, please discuss what those metrics are and why they are appropriate.
- c. Does the Company plan to report any data or metrics associated with its DER preferred portfolio? If so, when and how will this information be reported?
- d. Does the Company have any performance targets that it is working towards with its proposed DER preferred portfolio?

**Response:**

Please find below Puget Sound Energy's ("PSE" or "the Company") Response to WUTC Staff Data Request No. 206 regarding the Company's proposed Distributed Energy Resources ("DER") preferred portfolio:

- a. The Company is not tracking any performance metrics related to its proposed DER preferred portfolio as the Company is not currently operating any of those preferred portfolio options.
- b. The Company has proposed metrics associated with its proposed DER preferred portfolio as detailed in PSE's 2021 Clean Energy Implementation Plan ("CEIP"), which include both energy and non-energy benefits.<sup>1</sup>

The tables below outline the energy and programmatic performance metrics for programs in the preferred portfolio.

<sup>1</sup> <https://www.cleanenergyplan.pse.com/>

**Energy Storage** (Referencing CEIP Chapter 7, Table 7-2)

Energy	Program Enrollment	Costs
Annual MW and MWh in DR capacity enrolled MW peak shift per program (median/maximum/minimum per program) Annual program achievement in MW and MWh	Number of Enrolled Participants by All Customers, Highly Impacted Communities, and Vulnerable Populations) Number of Participants un-enrolling Number of Events (Total/by Month) Number of Participants who Opt Out (Total/by Month)	Program costs

**Solar Energy** (Referencing CEIP, Chapter 7, Table 7-3)

Energy	Program Enrollment	Costs
Renewable Energy Resources added to PSE Portfolio (MW) by program (capacity) Total Renewable Energy generation or purchase (MWh) (usage) Percentage of electricity supplied by renewable resources	Number of Enrolled Participants in DER customer programs by All Customers, Highly Impacted Communities, and Vulnerable Populations Number of Unenrolled Participants in DER customer programs	Incremental cost of renewable energy resources added during the year

In addition, Customer Benefit Indicator metrics will be tracked and reported in alignment with the CEIP (Chapter 7, Table 7-5). The table below details the Customer Benefit Indicators applicable to the preferred portfolio of DER programs, the metrics to be measured, as well as the status of data collection.

<b>Applicable DER Programs</b>	<b>Indicator</b>	<b>Metric</b>	<b>Collecting Data</b>
All customer-facing DER programs	Increased participation by HI customers and VPs		Data collected on existing programs
All customer-facing DER programs	Increase in culturally- and linguistically-accessible program communications for named communities	Increased outreach material available in non-English languages	Data collected on existing programs
All DER programs	Improved affordability of clean energy	Reduce median electric bill as a percentage of income for residential customers (including energy-burdened customers)	Data collected on all customers
All DER programs	Reduced GHG emissions	Reduced PSE-owned and contracted electric supply emissions	GHG report filed annually
All DER programs	Reduction of climate change impacts	Increase in avoided emissions times the social cost of carbon	GHG data reported and can be tied to social cost of carbon
All DER programs	Improved outdoor air quality	Reduce regulated pollutant emissions	Emissions data currently calculated
All DER programs	Improved community health	Reduce the occurrence of health factors	External data from WA State available
All DER programs	Decreased frequency and duration of outages	SAIDI, SAIFI, and peak demand reductions	Internal data collected
Energy Storage Programs	Improved access to reliable, clean energy	Increase # of customers with access to emergency power	Internal data collected

Finally, as defined in the 2021 CEIP, PSE will track the metrics for the proposed Customer Benefit Indicators in future progress reports. The proposed metrics are

in Chapter 3 of the 2021 CEIP. Some of these metrics are appropriate because they provide PSE insight to the benefits customers may see as DER programs and projects are launched. Some of the metrics, including program participation, emergency storage, and peak reduction, are directly related to the DER preferred portfolio. Participation tracks who participates in various DER programs, including highly impacted communities and vulnerable populations. The number of customers, including those in highly impacted communities and vulnerable populations, receiving emergency backup power from battery storage will be tracked. The amount of peak reduction customers may experience based on Demand Response programs will be tracked, including a breakdown of customers from highly impacted communities and vulnerable populations. These metrics directly align with the benefits customers want to see in this clean energy transition and gives PSE an understanding of who is participating in DER programs to better understand how these benefits are equitably distributed.

- c. PSE plans to report on the metrics from the Customer Benefit Indicators in the 2023 Progress Report. This report will encompass all metrics across portfolios, including the results of the DER preferred portfolio.
- d. No, the Company does not have any performance targets that it is working towards with its proposed DER preferred portfolio.

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

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

**WUTC STAFF DATA REQUEST NO. 207:**

REQUESTED BY: Andrew Rector

**Re: Distributed Energy Resources**

Please explain and provide supporting documents as necessary as to how and why the Company chose the energy demonstration projects listed in the Company's response to UTC Staff's Data Request No. 56, Attachment A.

**Response:**

To help define the energy demonstration projects listed in Attachment A to Puget Sound Energy's ("PSE") Response to WUTC Staff Data Request No. 056, PSE's Distributed Energy Resource ("DER") staff conducted a literature review of DER technologies that have the potential to provide increased benefits to customers and/or the grid, but are not yet proven in PSE's service territory. This literature review included a specific emphasis on longer duration storage using various battery and other energy storage technologies.

PSE recognizes that the availability and timing of the proposed demonstration projects will be subject to change depending on all acquisition processes as well as additional opportunities that may arise. The proposed demonstration projects represent the extent to which PSE is committed to pursuing new opportunities to understand and optimize benefits to the grid and customers.

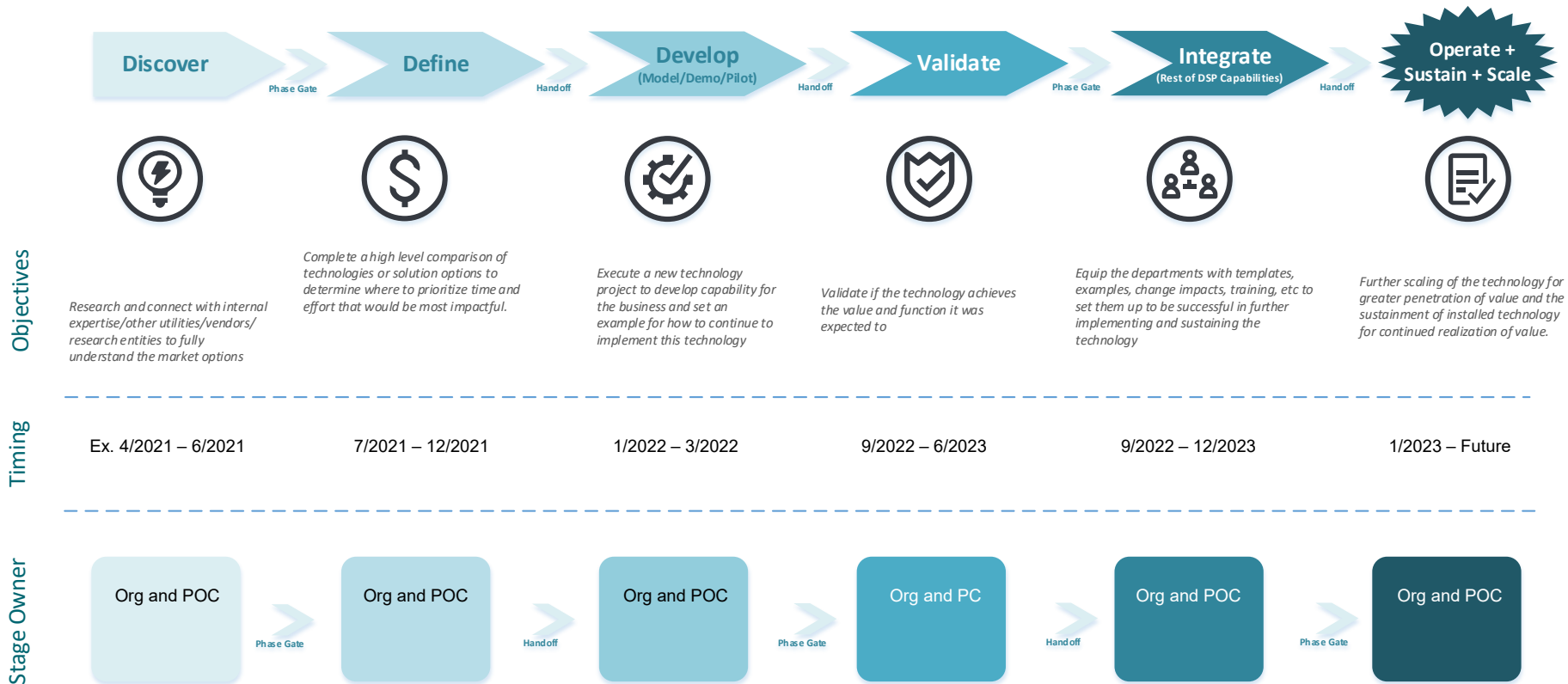
Attached as Attachment A to PSE's Response to WUTC Staff Data Request No. 207, please find a New Technology Framework. Each demonstration project will be developed and implemented using a New Technology Framework. This will ensure consistency and focus on high-value technology.

# **ATTACHMENT A to PSE's Response to WUTC Staff Data Request No. 207**

# Project Lifecycle Ownership

Date of Last Update:

## Cap 9: New Technology Framework – Projectized Team Structure





**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

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

**DATA REQUEST DIRECTED TO: William T. Einstein  
REQUESTED BY: Andrew Rector**

**UTC STAFF DATA REQUEST NO. 294:  
Re: Distributed Energy Resources**

Please provide the operations and maintenance (O&M) expenses for each year (2023, 2024 and 2025) that the Company has included in its revenue requirement associated with the proposed energy storage demonstration project, described in PSE Exhibit WTE-1CT at pages 66-67.

**Response:**

Puget Sound Energy ("PSE") did not include any specific operations and maintenance ("O&M") expenses in its revenue requirement associated with the proposed energy storage demonstration projects, described in the Prefiled Direct Testimony of William T. Einstein, Exh. WTE-1CT, at pages 66-67, and detailed in Attachment A to PSE's Response to WUTC Staff Data Request No. 056. PSE expects the O&M expenses to be low and manageable within PSE's overall O&M budget.

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

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

**WUTC STAFF DATA REQUEST NO. 265:**

REQUESTED BY: Andrew Rector

**Re: Distributed Energy Resources**

The Commission's Policy Statement on Property That Becomes Used and Useful After Rate Effective Date (see Docket U-190531) states that "[t]he threshold for including provisional pro forma adjustments will be determined on a case-by-case basis." The Commission further requires that purely projected investments have "information regarding the level of spending, cost controls, and the specific need for the project." (emphasis added).

- a. Please discuss how certain the company is that the investments expected to be made through the energy storage demonstration project will in fact be made.
- b. Please discuss how certain the company is that the investments expected to be made through the energy storage demonstration project will cost what the company claims they will cost in its filing.

**Response:**

As noted on lines 34 and 44 on page 3 of the Fourth Exhibit to the Prefiled Direct Testimony of Joshua A. Kensok, Exh. JAK-5, the Customer-Sited Energy Storage and Rooftop Solar projects, which comprise the Distributed Energy Resources ("DER") preferred portfolio and energy storage demonstration project, were categorized as Programmatic and Specific investments, respectively. They are not categorized as Projected investments, which is the topic of this request. Per the Policy Statement in U-190531 ("Policy Statement"), the inclusion of information regarding the level of spending, cost controls, and the specific need for the projected investment is only required for purely *Projected* (emphasis added) investments. Puget Sound Energy ("PSE") has a separate category and adjustment for purely Projected investments, which did not include any component of the DER preferred portfolio or energy storage demonstration project investments. Regardless, please refer to the below responses for the specific information requested for these investments.

As stated in PSE's Response to WUTC Staff Data Request No. 207, PSE recognizes that the availability and timing of the proposed demonstration projects will be subject to

change dependent on the acquisition process, as well as additional opportunities that may arise. PSE will use the New Technology Framework, provided in Attachment A to PSE's Response to WUTC Staff Data Request No. 207, to optimally select demonstration projects. The proposed demonstration projects represent the extent to which PSE is committed to pursuing new opportunities to maximize benefits to the grid and customers.

PSE cannot be certain that the proposed projects detailed in Attachment A to PSE's Response to WUTC Staff Data Request No. 056 will all be deployed or that they will ultimately cost the same as what is included in this filing. Please see the below discussion regarding the provisions of PSE's proposal that allow for the flexibility to optimize spending within its capital portfolio within the multiyear rate plan.

To estimate the costs of the projects, PSE used publicly available information and assumptions, outlined in Attachment A of PSE's Response to WUTC Staff Data Request No. 056. There are many uncertainties in the projected costs, including inflation, cost of labor, cost of materials and technological maturation. Cost control measures for major projects, such as the DER portfolio programs and energy storage demonstration projects, are managed through the Corporate Spending Authorization ("CSA") and project change request processes. Please refer to the Prefiled Direct Testimony of Joshua A. Kensok, Exh. JAK-1T, pages 5-15, for a description of the capital allocation and CSA process. As noted in Exh. JAK-1T on page 33:6-7, PSE's capital allocation process has produced "a strong record of cost control performance, which has resulted in actual spending closely tracking to budgeted/forecasted levels."

Additionally, as discussed in the Prefiled Direct Testimony of Susan E. Free, Exh. SEF-1T, at page 28:17-18, "PSE is proposing that rates that are recovering estimated utility plant related items beyond 2021 be set subject to refund." As noted in Exh. SEF-1T at pages 29-50, PSE has proposed a retrospective review process of forecasted plant expenditures included in this proceeding as compared to actual costs for projects that are above or below their estimated amounts. PSE's proposal is that the review of plant be conducted on a portfolio basis to allow the ability to optimize its investments to ensure prudent decision making when responding to the dynamic business environment under which the decisions will be made. As such, precise adherence to current estimates and timing of plant in service would not be required as long as multiyear rate plan investments as a whole are within a reasonable degree of amounts used to set rates, as described in more detail in Ms. Free's testimony. And ultimately, the earnings sharing test that is also described in Ms. Free's testimony provides safeguards against the setting of rates that are too high in comparison to actual investments ultimately made.

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**WUTC STAFF DATA REQUEST NO. 264:**

REQUESTED BY: Andrew Rector

**Re: Distributed Energy Resources**

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**Response:**

As noted on lines 34 and 44 on page 3 of the Fourth Exhibit to the Prefiled Direct Testimony of Joshua A. Kensok, Exh. JAK-5, the Customer-Sited Energy Storage and Rooftop Solar projects, which comprise the Distributed Energy Resources ("DER") preferred portfolio and energy storage demonstration project, were determined to be Programmatic and Specific investments, respectively. They are not categorized as Projected investments which is the topic of this request. Per the Policy Statement in Docket U-190531 ("Policy Statement"), the inclusion of information regarding the level of spending, cost controls, and the specific need for the projected investment is only required for purely *Projected* (emphasis added) investments. Puget Sound Energy ("PSE") has a separate category and adjustment for purely Projected investments, which did not include any component of the DER preferred portfolio or energy storage demonstration project investments. Regardless, please refer below for the specific information requested for these investments.

Cost control measures for major projects, such as the DER portfolio programs and energy storage demonstration projects, are managed through the Corporate Spending Authorization ("CSA") and project change request processes. Please refer to the Prefiled Direct Testimony of Joshua A. Kensok, Exh. JAK-1T, pages 5-15, for a description of the capital allocation and CSA process. As noted in Exh. JAK-1T on page 33:6-7, PSE's capital allocation process has produced "a strong record of cost control performance, which has resulted in actual spending closely tracking to budgeted/forecasted levels." Additionally, for energy storage demonstration projects, PSE will use the New Technology Framework provided in Attachment A to PSE's Response to WUTC Staff Data Request No. 207, as a governance structure for increased visibility of demonstration projects scope, schedule and costs.