

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND)	DOCKETS UE-220066, UG-220067 and
TRANSPORTATION COMMISSION,)	UG-210918 (<i>Consolidated</i>)
)	
Complainant,)	
)	
v.)	
)	
PUGET SOUND ENERGY,)	
)	
Respondent.)	
_____)	
)	
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.)	
_____)	

RESPONSE TESTIMONY OF IRENE PLENEFISCH

ON BEHALF OF

MICROSOFT CORPORATION

July 28, 2022

(REVISED July 29, 2022)

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RESPONSE TESTIMONY OF IRENE PLENEFISCH**

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1 **I. INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Irene Plenefisch and my business address is One Microsoft Way, Redmond,
4 WA 98052.

5 **Q. PLEASE STATE YOUR OCCUPATION AND ON WHOSE BEHALF YOU ARE**
6 **TESTIFYING.**

7 A. I am testifying on behalf of Microsoft Corporation (“Microsoft”). I am Microsoft’s
8 Government Affairs Director for the State of Washington.

9 **Q. HAVE YOU TESTIFIED BEFORE THE COMMISSION PREVIOUSLY?**

10 A. Yes. I filed testimony in support of Puget Sound Energy’s (“PSE”) request in Docket
11 UE-161123 to establish a new tariff to allow Microsoft to purchase electricity for its
12 Redmond campus load from alternative suppliers, which was ultimately memorialized in
13 a special contract between PSE and Microsoft (“Special Contract”). The Washington
14 Utilities and Transportation Commission (“Commission”) approved the Special Contract
15 on July 13, 2017. I also filed testimony in Docket UE-200115 in response to PSE’s
16 proposal to sell its interest in Unit 4 of Colstrip to Northwestern Energy, which PSE
17 ultimately abandoned.

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

19 A. My testimony responds to PSE’s proposal to allocate decommissioning and remediation
20 (“D&R”) costs from its interest in the Colstrip Generating Station (“Colstrip”) to
21 Microsoft.

1 **II. BACKGROUND**

2 **Q. PLEASE PROVIDE SOME BACKGROUND ON MICROSOFT’S INTEREST IN**
3 **THIS CASE AND PSE’S PROPOSED ALLOCATION OF COLSTRIP D&R**
4 **COSTS TO MICROSOFT.**

5 A. During the process that resulted in the Special Contract, Microsoft agreed to a Settlement
6 Stipulation with the other parties to Docket UE-161123. That Settlement Stipulation
7 obligated Microsoft, among other things, to make a one-time “Transition Fee” payment
8 of \$23.685 million to ensure that no other customers would face increased costs as a
9 result of Microsoft’s departure from PSE’s bundled service.¹ The Settlement Stipulation
10 further specified that this Transition Fee did “not address or resolve any issues relating to
11 Microsoft’s potential obligation to contribute to Colstrip remediation, decommissioning,
12 and/or accelerated depreciation costs” and that Microsoft’s responsibility for such costs
13 would be determined in a future docket.²

14 **Q. DID THE COMMISSION APPROVE THE SETTLEMENT STIPULATION AND**
15 **SPECIAL CONTRACT?**

16 A. Yes, the Commission approved both agreements in Order 06 in UE-161123. In that
17 order, the Commission found that “the Transition Fee does not include, and therefore
18 should not be argued to cover, any part of any decommissioning and remediation costs
19 for which Microsoft may be found responsible in a future proceeding.”³

20 **Q. IS MICROSOFT PERFORMING UNDER THE SPECIAL CONTRACT?**

21 A. Yes. Microsoft paid the Transition Fee and is now serving its campus load with 100%
22 carbon-free electricity through a contract with Chelan PUD. Microsoft provides

¹ Docket UE-161123, Settlement Stipulation ¶ 10.

² *Id.* ¶ 11.

³ Docket UE-161123, Order 06 ¶ 86 (July 13, 2017).

1 Renewable Portfolio Standard (“RPS”) reports to PSE for filing with the Commission
2 each year that show it is meeting and exceeding its renewable energy requirements in the
3 Special Contract.

4 **Q. HAS MICROSOFT’S COLSTRIP D&R COST RESPONSIBILITY BEEN**
5 **DETERMINED SINCE THE COMMISSION’S ORDER IN UE-161123?**

6 A. No. In PSE’s last general rate case, Dockets UE-190529, *et al.*, the Commission stated
7 that it would address recovery of Microsoft’s fair share of D&R costs in this rate case.

8 **III. MICROSOFT’S RESPONSIBILITY FOR COLSTRIP D&R COSTS**

9 **Q. HOW DOES PSE PROPOSE TO ALLOCATE COLSTRIP D&R COSTS TO**
10 **MICROSOFT?**

11 A. PSE’s witness Jon Piliaris identified Microsoft’s share of total retail sales between 2002
12 and 2025 and proposed to allocate Colstrip D&R costs to Microsoft based on that
13 percentage, which is 1.59 percent.⁴ PSE proposes to recover these costs over time
14 through the tracker mechanism it has requested.

15 **Q. HOW MUCH DOES PSE ESTIMATE IT WILL RECOVER FROM MICROSOFT**
16 **FOR D&R COSTS THROUGH ITS PROPOSED TRACKER?**

17 A. In Exhibit SEF-18, PSE’s witness Susan Free discusses the D&R tracker and the amount
18 PSE expects to recover from customers. PSE estimates that it will incur \$153.4 million
19 in D&R costs through 2050; however, most of this will be offset by production tax credits
20 (“PTCs”) it earned previously but has not yet used to reduce its tax liability. In total, PSE
21 estimates that its net liability for D&R costs after offsetting PTCs is \$25.7 million.⁵

⁴ Piliaris, Exh. No. JAP-1T at 46:20-47:2; *see also*, Piliaris, Exh. No. JAP-4.

⁵ Free, Exh. No. SEF-18 at 27:2-14.

1 Accordingly, PSE's forecast indicates that it would recover \$407,922.43 from Microsoft
2 through 2050.⁶

3 **Q. IS IT REASONABLE TO INCLUDE OFFSETTING PTCs WHEN**
4 **DETERMINING MICROSOFT'S D&R RESPONSIBILITY?**

5 A Yes. These PTCs were all earned when Microsoft was a bundled customer and was
6 paying for the assets from which the PTCs were generated. Accordingly, it is fair and
7 reasonable to ensure that Microsoft is still allowed to benefit from these PTCs.

8 **Q. IS MICROSOFT'S D&R RESPONSIBILITY OFFSET BY THE AMOUNT IT**
9 **PAYED FOR THE TRANSITION FEE?**

10 A. No. The Transition Fee from the Settlement Stipulation in Docket UE-161123 is not
11 implicated in PSE's calculations and Microsoft does not propose to include any portion
12 of that fee as an offset to its responsibility.

13 **Q. DOES MICROSOFT AGREE WITH PSE'S DETERMINATION OF**
14 **MICROSOFT'S COLSTRIP D&R COST RESPONSIBILITY?**

15 A. Partially. Microsoft is committed to paying its fair share of these costs and does not
16 dispute PSE's proposed allocation percentage or its forecast of D&R costs.
17 However, since Microsoft has left PSE's bundled service and its responsibility for
18 Colstrip D&R costs is the last remaining production-related cost Microsoft has to PSE, it
19 would prefer to address this cost upfront and close all matters related to its former status
20 as a retail customer of PSE for this portion of its load.

21 **Q. WHAT DO YOU PROPOSE?**

22 A. Microsoft proposes that it pay its identified responsibility of \$407,922.43 in full within
23 90 days of receiving an invoice from PSE after this case has been fully and finally

⁶ See Free, Exh. No. SEF-19. Rows 19 and 20 in 2050 show total collections of \$25,655,499. 1.59% of this amount is \$407,922.43.

1 decided. It is important to emphasize that, under PSE's proposal, Microsoft would have
2 paid this same amount over a nearly thirty-year period. Consequently, Microsoft's
3 commitment to pay the full amount upfront greatly increases the value of the contribution
4 toward the overall liability, thus making it highly unlikely that Microsoft will pay less
5 than its allocated share once total D&R costs are fully and finally known.

6 **Q. WHAT DO YOU RECOMMEND IF PSE'S FORECAST OF D&R COSTS IS**
7 **INACCURATE?**

8 A. I recommend that PSE assume the risk that this occurs, and that it maintain the benefit if
9 Microsoft overpays. If final D&R costs show that Microsoft has paid more than 1.59%,
10 PSE may retain the additional revenue for itself. Alternatively, if final D&R costs show
11 that Microsoft has paid less than 1.59%, PSE would assume the additional cost and its
12 other customers would be held harmless. The likelihood that PSE's forecast is inaccurate
13 such that 1.59% of the discrepancy exceeds the value of the early payment is extremely
14 low. It is much more likely that PSE will benefit from the early payment. This approach
15 allows the risk to be borne exclusively by Microsoft (for an under-forecast) and PSE
16 shareholders (for an over-forecast) while ensuring retail customers are indifferent to any
17 deviation from PSE's forecast.

18 **Q. IS MICROSOFT OPPOSED TO ASSIGNING THE RISKS AND BENEFITS OF**
19 **ITS PAYMENT TO CUSTOMERS INSTEAD OF PSE?**

20 A. No. If the Commission believes it is more reasonable to assign the risks and benefits of
21 Microsoft's upfront payment to customers, Microsoft has no objection.

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

23 A. Yes.