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August 27, 2024

Jeff Killip  
Executive Director and Secretary  
Washington Utilities and Transportation Commission  
P.O. Box 47250  
Olympia, WA 98504-7250

RE: *UTC v. Puget Sound Energy*  
Dockets UE-240004, UG-240005, UE-230810 (*consolidated*)

Dear Mr. Killip:

Enclosed for filing in the above-referenced dockets are Staff's Motion to File Revised Testimony, redline and clean versions of the Revised Testimony of Chris McGuire, Exhibit List and Certificate of Service. Five paper copies will be delivered to the Commission.

The revisions are as follows:

- Testimony name changed on each page to: CRM-1Tr
- Page 9, lines 12-14: **Replace:** "No. Staff accepts PSE's treatment of capital additions prior to January 1, 2024, as traditional pro forma adjustments and capital additions from January 2024 through December 2026 as provisional pro forma adjustments."  
**With:** "Yes. Staff does not accept PSE's treatment of all capital additions in 2024 as traditional pro forma adjustments not subject to further review and refund."
- Page 9, Line 16: Insert the following:  
**Q. Why is Staff contesting PSE's proposal to treat all capital additions in 2024 as traditional pro forma adjustments not subject to future review and refund?**  
A. Staff's position is that PSE's 2024 plant additions should be included in rates on a provisional basis, subject to future review and refund, because a full review of the 2024 plant additions cannot be completed within this general rate case. The response

Jeff Killip  
August 27, 2024  
Page 2

testimony of Staff and other intervening parties is due on August 6, 2024, well before many of PSE's 2024 plant additions were placed in service. While in theory it is possible for parties to have performed a "threshold" prudence examination for many of the 2024 plant additions PSE has included in this case, it simply is not possible to complete a full prudence examination for plant additions that are not yet in service. Parties cannot confirm that those projects will be used and useful for service in Washington in the rate year, and parties cannot perform a critical examination of the final project costs because those costs are not yet known and measurable. Parties should be given an opportunity to perform comprehensive prudence examinations on plant additions before the Commission allows those plant additions to be included in rates permanently.

**Q. What does Staff recommend with respect to which plant additions should be included in rates provisionally and subject to future review and refund?**

A. Staff recommends that the Commission treat all 2024 plant additions as provisional and subject to review in the annual retrospective plant reviews.

**Q. Why does Staff recommend that the Commission treat all 2024 plant additions as provisional rather than just the portion of the 2024 plant additions that could not have been reviewed by the parties prior to filing response testimony?**

A. For the retrospective review of plant included in 2025 rates, prior to examining the accuracy of PSE's projected plant transfers in 2025 parties will first need to examine the accuracy of PSE's projected plant-in-service at the end of 2024. While it is possible that parties will have had a reasonable opportunity to examine plant placed in service in early 2024, the fact that parties (and the Commission) must assess the accuracy of PSE's projected plant-in-service at the end of 2024 means that all plant additions in 2024 should be examined in aggregate. As a practical matter, treating all 2024 plant additions as provisional simplifies the analysis of – and correction for – differences between PSE's forecasted transfers to plant in 2024 and PSE's actual transfers to plant in 2024.

**Q. Given that the Commission in this GRC is valuing plant in 2025 for the purpose of setting rates in 2025, why is Staff concerned with preserving parties' ability to examine 2024 plant additions during the first retrospective review?**

A. The property valuation statute, RCW 80.04.250, grants the Commission the authority to "ascertain and determine the fair

ATTORNEY GENERAL OF WASHINGTON

Jeff Killip  
August 27, 2024  
Page 3

value for rate making purposes of the property of any public service company used and useful for service in this state by or during the rate effective period,” including property “acquired or constructed by or during the rate effective period.”<sup>10</sup>

In short, in setting rates for 2025, the Commission must ascertain and determine the fair value of all of PSE’s property used and useful for service in 2025, including the used and useful property the Company acquired prior to 2025. Given that parties have not had an opportunity to perform a full prudence examination of many of the Company’s 2024 capital additions, and given that those projected 2024 capital additions are included in the value of utility property in 2025, the 2024 plant additions must be subject to review and refund consistent with any other property included in 2025 rates that became used and useful at a date where parties could not have had a reasonable opportunity to fully examine that property.

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<sup>10</sup> RCW 80.04.250(2).

- Page 73, line 12      December 2024 should read December **2023**
- Page 95, line 13      \$23.5 million should read **\$28.4** million
- Page 95, line 14      \$0.7 million increase should read \$0.7 million **decrease**
- Page 104, line 5      \$0.7 million increase should read \$0.7 million **decrease**
- Page 105, line 14      \$19.6 million should read **\$21.2** million
- Page 105, line 15      \$28.6 million should read **\$28.0** million

The enclosures are not to be construed as testimony or evidence until such time as they are received into the record at hearing. Accordingly, we reserve the right to make revisions or additions as may become necessary prior to the time that this witness presents his testimony.

Sincerely,

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LWG/emd  
Enclosures  
cc: Parties w/enc.