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Docket UG-230968
Witness: Chris R. McGuire

BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, Complainant, v. PUGET SOUND ENERGY, Respondent.	DOCKET UG-230968

TESTIMONY OF

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STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION

Summary of Staff's Recommendations on PSE's Schedule 111 and the Associated Risk-Sharing Mechanism;
Policy Standards for Trackers, Risk Shifting, and Risk Sharing

July 18, 2024

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1 **I. INTRODUCTION**

2

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

4 A. My name is Chris R. McGuire, 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 chris.mcguire@utc.wa.gov.

8

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

10 A. I work in the Energy Regulation Section of the Regulatory Services Division of the
11 Washington Utilities and Transportation Commission (Commission) as a Regulatory
12 Analyst. I have worked at the Commission since May 2012, and in my current
13 position since February 2022.

14

15 **Q. Would you please state your educational and professional background?**

16 A. I graduated from the University of Washington in 2002 with a Bachelor of Science
17 degree in Cell and Molecular Biology. I graduated from the University of Colorado
18 in 2010 with a Master of Business Administration and a Master of Science in
19 Environmental Studies. Prior to my employment with the Commission, I held
20 research positions at various institutions, including the University of Washington, the
21 University of Colorado, and the National Renewable Energy Laboratory. Since
22 joining the Commission in 2012, I have held the positions of Regulatory Analyst
23 (2012-2016, 2022-present), Energy Policy Strategist (2016-2018), Assistant Director

1 of Energy Regulation (2018-2021), and Director of Legislation and Policy (2021-
2 2022).
3
4 **Q. Have you previously testified before the Commission?**
5 A. Yes. With respect to Puget Sound Energy (PSE or Company), I sponsored testimony
6 on behalf of Commission Staff in the following adjudicated proceedings: PSE's 2017
7 general rate case (GRC), Dockets UE-170033 and UG-170034; PSE's 2018
8 expedited rate filing, Dockets UE-180899 and UG-180900; PSE's 2019 GRC,
9 Dockets UE-190529 and UG-190530; PSE's proposed sale of its ownership stake in
10 Colstrip Unit 4, Docket UE-200115; and PSE's 2022 GRC, Dockets UE-220066 and
11 UG-220067.
12 I also sponsored testimony on behalf of Commission Staff in PacifiCorp's
13 2013 GRC, Docket UE-130043; Avista's 2014 GRC, Dockets UE-140188 and UG-
14 140189; the initial and remand phases of Avista's 2015 GRC, Dockets UE-150204
15 and UG-150205; Avista's 2017 GRC, Dockets UE-170485 and UG-170486; Avista's
16 2019 GRC, Dockets UE-190334 and UG-190335; Cascade's 2020 GRC, Docket
17 UG-200568; and PacifiCorp's 2023 GRC, Docket UE-230172.
18
19 **II. SCOPE AND SUMMARY OF TESTIMONY**
20
21 **Q. What is the purpose and scope of your testimony?**
22 A. The purpose of my testimony is to present Staff's primary recommendation on PSE's
23 Schedule 111 and an associated risk-sharing mechanism (RSM). I propose policy

criteria that the Commission can apply when determining whether to authorize trackers, and, if so, in determining how to address the shifting of risk onto ratepayers caused by the creation of a tracker. I apply those criteria to PSE's Climate Commitment Act (CCA) tracker (Schedule 111).

Q. Please summarize Staff's recommendations on PSE's CCA tracker.

A. Staff recommends that the Commission order PSE to:

1. In its next GRC, eliminate the CCA tracker (Schedule 111) and instead include CCA compliance costs in the Company's base rate revenue requirement calculation; and
2. Implement PSE's proposed RSM but with the modified earnings test described in the testimony of Staff witness McConnell, beginning January 1, 2025, and continuing up to the rate-effective date of PSE's next GRC, at which point, per Staff's recommendation 1, above, the CCA tracker and the associated RSM would be eliminated.

Q. What is Staff's rationale for recommending that PSE's CCA tracker be eliminated?

A. The continued existence of PSE's Schedule 111, especially beyond the first CCA compliance period, simply is not justified. Without an assessment of the earnings risk the Company actually faces – i.e., without a detailed analysis of the risk that actual costs will be so much greater than the costs embedded in rates that it will have a material impact on the Company's earnings and ability to attract capital on

reasonable terms – the Commission does not have a basis for determining that the continued existence of PSE's schedule 111 is in the public interest. In the absence of such an analysis, the Commission should conclude that allowing PSE's CCA tracker to continue to operate in perpetuity is inconsistent with the public interest because it shifts risk from the Company onto ratepayers, disrupts the utility's incentive to control its costs, and adds to the Commission's administrative burden.

Q. Does Staff have an alternative recommendation in the event the Commission declines to order PSE to eliminate Schedule 111 and move CCA compliance costs into base rates?

A. Yes. If the Commission declines to order PSE to eliminate the CCA tracker, Staff recommends that the Commission still order PSE to put in place the Company's proposed RSM with the modified earnings test described by Staff witness McConnell, effective January 1, 2025, but allow the mechanism to operate indefinitely (rather than be discontinued at the conclusion of PSE's next GRC, per Staff's primary recommendation). If the CCA tracker is allowed to continue operating without a RSM in place, the CCA tracker will continue to unfairly shift risk from the Company and onto its ratepayers.

III. TRACKERS, RISK AND RISK-SHARING

A. Policy Standards for Trackers

1. Context: Trackers Shift Risk onto Ratepayers

Q. What is a "tracker?"

A. A tracker (or a "tracking and true-up mechanism") is a cost recovery mechanism for a defined category of costs that enables a utility to track the difference between the level of costs embedded in rates and the actual costs the utility incurs and then pass the difference onto ratepayers in a subsequent rate period, typically in a standalone tariff schedule commonly referred to as a "tariff rider." The baseline rates for a tracker typically are based on forecasted costs, and the difference between the actual (prudently incurred) costs and the baseline typically is passed onto ratepayers in an annual "true-up."

Q. Is PSE's CCA cost recovery mechanism a tracker?

A. Yes. PSE's CCA cost recovery mechanism is a tracking and true up mechanism with forward-looking baseline rates that are based on forecasted CCA compliance costs and revised annually. Both the baseline rates and the true-up functions are executed through PSE's natural gas Schedule 111. I refer to the tracking mechanism and the Schedule 111 tariff rider collectively as the "CCA tracker" throughout this testimony.

Q. Can you explain the concept of "risk" within the context of utility cost recovery?

1 A. Yes. Normally (i.e., absent a tracker), the utility's costs are recovered through its
2 base rates which, since the passage of the multiyear rate plan legislation in 2021
3 (codified as RCW 80.28.425), are based on the utility's forecasted costs for the rate-
4 effective period.[1] However, when the rate-effective period unfolds, the actual costs
5 that the utility incurs will be different than the level of costs embedded in rates. The
6 difference between the actual costs and the level of costs embedded in rates is
7 commonly referred to as the "variance."
8 When rates are set, but before actual costs are incurred, there is uncertainty
9 with respect to the degree to which actual costs will differ from the level of costs
10 embedded in rates. This uncertainty (i.e., the "risk" that actual costs will be different
11 than forecasted costs) is called "variance risk."
12
13 **Q. Who bears this variance risk, the utility or its ratepayers?**
14 A. Variance risk normally is borne by the utility. Under normal circumstances, to the
15 extent that actual costs during the rate year differ from the costs embedded in rates,
16 the utility must absorb the difference. There are exceptions, of course, such as when
17 the utility incurs substantial, unexpected costs that are the result of extraordinary
18 circumstances beyond the utility's ability to control. Under those circumstances, the
19 utility may petition for deferred accounting treatment, which would serve to limit the
20 utility's exposure to upside variance risk. Absent extraordinary circumstances,
21 however, the utility bears 100 percent of the variance risk.

[1] RCW 80.28.425(3)(b) requires the Commission to, at a minimum, ascertain and determine the fair value for rate-making purposes of utility property used and useful as of the rate effective date. RCW 80.28.425(3)(c) requires the Commission to ascertain and determine the operating expenses for rate-making purposes for each rate year of a multiyear rate plan.

1 **Q. Is it fair to the utility to bear the variance risk when costs are embedded in base**
2 **rates?**
3 A. Yes. Utilities are *supposed to* bear the variance risk. They receive compensation for
4 bearing this risk though the risk-adjusted return on equity that the Commission
5 authorizes (and ratepayers pay through rates).
6
7 **Q. How do trackers shift risk from the utility and onto ratepayers?**
8 With a tracker, when actual costs during the rate year differ from the baseline level
9 of costs embedded in the tracker rates, the difference is captured in the annual "true-
10 up" and passed through to ratepayers over a subsequent rate-effective period. That is,
11 under a tracker, variance risk is borne by ratepayers. Given that variance risk is
12 borne by the utility absent a tracker and that variance risk is borne by ratepayers with
13 a tracker, trackers shift variance risk from the utility and onto ratepayers.
14
15 **Q. Is shifting risk from the utility and onto ratepayers consistent with the public**
16 **interest?**
17 A. As a general matter, no. Shifting risk from the utility and onto ratepayers is generally
18 harmful to ratepayers for two reasons. First, the risk that unexpected cost increases
19 will negatively impact the utility's earnings is a risk that is supposed to be borne by
20 the utility because, after all, the utility is compensated for bearing that risk through
21 the Commission-authorized return on equity. When a cost is recovered through a
22 tracker, the utility no longer bears the very risk that it is being compensated for – i.e.,
23 the utility no longer bears the risk that unexpected cost increases will have a negative

1 impact on the utility's earnings. With a tracker, ratepayers are harmed because they
2 absorb some of the utility's risk, yet continue to compensate the utility for bearing
3 that risk.

4 Second, the utility's exposure to the risk is an important element of incentive-
5 based regulation. Specifically, the utility's exposure to the risk that cost increases
6 will impact earnings negatively incentivizes the utility to control its costs and pursue
7 cost efficiency. When costs are recovered through a tracker, however, the utility
8 incentive to control its costs in pursuit of profit is effectively eliminated, which in
9 turn exposes ratepayers to the added risk that cost inefficiencies will lead to
10 increased rates.

11 In short, trackers are harmful to ratepayers because they unfairly shift risk
12 onto ratepayers without compensation, and eliminating the utility cost control
13 incentive increases the magnitude of that risk.

14

15 **Q. Are there any other implications of establishing trackers?**

16 A. Yes. Trackers increase the Commission's administrative burden. Trackers require
17 annual tariff revisions, and the Commission's review of those tariff revisions
18 requires evaluation of the reasonableness of the company's cost forecasts and, in
19 most cases, a retrospective examination of the prudence of the costs the utility
20 incurred over the prior year. Because trackers require annual tariff revisions, trackers
21 are more administratively burdensome than if the costs were embedded in base rates.

1 Generally, embedding costs in base rates requires the review to be performed only as
2 frequently as the company files GRCs.[2]
3
4 **Q. Given that trackers shift risk from the utility and onto ratepayers, and given**
5 **that as a general matter shifting risk from the utility and onto ratepayers is**
6 **inconsistent with the public interest, is establishing a tracker *ever* in the public**
7 **interest?**
8 A. Yes. In rare circumstances, establishing a tracker can be in the public interest.
9 However, establishing a tracker is in the public interest *only when* the Commission
10 concludes that, for a defined set of costs, establishing a tracker serves a specific
11 public interest purpose. Absent a finding by the Commission that establishing a
12 tracker serves a specific public interest purpose, establishing a tracker would be
13 harmful to ratepayers.
14
15 **Q. Has the Commission established standards it applies when determining when**
16 **authorizing a tracker is in the public interest?**
17 A. To my knowledge, no it has not. In the following section, I outline policy standards
18 that Staff recommends the Commission apply when assessing whether authorizing a
19 tracker would be in the public interest.
20
21

[2] This is not necessarily true for prospective capital additions in a multiyear rate plan. Such prospective capital additions are typically included in rates on a provisional basis and subject to a retrospective prudence review and possible refund.

1 **2. Policy standards for determining whether authorizing a tracker is**
2 **in the public interest.**
3
4 **a. Foundations for determining whether authorizing a**
5 **tracker is in the public interest.**
6
7 **Q. Why is Staff recommending that the Commission establish policy standards for**
8 **determining whether a tracker is warranted?**
9 A. As I described in the previous section, trackers shift risk from the utility and onto
10 ratepayers, and that risk shift is generally harmful to ratepayers because (1)
11 ratepayers continue to compensate the utility for risk that the utility does not bear,
12 and (2) it disrupts the utility's incentive to control its costs which can exacerbate the
13 risk passed onto ratepayers as well as contribute to upward pressure on rates.
14 Establishing a tracker is appropriate *when and only when* the Commission concludes
15 that doing so would serve a specific public interest purpose.
16 However, the Commission has not established criteria for determining
17 whether establishing a tracker would serve a specific public interest purpose. Absent
18 such criteria, there is risk that the Commission will authorize trackers that are
19 harmful to ratepayers and inconsistent with the public interest.
20
21 **Q. Under what circumstances might creating a tracker serve a specific public**
22 **interest purpose?**

1 A. There are three basic circumstances where establishing a tracker for a specific set of
2 costs could serve a specific public interest purpose: (1) when establishing a tracker is
3 necessary to advance a specific public policy goal, (2) when establishing a tracker is
4 necessary to ameliorate potential intergenerational inequities, and (3) when
5 establishing a tracker is necessary to address variance risk that is both outside of the
6 utility's ability to control and so high that normal cost variances could have a
7 substantial impact on the utility's earnings.
8
9 **Q. Can you explain the first circumstance – i.e., when establishing a tracker is**
10 **necessary to advance a specific public policy goal – in more detail?**
11 A. Yes. Under the standard method of cost recovery – i.e., embedding costs in base
12 rates – the utility is incentivized to control its costs because it is exposed to variance
13 risk and regulatory lag and, therefore, the utility can improve earnings by controlling
14 costs. However, in some cases, the utility cost control incentive works counter to
15 public policy because it can cause the utility to cut costs in an area where continued
16 spending is important for achieving a public policy goal. In those circumstances, the
17 Commission could consider authorizing a tracker *because* it disrupts the utility cost
18 control incentive and, therefore, promotes spending in an area where continued
19 spending is important for achieving a public policy goal.
20
21 **Q. Can you provide an example where eliminating the utility cost control incentive**
22 **was important to advancing a specific public policy?**

1 A. Yes. The Commission authorized trackers for utility conservation costs, in part,
2 because embedding conservation costs in base rates doubly incentivized the utility to
3 cut conservation spending: first because cutting conservation spending increases
4 sales volumes and revenues, and second because cutting costs improves earnings.
5 The Commission determined that these incentives to reduce conservation spending
6 interfered with the public policy of maximizing utility acquisition of cost-effective
7 conservation.[3] The Commission addressed the first incentive – i.e., the throughput
8 incentive – by establishing decoupling mechanisms, and it addressed the second
9 incentive – i.e., the utility cost control/ profit incentive – by establishing
10 conservation trackers.

11 Another example is the Commission's authorization of cost recovery
12 mechanisms (CRMs) for the replacement of high-risk natural gas pipe. The
13 Commission's policy statement on accelerated replacement of pipeline facilities with
14 elevated risk stated explicitly that one of the Commission's goals was to reduce
15 regulatory lag for recovery of investment in the replacement of high-risk pipe.[4] The
16 Commission saw eliminating regulatory lag (and providing the utility with dollar-
17 for-dollar recovery of pipeline replacement costs) as a way of promoting accelerated
18 replacement of high-risk pipe that the utility otherwise might be disinclined to do. In

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[3] *In the Matter of the Petition of Puget Sound Energy, Inc. and Northwest Energy Coalition for an Order Authorizing PSE to Implement Electric and Natural Gas Decoupling Mechanisms and to Record Accounting Entries Associated with the Mechanisms*, Dockets UE-121697, UG-121705, UE-130137 & UG-130138 (consolidated), Order 07, 38, ¶ 85; 51, ¶ 112 (June 25, 2013). *See In re WUTC Investigation into Energy Conservation Incentives*, Docket U-100522, Report and Policy Statement on Regulatory Mechanisms, including Decoupling, to Encourage Utilities to Meet or Exceed Their Conservation Targets (Nov. 4, 2010) (Decoupling Policy Statement).

[4] *In re Policy of the Washington Utilities and Transportation Commission Related to Replacing Pipeline Facilities with an Elevated Risk of Failure*, Docket UG-120715, Commission Policy on Accelerated Replacement of Pipeline Facilities with Elevated Risk, 9, ¶ 33 (Dec. 31, 2012).

that way, establishing pipeline CRMs worked to advance the specific public policy goal of accelerating the replacement of high-risk pipe.

Q. Other than establishing a tracker to eliminate the utility cost control incentive, does the Commission have any other options at its disposal for incentivizing utility actions that advance public policy?

A. Yes. The Commission can establish performance measures or performance incentive mechanisms (PIMs) to incentivize utility actions that advance public policy (or disincentivize utility actions that work counter to public policy). In fact, pursuant to RCW 80.28.425(7), "the commission must, in approving a multiyear rate plan, determine a set of performance measures that will be used to assess a gas or electrical company operating under a multiyear rate plan." One of the key objectives when establishing performance measures or PIMs for a utility operating under a MYRP is to address the risk that in pursuing profit maximization the utility will cut spending in areas where continued or elevated spending is important for meeting public policy objectives.

Given the need to establish performance measures pursuant to RCW 80.28.425(7), the practice of establishing a tracker for the sole purpose of addressing the utility incentive to cut costs may be obsolete. Therefore, if for a given set of costs, the Commission finds that eliminating the utility cost control incentive is necessary for advancing a specific public policy, rather than establish a tracker to eliminate the utility cost control incentive, the Commission should consider whether a more appropriate solution would be to establish a performance measure or PIM that

1 counters the incentive to cut costs by offering a carrot for meeting performance
2 targets (or, alternatively, a stick for failing to meet performance targets).
3
4 **Q. Can you explain in more detail the second circumstance you note above where**
5 **establishing a tracker is necessary to ameliorate potential intergenerational**
6 **inequities?**
7 A. Yes. Under the standard method of cost recovery, where the utility's base rates are
8 based the utility's anticipated cost of service in the rate-effective period, the utility
9 could incur unexpected and substantial new costs that are the result of extraordinary
10 circumstances and outside of the utility's ability to control. New costs that are the
11 result of extraordinary circumstances and outside of the utility's ability to control
12 generally qualify for deferred accounting treatment whereby the utility would be
13 authorized to record the costs to a regulatory asset, set aside for future ratemaking
14 treatment. Typically, these deferral balances accumulate until they are addressed in
15 the utility's next GRC.
16 However, when deferral balances accumulate for multiple years and then are
17 recovered through rates at the conclusion of the utility's next GRC, the ratepayers
18 that end up paying for the deferred cost pay an amount that is far greater than their
19 fair share, Not only do they pay for their fair share of the cost as reflected the
20 underlying cost of service used to establish going-forward rates in a GRC, they also
21 pay for amounts that the utility incurred in prior years through the amortization of
22 the deferral balance. In a world where rates perfectly matched the utilities cost of
23 service in real time, these costs would have been paid for by ratepayers in the years

1 in which the deferred costs were actually incurred. However, deferred accounting
2 creates intergenerational inequity by shifting prior year costs to future year
3 ratepayers. Ratepayers during the period the deferred costs were actually incurred
4 pay nothing while ratepayers during the period where the deferral balances are
5 amortized through rates pay substantially more than their fair share.

6 Ordinarily these deferral balances are small enough relative to the utility's
7 overall cost of service that the intergenerational inequities created by allowing the
8 deferral balance to accumulate through the utility's next GRC are relatively minor.
9 However, in some circumstances, the new costs resulting from extraordinary
10 circumstances are so large – and the associated deferral balance grows large rapidly
11 – that allowing the deferral balance to continue to accumulate between rate cases and
12 then forcing ratepayers going forward to pay for multiple years of accumulated costs
13 creates extreme intergenerational inequity. In those circumstances, the Commission
14 could consider authorizing a tracker. Rather than let the deferral balance continue to
15 grow until the conclusion of the utility's next GRC, the tracker would allow the
16 utility to begin recovering costs in the interim, thereby stopping the growth of the
17 deferral balance. This, in turn, limits the severity of the intergenerational inequity
18 created by the deferral balance.
19
20 **Q. Can you provide an example where authorizing a tracker helped to reduce**
21 **potential intergenerational inequities?**
22 A. Yes. PSE's Schedule 111 is a case in point. In 2023, PSE (and other Washington
23 utilities) began incurring substantial new costs resulting from the enactment of the

1 CCA. Because the CCA compliance costs that PSE began to incur were not reflected
2 in PSE's existing rates, and the costs were the result of extraordinary circumstances
3 beyond the Company's ability to control, the Commission appropriately granted the
4 Company's request for deferred accounting treatment for those costs. However, the
5 Commission was cognizant of the magnitude of the costs at issue, the resulting
6 mismatch between the existing rates and the Company's underlying cost of service,
7 and the potential for severe intergenerational inequities that likely would have
8 resulted from allowing the deferral balance to continue to grow. As a result, the
9 Commission first authorized PSE's request to establish tariff Schedule 111 with rates
10 calculated to recover estimated going-forward CCA compliance costs beginning
11 October 1, 2023,[5] and then allowed PSE to revise its Schedule 111 rates, effective
12 November 1, 2023, to begin recovering the deferral balance the Company recorded
13 between January and September 2023.[6] In its order authorizing PSE to establish
14 Schedule 111, the Commission noted specifically that, "the tariff revisions are
15 necessary to allow the Company to begin to recover the costs of implementing the
16 CCA, which will mitigate the impact of a ballooning future rate impact to
17 customers."[7]
18

[5] Docket UG-230470, Order 01 (August 3, 2023).
[6] *See* Docket UG-230756. *See also* Staff's Open Meeting Memorandum filed on October 26, 2023, in Docket UG-230756, which noted that "it is important to maintain a tracking and true-up mechanism that attempts to align rates in any given year for the estimated cost of service for that same year. Such a mechanism reduces the potential for significant intergenerational inequity."
[7] Docket UG-230470, Order 01, 4, ¶ 17 (August 3, 2023).

1 **Q. Can you explain in more detail the third circumstance you note above where**
2 **establishing a tracker is necessary to address variance risk that is too high and**
3 **outside of the utility's ability to control?**
4 A. Yes. If variance risk is so high for a specific set of costs that there is a reasonable
5 likelihood that cost changes outside of the utility's ability to control will have a
6 substantial impact on the utility's earnings, then exposing the utility to 100 percent
7 of the variance risk might be contrary to the public interest. In those circumstances,
8 the Commission could consider authorizing a tracker as a means of allowing *some* of
9 the variance risk to be shifted from the utility and onto ratepayers.
10
11 **Q. How can exposing the utility to 100 percent of the variance risk when that**
12 **variance risk is extremely high have consequences contrary to the public**
13 **interest?**
14 A. When the utility must bear 100 percent of the risk for a set of costs where variance
15 risk is extremely high – i.e., when there is a high risk that cost increases outside of
16 the utility's ability to control will have a substantial impact on the utility's earnings –
17 the utility may appear too risky to investors. Appearing risky to investors could
18 undermine the utility's ability to attract capital on reasonable terms, which could
19 increase the utility's cost of capital. Ratepayers can be harmed when a utility's cost
20 of capital increases because ratepayers pay for that cost of capital through the rate of
21 return authorized by the Commission in a GRC. Therefore, when variance risk is so
22 high that exposing the utility to 100 percent of the risk is likely to increase the

1 utility's cost of capital, it could be in the public interest to shift some of that risk
2 from the utility and onto its ratepayers.
3
4 **Q. Can you provide an example where shifting variance risk from the utility and**
5 **onto ratepayers was warranted?**
6 A. Yes. In 2001, utilities in Washington (and especially Avista) suffered severe
7 financial consequences resulting from the western energy crisis which was created
8 by unprecedented prices and price volatility in the western wholesale power
9 combined with serious drought conditions in the Pacific Northwest.[8] In response to
10 this extreme market volatility (which was outside of utilities' ability to control) and
11 the resulting extreme deviations between actual costs and the level of costs
12 embedded in rates, the Commission authorized power cost adjustment mechanisms
13 (PCAMs) for its regulated electric utilities.[9]
14
15 **Q. Do power cost adjustment mechanisms allow utilities to shift 100 percent of the**
16 **variance risk onto ratepayers?**
17 A. No. The power cost adjustment mechanisms authorized for PSE, Avista, and
18 PacifiCorp all have RSMs in the form of dead bands and sharing bands. Utilities
19 absorb 100 percent of the variance risk within the dead bands (i.e., utilities absorb

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[8] *Wash. Utils. & Transp. Comm'n v. Avista Corp.,* Dockets UE-160228 & UG-160229, Order 06, 7, ¶ 14. *See also In the Matter of Avista Corporation, d/b/a Avista Utilities Request Regarding the Recovery of Power Costs Through the Deferral Mechanism*, Docket UE-010395, Sixth Supp. Order ¶¶ 5-7 (Sept. 24, 2001).

[9] *Wash. Utils. & Transp. Comm'n v. Avista Corp.,* Docket UE-072300, Order 13, 12-13, ¶ 29 (Jan. 15, 2009). Additionally, as recently as 2006 the Commission reaffirmed that the PCA is intended to deal with extreme events. *See Wash. Utils. & Transp. Comm'n v. Puget Sound Energy, Inc.* Dockets UE-060266 & UG-060267, Order 08, 10-11, ¶ 20 (Jan. 5, 2007).

100 percent of the costs that are within $X of the baseline[10]) and utilities and ratepayers share the risk of variances that are beyond the dead bands (i.e., within the sharing bands).

b. Staff's proposed criteria for assessing whether authorizing a tracker is in the public interest.

Q. Can you please summarize the foundation for Staff's proposed policy criteria?

A. Yes. Fundamentally, Staff's position with respect to the need to establish policy standards for authorizing trackers is based on the recognition that trackers shift risk onto ratepayers, disrupt the utility's incentive to control its costs (further exacerbating the risk that is shifted onto ratepayers), and add to the Commission's administrative burden. Because trackers have these negative effects, authorizing a tracker is, as a general matter, inconsistent with the public interest.

While there are circumstances where establishing a tracker could generate public interest benefits, the Commission does not have established policy standards that can be used to assess whether authorizing a tracker would generate such benefits and, accordingly, whether authorizing a tracker is in the public interest.

Q. Are Staff's proposed criteria based on the notion that establishing a tracker must generate specific public interest benefits for authorizing the tracker to be in the public interest?

---

[10] The sizes of the dead bands and sharing bands vary between utilities.

1 A. Yes. For authorizing a tracker to be in the public interest, establishing the tracker
2 must generate specific public interest benefits that are sufficient to overcome the
3 harmful effects the tracker creates. Absent such benefits, the harmful effects of
4 establishing the tracker would render the tracker inconsistent with the public interest.
5 Therefore, as a threshold matter, for the Commission to determine that
6 authorizing a tracker is in the public interest, the Commission first must find that
7 establishing the tracker would generate specific public interest benefits that would
8 not exist absent the tracker and that, in the Commission's view, are sufficient to
9 overcome the harmful effects of authorizing the tracker.
10
11 **Q. What specific criteria does Staff recommend the Commission adopt when**
12 **evaluating whether authorizing a tracker serves a specific public interest**
13 **purpose?**
14 A. For a tracker to serve a public interest purpose, one of the following three criteria
15 should be met:
16 **Criterion 1: For a specified set of costs, does the utility cost control**
17 **incentive interfere with progress toward meeting an important public**
18 **policy objective?**
19 If yes, the Commission could consider authorizing a tracker to eliminate the utility's
20 exposure to regulatory lag and variance risk which, in turn, eliminates the utility's
21 incentive to cut costs in pursuit of profit. However, before authorizing a tracker to
22 eliminate the utility's incentive to cut costs, the Commission should consider

1 whether establishing a performance measure or PIM would be a more appropriate
2 solution given the requirements of RCW 80.28.425(7).
3 **Criterion 2: For a specified set of costs for which the Commission has**
4 **authorized deferred accounting treatment, is allowing the deferral**
5 **balance to continue to accumulate through the utility's next GRC likely**
6 **to create severe intergenerational inequities?**
7 If yes, the Commission could consider authorizing a tracker to allow the utility to
8 begin recovering the costs in question in advance of the utility's next GRC, thereby
9 staunching further growth of the deferral balance and, in turn, limiting the severity of
10 the intergenerational inequity created by the deferral.
11 However, authorizing a tracker for this purpose should be viewed only as a
12 temporary stop-gap measure and not a permanent ratemaking solution. Trackers can
13 provide a bridge between when the utility begins incurring substantial new costs
14 resulting from extraordinary circumstances and when those costs are embedded in
15 base rates through a GRC. Trackers established as temporary stop gaps should be
16 eliminated at the conclusion of the utility's next GRC, at which point the underlying
17 costs at issue should be embedded in base rates.
18 **Criterion 3: For a specified set of costs, is the variance risk so high that**
19 **cost increases outside of the utility's ability to control are reasonably**
20 **likely to have a substantial impact on the utility's earnings?**
21 If yes, the Commission could consider authorizing a tracker as a means of reducing
22 the utility's exposure to that variance risk by shifting some of the risk onto
23 ratepayers.

Q. Are there any circumstances where establishing a tracker could be warranted even in the absence of identified public interest benefits?

A. Yes. In rare circumstances, establishing a tracker could be required by statute. For example, RCW 19.405.030(1)(b) requires the Commission to "allow in electric rates all decommissioning and remediation costs prudently incurred by an investor-owned utility for a coal-fired resource." Without a tracking and true-up mechanism, it likely would not have been possible for the Commission to ensure that all decommissioning and remediation costs – and ultimately no more than the amount it deems prudent and no less than the amount the utility prudently incurs – are recovered through rates, as required by the statutory language.

However, in those circumstances establishing the tracker would be justified because it is necessitated by law and not because the Commission concludes that it is in the public interest. Trackers necessitated by statute fall into a special category of trackers where policy standards for determining whether a tracker is in the public interest are not applicable. Such trackers can be ignored for the purpose of establishing criteria to apply when deciding whether to authorize a tracker that is *not* required by law, such as the PSE's CCA tracker.

3. Policy standards for determining what level of risk-shifting is warranted.

1 **Q. For circumstances where a tracker is justified because it satisfies Criterion 1**
2 **(i.e., the Commission determines that the utility cost control incentive works**
3 **counter to public policy), is it appropriate to shift 100 percent of the variance**
4 **risk onto ratepayers?**

5 A. Yes. If the Commission determines that, for a specific set of costs, the utility cost
6 control incentive works counter to public policy, the Commission should eliminate
7 the utility's exposure to variance risk entirely. If the utility continues to be exposed
8 to variance risk – i.e., if the utility's earnings continue to be affected by cost
9 increases – the utility still would be incentivized to cut costs and, thus, the utility cost
10 control incentive would continue to work counter to public policy.

11

12 **Q. For circumstances where a tracker is justified because it satisfies Criterion 2**
13 **(i.e., the Commission determines that allowing a deferral balance to continue to**
14 **grow is likely to create severe intergenerational inequities), is it appropriate to**
15 **shift 100 percent of the variance risk onto ratepayers?**

16 A. Yes. First, it is important to recognize that when the Commission authorizes the use
17 of deferred accounting treatment, the utility records the applicable costs dollar-for-
18 dollar to a regulatory asset which the utility would seek to recover (also dollar-for-
19 dollar) in its next GRC. In circumstances where the Commission has authorized the
20 utility to establish a tracker to begin recovering those costs in advance of a GRC on
21 the grounds that doing so ameliorates potential intergenerational inequities, the
22 Commission has, in effect, decided to address proactively what otherwise could have
23 become problematic deferral balance in the future.

In short, at its core, a tracker established to avoid intergenerational inequity is a tracker established to address a deferral balance, and the concept of variance risk is not applicable to deferral balances.

Q. For circumstances where a tracker is justified because it satisfies Criterion 3 (i.e., when the Commission determines that variance risk is so high that cost increases outside of the utility's ability to control are reasonably likely to have a substantial impact on the utility's earnings), is it appropriate to shift 100 percent of the variance risk onto ratepayers?

A. No. If transferring variance risk from the utility and onto ratepayers is justified on the grounds that variance risk is too high for the utility to bear alone, it would be illogical to then say that same risk should be borne in full by ratepayers. In circumstances where high variance risk warrants establishing a tracker, that variance risk always should be shared in a rational and equitable manner and never passed from the utility onto ratepayers in full.

Q. In circumstances where high variance risk warrants establishing a tracker, how should the Commission ensure that that variance risk is shared in a rational and equitable manner?

A. In those circumstances, the Commission should require the utility to establish an RSM. However, the proper design of such a mechanism – i.e., ensuring that risk is shared in a rational and equitable manner – should be determined on a case-by-case

1 basis and dependent on the degree to which variance risk threatens the utility's
2 earnings and its ability to attract capital on reasonable terms.
3
4 **Q. Does Staff recommend that the Commission adopt a general formula for**
5 **determining how much variance risk is appropriate to transfer to ratepayers?**
6 A. Not at this time. There is not enough information on the record in this proceeding for
7 the Commission to develop a formula for determining the level of risk sharing that is
8 fair and equitable at a given level of variance risk.
9 However, Staff does recommend that the Commission formally recognize
10 that there is a relationship between the magnitude of variance risk the utility is
11 exposed to and the degree to which shifting risk onto ratepayers is warranted. That
12 is, circumstances where variance risk is extreme may warrant more risk being shifted
13 onto ratepayers than circumstances where variance risk is moderately high. The
14 degree to which variance risk should be shifted onto ratepayers should be directly
15 related to the magnitude of impact the risk in question could have on the utility's
16 earnings.
17
18 **Q. Should the Commission always require the utility to establish a RSM when the**
19 **Commission authorizes a tracker on the grounds that variance risk is too high**
20 **for the utility to bear alone?**
21 A. Yes. The Commission should require an RSM when it authorizes all such trackers
22 (and CRMs). Unless the Commission is authorizing a tracker for the explicit purpose
23 of eliminating the utility cost control incentive to advance a specific public policy or

to ameliorate severe intergenerational inequity, the Commission should never allow 100 percent of the variance risk to be transferred to ratepayers. As long as utility cost control and efficiency remain important regulatory objectives, and as long as utilities continue to be compensated for variance risk through the authorized rate of return, an RSM should be a default component of a tracker.

B. Applying Staff's Proposed Policy Standards to PSE's CCA Tracker

Q. Does PSE's CCA tracker meet Staff's proposed Criterion 1 (i.e., does the utility cost control incentive interfere with progress toward meeting the objectives of the CCA)?

A. No. PSE's incentive to control its costs does not interfere with PSE's compliance with the CCA. PSE is required to comply with the CCA, and while PSE does exercise some degree of control over the ultimate cost of compliance, there is no reason to believe that PSE will fail to comply with the CCA because the Company cut costs in pursuit of profit. The law is the backstop against counterproductive cost cutting. Given that eliminating the utility's incentive to control costs is unnecessary for advancing the public policy goals of the CCA, PSE's CCA tracker cannot be justified on those grounds.

Q. Is PSE's CCA tracker in any way necessary for advancing public policy?

A. No. While the CCA itself codifies public policy, neither PSE's compliance with the CCA nor PSE's recovery of CCA compliance costs rely on the existence of a tracker.

1 Staff sees no reason why PSE would be unable to comply with the CCA if CCA
2 compliance costs were embedded in base rates. Furthermore, just because a tracker is
3 *related to* public policy does not mean the tracker is *necessary to advance* public
4 policy. The costs included in PSE's CCA tracker are indeed related to the CCA, but
5 in no way is the CCA tracker necessary to advance the public policy goals of the
6 CCA.
7 On the contrary, the disruption of the Company's cost control incentive
8 caused by the existence of the CCA tracker is at odds with the public policy
9 objective of utilities complying with the CCA at the lowest reasonable cost. Ensuring
10 that the Company is incentivized to control its costs would promote cost efficiency
11 for the Company's overall compliance strategy as well as for its strategies for
12 approaching the allowance market and minimizing the cost of allowance purchases.
13 PSE should be motivated to obtain allowances at the lowest possible cost, and the
14 existence of the CCA tracker undermines that motivation.
15
16 **Q. Does PSE's CCA tracker meet Staff's proposed Criterion 2 (i.e., is PSE's CCA**
17 **tracker necessary to avoid severe intergenerational inequities that otherwise**
18 **would be caused by a growing deferral balance)?**
19 A. Going forward, no. While Staff recognizes that establishing the CCA tracker was a
20 convenient (and, arguably, a necessary) stopgap measure to avoid potentially severe
21 intergenerational inequity, a tracker authorized as a stopgap measure to avoid a
22 ballooning deferral balance is unnecessary once the costs in question can be included
23 in new rates through a GRC. With a PSE GRC currently before the Commission, at

1 the end of the year the CCA tracker no longer can be considered a stopgap measure.
2 Therefore, looking beyond 2024, the CCA tracker no longer will satisfy Staff's
3 proposed criterion 2.
4
5 **Q. Does PSE's CCA tracker meet Criterion 3 (i.e., is CCA cost variance risk so**
6 **high that cost increases outside of the utility's ability to control are reasonably**
7 **likely to impact the utility's earnings so substantially that they would interfere**
8 **with the utility's ability to access capital on reasonable terms)?**
9 A. That is not clear. While PSE is exposed to the risk of allowance price uncertainty, it
10 is not clear the degree to which (or whether) that price uncertainty creates variance
11 risk for the utility that is large enough to have an impact on investors' perspectives
12 on the riskiness of the utility or, accordingly, on PSE's ability to access capital on
13 reasonable terms. It is conceivable that the variance risk for CCA compliance costs is
14 not abnormal compared to the variance risk for other categories of costs that the
15 Company recovers through base rates.
16
17 **Q. Are CCA compliance costs within the utility's ability to control?**
18 A. To a degree, yes. While PSE has little influence over the price of allowances sold at
19 auction or in the secondary market, PSE does have control over its overall CCA
20 compliance strategy as well as its allowance procurement strategy. PSE makes the
21 decisions on how it is going to comply with the law, including decisions on
22 procuring allowances versus pursuing other compliance options (such as undertaking
23 decarbonization efforts), and PSE makes the decisions about when to procure

1 allowances and for which vintage as well as the maximum price the Company is
2 willing to pay. With the options at the Company's disposal, and with the ability to
3 develop procurement strategies with the goal of minimizing compliance costs, it
4 would be inaccurate to say that compliance costs are entirely outside of PSE's ability
5 to control.
6
7 **Q. Did PSE put forward an analysis of the relationship of variance risk to earnings**
8 **impacts?**
9 A. No. It is not clear from PSE's analysis whether the Company assessed the degree to
10 which the Company's exposure to CCA cost variance risk could impact the
11 Company's earnings. While PSE's proposed RSM does examine the historical spread
12 of allowance prices (which is a reasonable approach to assessing price risk), the risk-
13 sharing scheme envisioned by PSE does not appear to be based on an analysis of
14 how CCA compliance cost variances impact the Company's rate of return (ROR).
15 While PSE does put forward a proposed earnings test, the earnings test
16 appears divorced from the relationship of variance risk to potential specific impacts
17 to the Company's ROR. Rather, PSE's proposed earnings test appears to be a
18 mechanism designed to allow the Company to continue to pass 100 percent of the
19 variance risk onto ratepayers unless the Company exceeds its authorized ROR.
20 PSE's earnings test does not test the impact of CCA cost variances on earnings and,
21 therefore, is not a valid basis for constructing a proper cap on PSE's exposure to
22 CCA cost variance risk.
23

1 **Q. What are the implications of not having an analysis on the record of the**
2 **relationship between exposure to variance risk and potential earnings impacts?**
3 A. Without an analysis of the relationship of variance risk to potential earnings impacts,
4 the evidence in this docket is insufficient for reaching the conclusion that CCA cost
5 variance risk is so high that cost increases outside of the utility's ability to control are
6 reasonably likely to impact the utility's earnings so substantially that they would
7 interfere with the utility's ability to access capital on reasonable terms. That is, the
8 record does not support a finding that variance risk is substantial enough to warrant
9 continuing to shift risk onto ratepayers going forward and, accordingly, there is no
10 basis for determining that the continued existence of PSE's CCA tracker is in the
11 public interest.
12
13 **Q. What conclusion does Staff draw from this?**
14 A. Staff concludes that the continued existence of PSE's Schedule 111 beyond the first
15 CCA compliance period is not justified. PSE's CCA tracker clearly is not necessary
16 for PSE to comply with the law, and without convincing evidence that variance risk
17 could have a substantial impact on the Company's earnings and ability to attract
18 capital on reasonable terms, the Commission cannot conclude that the continued
19 existence of PSE's schedule 111 is in the public interest. Given the negative
20 consequences caused by shifting risk from the utility and onto ratepayers that I
21 discuss throughout this testimony, without an assessment of variance risk, it is
22 possible – if not likely – that the continued existence of Schedule 111 is inconsistent
23 with the public interest.

Q. How does this conclusion pertain to the issue of establishing a RSM, which is the focus of this proceeding?

A. The risk that a RSM would seek to address is the variance risk that was shifted from the Company and onto ratepayers through the creation of PSE's CCA tracker. The existence of the tracker and the need for an RSM are inextricably linked. As I explain above, establishing a RSM is necessary only when a tracker (or some other cost recovery mechanism) exists; if there is no tracker, there is no shift of risk onto ratepayers and there is no need for an RSM. Therefore, if the Commission were to order PSE to discontinue Schedule 111 – which it should do if it cannot find cause to determine that authorizing PSE's continued operation of Schedule 111 is in the public interest – there is no need to establish a RSM in this proceeding.

Q. What does Staff recommend?

A. The Commission should conclude that the continued operation of Schedule 111 is not in the public interest. There is insufficient information on the record to conclude that PSE's CCA tracker meets the criteria outlined above and, accordingly, that PSE's CCA tracker generates benefits in the public interest. The Commission should order PSE to end the tracker, given that trackers are harmful to ratepayers absent such public interest benefits. Therefore, Staff recommends that the Commission order PSE to:

1. In its next GRC, eliminate the CCA tracker (Schedule 111) and instead include CCA compliance costs in the Company's base rate revenue requirement calculation; and

2. Implement PSE's proposed RSM, but with the modified earnings test described in the testimony of Staff witness McConnell, beginning January 1, 2025, and continuing up to the rate-effective date of PSE's next GRC, at which point the CCA tracker and the associated RSM would be eliminated.

Q. Does the earnings test proposed by Staff witness McConnell recognize that the level of risk that is reasonable to shift onto ratepayers is dependent on the degree to which cost variances could impact the utility's earnings?

A. Yes. Witness McConnell's proposed earnings test would require PSE to bear 100 percent of the variance risk associated with cost variances impacting the Company's return on equity by up to 10 basis points, and would require ratepayers to bear 100 percent of the variance risk for costs beyond that 10 basis point threshold. That is, under witness McConnell's earnings test, variance risk would be shifted onto ratepayers only if variance risk is large enough to have a material impact on the utility's earnings.

Q. If the Commission adopts Staff's recommendation to order PSE to eliminate Schedule 111 in its next GRC, would it be appropriate for the Commission to allow PSE a new opportunity to justify establishing a cost recovery mechanism for the Company's CCA compliance costs?

A. Yes. The Commission should allow PSE to produce an analysis of variance risk that demonstrates that, absent a cost recovery mechanism (such as a tracker), cost variances outside of the utility's ability to control are reasonably likely to materially

1 impact the utility's earnings and ability to access capital on reasonable terms. If PSE
2 chooses (and is able) to produce such an analysis, the Commission would be in a
3 much better position in that proceeding to consider whether a CCA cost recovery
4 mechanism is warranted. However, under no circumstances should the Commission
5 authorize a CCA cost recovery mechanism that does not include an RSM. Therefore,
6 the Commission should make it abundantly clear in its final order in this docket that
7 it will not authorize a CCA cost-recovery mechanism that does not include a RSM
8 that the Company can demonstrate will result in a rational and equitable sharing of
9 CCA cost variance risk between the Company and its ratepayers.
10
11 **Q. Does Staff have an alternative recommendation in the event the Commission**
12 **declines to order PSE to eliminate Schedule 111 and move CCA compliance**
13 **costs into base rates?**
14 A. Yes. If the Commission declines to adopt Staff's recommendation to order PSE to
15 eliminate the CCA tracker, the Commission should nevertheless order PSE to
16 establish a RSM effective January 1, 2025. The Commission should not allow PSE to
17 continue operating its CCA tracker without an RSM in place as doing so would
18 allow PSE to continue to unfairly shift risk from the Company and onto its
19 ratepayers. Therefore, even if the Commission rejects Staff's recommendation to
20 order PSE to eliminate the CCA tracker, Staff still recommends that the Commission
21 order PSE to put in place PSE's proposed RSM with the modified earnings test
22 described by Staff witness McConnell, but allow the RSM to operate indefinitely
23 rather than be discontinued at the conclusion of PSE's next GRC.

C. Staff's Response to PSE's Position on Establishing an RSM

Q. What is PSE's primary recommendation regarding establishing an RSM for the Company's CCA tracker?

A. PSE recommends that the Commission decline to establish an RSM. Citing uncertainty surrounding compliance based on compliance instruments and other risks associated with determining a reasonable pathway for Climate Commitment Act compliance when arguing that it is premature to establish an RSM at this early stage of CCA implementation.[11]

Q. Does Staff agree with PSE's assessment that an RSM is not warranted at this time?

A. No. Whether establishing an RSM is appropriate depends entirely on whether the distribution of risk between the Company and its ratepayers is fair and equitable, not on whether PSE feels it can quantify the uncertainty. With the establishment of the CCA tracker, 100 percent of the variance risk associated with CCA compliance costs was shifted from the Company and onto its ratepayers. Under no circumstances can shifting 100 percent of the variance risk onto ratepayers be considered "fair" or "equitable."

However, given that PSE appears to take the position that CCA variance risk should not be shared, Staff's primary recommendation is consistent with PSE's position. More specifically, if the Commission orders PSE in its next GRC to

[11] Steuerwalt, Exh. MS-1T at 16:10-18:16.

1 terminate Schedule 111 and instead embed projected CCA compliance costs in base
2 rates, then variance risk would not be shared; PSE would bear 100 percent of the
3 variance risk, which again is appropriate given that PSE's shareholders are
4 compensated for bearing that risk.
5
6 **Q. Does PSE question the Commission's authority to establish an RSM for PSE's**
7 **CCA tracker?**
8 A. It appears so, yes. PSE witness Steuerwalt appears to suggest that the Commission
9 lacks the authority to order PSE to implement an RSM related to CCA compliance
10 costs. Witness Steuerwalt argues that nothing in the CCA authorizes an RSM, and
11 that the legislature never considered an RSM requirement for natural gas LDC
12 utilities in the development of the CCA. Witness Steuerwalt then questions the
13 legality of such an RSM and indicates that PSE is opposed to any sharing mechanism
14 that exceeds the statutory requirements of the CCA.[12]
15
16 **Q. How does Staff respond to PSE's suggestion that the Commission lacks**
17 **jurisdiction to establish a RSM for PSE's CCA tracker?**
18 A. PSE's assertions lack merit and should be disregarded. The Commission retains
19 jurisdiction over PSE's rates and the Commission can (and has) ordered PSE to
20 implement RSMs. Commission Staff will further respond to PSE's legal arguments
21 in this proceeding's post-hearing briefs.

[12] Steuerwalt, Exh. MS-1T at 6:10-21.

1 However, if the Commission happens to find merit in PSE's claims regarding
2 the legality of establishing an RSM, the simple solution, again, is to eliminate the
3 CCA tracker and embed CCA compliance costs in base rates. An RSM would be
4 unnecessary under those circumstances, so there would be no dispute as to whether
5 the Commission has the authority to require PSE to implement one.
6
7 **Q. Does PSE argue that the Commission should be concerned only with whether**
8 **PSE satisfies its compliance obligations under the CCA?**
9 A. Yes. PSE witness Steuerwalt argues that "[s]o long as PSE satisfies its compliance
10 obligations under the Climate Commitment Act by either reducing emissions or
11 acquiring compliance instruments, the Commission should be satisfied that the law is
12 producing its intended results."[13]
13
14 **Q. How does Staff respond to this assertion?**
15 A. With incredulity. PSE should be aware that the Commission's responsibilities with
16 respect to the CCA go well beyond ensuring that utilities satisfy their compliance
17 obligations under the CCA. The Commission also has a responsibility to uphold the
18 public interest, which includes ensuring that rates are fair, just, reasonable, sufficient,
19 and equitable. PSE's assertions here indicate that, when it comes to CCA compliance
20 costs, the Company does not believe the Commission should be concerned with
21 whether rates are fair, just, reasonable, and equitable. Staff submit here, as it has
22 throughout this testimony, that shifting 100 percent of the variance risk onto

[13] *Id*. at 6:18-21.

1 ratepayers while still receiving compensation from ratepayers for a risk that it does

2 not bear, is none of these things. Fairness, justice, reason, and equity all favor

3 eliminating PSE's CCA tracker.

4

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

6 A. Yes.