

**BEFORE THE  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,**

**Complainant,**

**v.**

**PUGET SOUND ENERGY,**

**Respondent.**

**Dockets UE-220066/UG-220067**

**JOINT TESTIMONY (NONCONFIDENTIAL) OF**

**JON A. PILIARIS (PUGET SOUND ENERGY)**

**CHRIS MCGUIRE (COMMISSION STAFF)**

**ROBERT L. EARLE (PUBLIC COUNSEL)**

**RACHEL BROMBAUGH (KING COUNTY)**

**ALEX J. KRONAUER (WALMART)**

**IN SUPPORT OF THE PARTIAL MULTIPARTY SETTLEMENT  
STIPULATION AND AGREEMENT ADDRESSING GREEN DIRECT**

**JOINT TESTIMONY (NONCONFIDENTIAL)**  
**SUPPORTING THE PARTIAL MULTIPARTY SETTLEMENT STIPULATION**  
**AND AGREEMENT ADDRESSING GREEN DIRECT**

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1 **JOINT TESTIMONY (NONCONFIDENTIAL)**

2 **SUPPORTING THE MULTIPARTY SETTLEMENT STIPULATION AND**  
3 **AGREEMENT ADDRESSING GREEN DIRECT**

4 **I. INTRODUCTION**

5 **Q. Please state your names, titles, and the party you represent in this matter.**

6 A. Our names, titles, and representations are as follows:

- 7 • Jon A. Piliaris, Director, Regulatory Affairs, Puget Sound Energy (“PSE”)
- 8 • Chris McGuire, regulatory analyst representing the regulatory Staff of the
- 9 Washington Utilities and Transportation Commission (“Commission”)<sup>1</sup>
- 10 • Robert L. Earle, Alea IE, LLC, testifying on behalf of the Public Counsel
- 11 Unit of the Washington Attorney General’s Office
- 12 • Rachel Brombaugh, Director, Climate and Energy Initiatives at King
- 13 County
- 14 • Alex J. Kronauer, Senior Manager, Energy Services, Walmart Stores, Inc.

15 **Q. What is the purpose of your Joint Testimony?**

16 A. This Joint Testimony of the Settling Parties recommends Commission approval of  
17 the Partial Multiparty Settlement Stipulation and Agreement (Green Direct)

\_\_\_\_\_  
<sup>1</sup> In formal proceedings, such as this, the Commission’s regulatory staff participates like any other party, while the Commissioners make the decision. To assure fairness, the Commissioners, the presiding administrative law judge, and the Commissioners’ policy and accounting advisors do not discuss the merits of this proceeding with the regulatory staff, or any other party, without giving notice and opportunity for all parties to participate. See RCW 34.05.455.

1 (“Green Direct Settlement” or “Settlement”), which addresses and proposes to  
2 resolve issues with respect to PSE’s Green Direct service. The Green Direct  
3 Settlement represents a compromise among differing points of view. No party  
4 opposes the Settlement. Its approval is in the public interest.<sup>2</sup>

5 **Q. Are you sponsoring any exhibits?**

6 A. No, we are not.

7 **Q. What is the scope of your testimony?**

8 A. This Joint Testimony addresses the principal aspects of the Green Direct  
9 Settlement. It also includes individual statements of each Settling Party as to  
10 why, in each Party’s view, the Settlement satisfies their interests and is in the  
11 public interest.

12 **Q. Would you briefly describe the Partial Multiparty Settlement?**

13 A. Yes. Pursuant to WAC 480-07-730(3)(b), the Settlement is a partial multiparty  
14 settlement because it is entered into by some, but not all, the parties, and it  
15 resolves some, but not all, issues in the case. Specifically, the Settlement resolves  
16 issues with respect to PSE’s Green Direct service, namely, the Green Direct  
17 Energy Charge Credit, that have been in dispute over several cases, including  
18 PSE’s 2019 general rate case, PSE’s 2020 power cost only rate case (“PCORC”),

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<sup>2</sup> WAC 480-07-750 (“The commission will approve a settlement if it is lawful, supported by an appropriate record, and consistent with the public interest in light of all the information available to the commission.”).

1 and the current PSE 2022 general rate case. The Settlement provides a durable  
2 method for calculating the Energy Charge Credit for Green Direct customers and  
3 a means for PSE to recover the Energy Charge Credit from non-Green Direct  
4 customers. It also ensures there is no cross-subsidization between Green Direct  
5 and non-Green Direct customers and that Green Direct customers bear the costs  
6 and benefits of the program. The Settling Parties intend that this methodology be  
7 durable and used in future cases.

8 **Q. What is the proposed effective date of the Settlement?**

9 A. The Settlement would take effect when new rates go into effect following the  
10 final order in PSE's ongoing general rate case.

11 **II. QUALIFICATIONS OF WITNESSES**

12 **Q. Mr. Piliaris, are you the same Jon A. Piliaris who submitted prefiled direct**  
13 **testimony and exhibits on January 31, 2022, on behalf of PSE in this**  
14 **proceeding?**

15 A. Yes. My professional qualifications are set forth in Exh. JAP-2, which was filed  
16 on January 31, 2022, in this docket.

17 **Q. Mr. McGuire, are you the same Chris McGuire who submitted responsive**  
18 **testimony and exhibits on July 28, 2022 on behalf of Staff in this proceeding?**

19 A. Yes. My professional qualifications are set forth in Exh. CRM-1T, which was  
20 filed on July 28, 2022, in this docket.

1 **Q. Dr. Earle, please state your name and address and provide information**  
2 **pertaining to your educational background and professional experience.**

3 A. My name is Robert Earle. My business address is 1388 Haight St. #49, San  
4 Francisco, California 94117. I am employed by Alea IE, LLC as the owner. My  
5 professional qualifications are described in my prefiled testimony on behalf of  
6 Public Counsel, Exhibit RLE-1CT, in my curriculum vitae, which is contained in  
7 Exhibit RLE-2. Both my testimony and curriculum vitae were filed in this docket  
8 on July 28, 2022.

9 **Q. Ms. Brombaugh, please state your name and address and provide**  
10 **information pertaining to your educational background and professional**  
11 **experience.**

12 A. My name is Rachel Brombaugh. My business address is Chinook Building, 401  
13 5th Ave Ste 800, Seattle, WA 98104. I have a Bachelor of Arts in American  
14 History and Literature from Stanford University and a Masters of Business  
15 Administration from the University of Washington - Michael G. Foster School of  
16 Business. I have over ten years of experience in both public and private sectors on  
17 the development of clean energy projects and policies. I am currently the Director,  
18 Climate and Energy Initiatives at King County. I have been employed at King  
19 County since September 2016 and in my current position since January 2020.  
20 As the Director of Climate and Energy Initiatives at King County, I lead a cross-  
21 matrixed team across the County's multiple lines of business to establish policy,  
22 develop and assign priorities, and execute actions in support of the County's

1 Strategic Climate Action Plan. The Plan is the County’s blueprint to reduce  
2 countywide emissions by half by 2030, lead with climate justice, and prepare for  
3 the impacts of climate change.<sup>3</sup> I also develop and communicate King County’s  
4 climate policies to internal and external stakeholders; manage planning,  
5 development, and implementation of the County’s climate and energy initiatives;  
6 lead tracking and analysis of federal, state, and local government climate-related  
7 laws and policies; and represent the County in external forums on a wide range of  
8 topics.

9 I led the policy development and financial analysis work that supported King  
10 County Executive Constantine’s proposal to enroll in PSE’s Green Direct  
11 program, which was approved by the King County Council in March 2017.

12 **Q. Mr. Kronauer, please state your name and address and provide information**  
13 **pertaining to your educational background and professional experience.**

14 A. My name is Alex J. Kronauer. My business address is 2608 SE J St., Bentonville,  
15 AR 72716. In 2011, I earned a Master of Business Administration at the  
16 McCombs School of Business at The University of Texas at Austin with a  
17 concentration in Finance and Investment Management. From 2011 to 2012, I was  
18 a Senior Financial Analyst at TXU Energy, a Texas-based power supplier. My  
19 duties included load forecasting and analysis. From 2012 to 2019, I was a  
20 Financial Analyst and later a Senior Financial Analyst at CyrusOne, a data center

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<sup>3</sup> See, e.g., <https://kingcounty.gov/services/environment/climate/actions-strategies/strategic-climate-action-plan.aspx>.

1 provider in Dallas. I was involved in several power-related areas, including  
2 demand response, power procurement, and power expense forecasting. I joined  
3 the Walmart Energy Department in July 2019 as a Senior Manager. I am a  
4 member of the Society of Utility and Regulatory Financial Analysts (“SURFA”),  
5 and I have submitted testimony with state regulatory commissions in Arkansas,  
6 California, Colorado, Maryland, New Mexico, New York, Ohio, Pennsylvania,  
7 Texas, and Washington. My professional qualifications have been filed in this  
8 docket as Exh. AJK-2.

9 **III. SETTLEMENT PROCESS AND OVERVIEW OF**  
10 **SETTLEMENT**

11 **Q. Would you please describe the process that led to the filing of the Settlement?**

12 A. Yes. In 2016, PSE developed a Voluntary Long Term Renewable Energy  
13 Purchase rider under Schedule 139, which service is known as Green Direct  
14 (“Green Direct”), for its large commercial and industrial customers. As  
15 previously discussed, the Green Direct tariff schedules and the associated credit to  
16 Green Direct customers have been reviewed in several past cases. In PSE’s 2020  
17 PCORC, all parties to that case entered into, or did not oppose, a settlement  
18 stipulation (“2020 PCORC Settlement”) and agreed, among other things, to  
19 pursue a “path forward on a durable method for calculating the energy credit for  
20 Green Direct customers and a means to flow any impacts from changing the  
21 methodology for calculating the Green Direct credit through to non-Green Direct



1 customers.”<sup>4</sup> No Green Direct customers were parties to the PCORC proceeding  
2 or the resulting 2020 PCORC Settlement. In its Final Order approving and  
3 adopting the 2020 PCORC Settlement, the Commission noted that “the Settlement  
4 recognizes the need for further discussions” and that it “expects the Company to  
5 follow-through with encouraging Green Direct customers to participate in future  
6 discussions on this issue.”<sup>5</sup> King County and Walmart, both of whom took part in  
7 Green Direct settlement discussions in the current general rate case, are Green  
8 Direct customers and are parties to this Green Direct Settlement.

9 After the Commission issued the Final Order accepting the 2020 PCORC  
10 Settlement, PSE, Commission Staff, Public Counsel, and Green Direct customers  
11 engaged in collaborative discussions in an effort to reach agreement on a  
12 methodology for calculating the Green Direct credit.<sup>6</sup> While the stakeholders had  
13 very productive discussions, they were not able to reach agreement on this issue  
14 prior to the filing of PSE’s 2022 general rate case.

15 PSE filed its 2022 general rate case on January 31, 2022. The prehearing  
16 conference order in the PSE 2022 general rate case provided for an early  
17 settlement conference to address Green Direct issues. The parties participated in  
18 a Green Direct settlement conference on May 3, 2022, and continued discussions  
19 by email and phone conferences afterward. The parties participated in a second

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<sup>4</sup> Docket UE-200980, PCORC Settlement Stipulation, p. 6.

<sup>5</sup> *WUTC v. Puget Sound Energy*, Docket UE-200980 Order 05 at ¶ 18 (June 1, 2021).

<sup>6</sup> Other stakeholders, including some parties to this case and the PCORC proceeding, were invited but did not participate in the collaborative discussions.

1 Green Direct settlement conference on June 13, 2022, and continued negotiations  
2 after that settlement conference.<sup>7</sup> On July 11, 2022, the Settling Parties notified  
3 the Commission that they had reached a partial multiparty settlement in principle  
4 on the Green Direct charge credit issue and that no party opposed the Settlement.

5 **Q. Would you please describe the key terms of the Settlement?**

6 A. Yes. As previously discussed, the Settling Parties intend that the Settlement  
7 provide a durable method for calculating the Energy Charge Credit for Green  
8 Direct customers to be used in future cases. The Settling Parties intend to avoid  
9 ongoing litigation of this issue and to establish more certainty and finality with  
10 respect to: (i) the calculation of the Energy Charge for Green Direct customers,  
11 (ii) the Energy Charge Credit for Green Direct customers, (iii) PSE's ability to  
12 recover the Energy Charge Credit amounts, and (iv) tracking and reporting. There  
13 are four key provisions to the Settlement:

- 14 • **Schedule 139 Resource Option Energy Charge**:<sup>8</sup> The Resource Option Energy  
15 Charge for Green Direct customers currently taking service under Schedule 139  
16 shall remain unchanged from the rates allowed by the Commission in Docket UE-  
17 200817.

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<sup>7</sup> All parties, other than those who were granted limited intervention that does not include Green Direct, were invited to participate in the Green Direct settlement conferences and discussions.

<sup>8</sup> The per kWh rate for the "Energy Charge" is identified on PSE's Electric Tariff G, WN U-60, Sheet No. 139-F.

- 1       • **Schedule 139 Energy Charge Credit:**<sup>9</sup> The Energy Charge Credit for all Green  
2       Direct customers currently taking service under Schedule 139 shall be equal to the  
3       Schedule 139 Resource Option Energy Charge for the 20-year blended resource  
4       option adjusted to remove: (a) costs PSE incurs that are specific to administering  
5       the Green Direct program,<sup>10</sup> and (b) the amortization of liquidated damages  
6       awarded to PSE due to delays in the commercial operation date of the  
7       Skookumchuck Wind Energy Project.<sup>11,12</sup> Effective January 1, 2023, the Energy  
8       Charge Credit shall be \$47.826 per MWh and shall increase by two percent each  
9       year thereafter. The two percent annual escalation reflects the escalation factor  
10      PSE used in its Schedule 139 energy charge credit calculation.
- 11      • **Recovery of Energy Charge Credit:** It is appropriate for PSE to recover from all  
12      customers, through base rates or a separate tariff schedule the Energy Charge  
13      Credit amounts paid to Green Direct customers, subject to a review of the  
14      accuracy of PSE’s calculation of the amount to be recovered.

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<sup>9</sup> The per kWh rate for the “Energy Charge Credit” is identified on PSE’s Electric Tariff G, WN U-60, Sheet No. 139-E.

<sup>10</sup> The costs PSE incurs that are specific to administering the Green Direct service consist of: (a) the cost of billing system updates; (b) Green-e Certification fees; (c) WREGIS registration fees; and (d) program administrative expenses. See, e.g., PSE workpapers supporting Schedule 139 tariff revision filed in Docket UE-200817.

<sup>11</sup> Under Section 4.1 of the Skookumchuck Wind Energy Project Amended and Restated Power Purchase Agreement, PSE was entitled to liquidated damages related to delays beyond the commercial operation date specified in the contract.

<sup>12</sup> The currently effective Schedule 139 Energy Charge includes the costs of administering the Green Direct program as well as the amortization of liquidated damages across the 20-year term of the Skookumchuck Wind Energy Project power purchase agreement. See Docket UE-200817 for the most recent revisions to the Schedule 139 Energy Charge per kWh.

- 1       • **Tracking and Reporting:** The methodology for tracking costs and benefits  
2 associated with generation surplus or deficiency of the Green Direct resources  
3 established in the 2020 PCORC Settlement remains unchanged.<sup>13</sup>

4           **IV. THE SETTLEMENT SATISFIES THE PUBLIC INTEREST**

5       **A. Statement of PSE**

6       **Q. Please explain why PSE believes the Settlement is in the public interest.**

7       A. The Settlement reflects a fair and reasonable resolution of the issues raised with  
8 respect to the Green Direct service offered by PSE. As explained in my prefiled  
9 direct testimony, Exh. JAP-1T, “[a]s much as some would like to believe there is  
10 a ‘right’ answer...[t]he best that can realistically be accomplished is to determine  
11 a ‘reasonable’ resolution of this issue.” The fact that all parties interested in this  
12 particular issue, both customers within the program and interested stakeholders  
13 outside of it, support the proposal put forth in this Settlement indicates that a  
14 reasonable resolution has been obtained. It is therefore in the public interest for  
15 the Commission to honor this agreement among the parties, who have widely  
16 varied interests, and approve it.

17       **Q. Please explain why the Settlement is in PSE’s interest.**

18       A. Broadly speaking, PSE’s interest in settling this issue is harmony among the  
19 varied groups that are parties to this Settlement, many of whom are either  
20 customers of PSE or representatives of its customers. PSE believes the proposal

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<sup>13</sup> Docket UE-200980, PCORC Settlement Stipulation, p. 4, section 1.g.

1 put forth in this Settlement represents a reasonable, viable, and durable path  
2 forward for this particular issue and will promote long-term harmony among the  
3 varied stakeholders interested in this issue. More narrowly, PSE has an interest in  
4 clarifying support among these same parties for PSE's recovery of the Energy  
5 Charge Credit provided to customers participating in the Green Direct Program.  
6 The Settlement before the Commission also provides that assurance.

7 **B. Statement of Commission Staff**

8 **Q. Please summarize why Staff supports the settlement as meeting the public**  
9 **interest standard.<sup>14</sup>**

10 A. The Settlement arrives at a rate for the Green Direct Credit that is a reasonable  
11 proxy for the avoided cost of Green Direct customers having their own dedicated  
12 resources. The settlement ensures that Green Direct customers will continue to  
13 share in the fixed costs of PSE's system while also receiving compensation for  
14 non-energy benefits of the Green Direct resources that are absorbed by PSE's  
15 system. The costs and benefits of the Green Direct program are thus reasonably  
16 allocated to the customers who voluntarily chose to participate in the program,  
17 consistent with the requirements of RCW chapter 19.29A.<sup>15</sup>

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<sup>14</sup> WAC 480-07-750.

<sup>15</sup> RCW 19.29A.090(5) ("All costs and benefits associated with any option offered by an electric utility under this section must be allocated to the customers who voluntarily choose that option and may not be shifted to any customers who have not chosen such option.").

1 The Settlement also reflects a compromise among the various parties' positions  
2 and results in an agreed-upon rate that is a reasonable balance between the two  
3 methodological approaches previously presented to this Commission. The agreed-  
4 upon rate of \$47.8/MWh is \$2.0/MWh higher than the variable portion of the  
5 PCA rate (\$45.8/MWh) and \$1.6/MWh lower than the energy portion of the PCA  
6 rate (\$49.4/MWh).

7 Furthermore, in establishing the Green Direct Credit for the duration of the  
8 underlying PPAs, the solution is durable. It avoids the need for regular updates, it  
9 avoids the need to revisit this issue any time in the near future, and it provides for  
10 a predictable cost of participation for Green Direct customers.

11 **Q. What is the purpose of the Green Direct Energy Charge Credit (“Green**  
12 **Direct Credit”)?**

13 A. While Green Direct customers pay for renewable energy through the Schedule  
14 139 volumetric rate, Green Direct customers also pay for that same volume of  
15 energy through their standard electric service schedule. The purpose of the Green  
16 Direct Credit is to compensate Green Direct customers for the cost of the volume  
17 of energy they paid for on their electric service schedule but avoided by taking  
18 Green Direct service under Schedule 139.

19 **Q. What are the statutory requirements for the Green Direct Credit?**

20 A. Voluntary options for customers to purchase renewable energy must comply with  
21 RCW 19.29A which, among other things, requires that “[a]ll costs and benefits

1 associated with any option offered by an electric utility under this section must be  
2 allocated to the customers who voluntarily choose that option and may not be  
3 shifted to any customers who have not chosen such option.”<sup>16</sup> While allocating  
4 the Green Direct costs to Green Direct customers is a relatively straightforward  
5 exercise,<sup>17</sup> calculating the cost of power PSE avoids by Green Direct customers  
6 paying for their own dedicated PPAs – i.e., calculating the Green Direct Credit –  
7 is decidedly less so. To comply with RCW 19.29A, the Green Direct Credit must  
8 be calculated such that it does not result in cross subsidization between Green  
9 Direct Customers and non-participants.

10 **Q. How could unlawful cross-subsidization occur?**

11 A. Unlawful cross-subsidization could occur if the Green Direct Credit is either  
12 above or below the avoided cost. Setting the Green Direct Credit too high could  
13 result from compensating Green Direct customers for costs that were not avoided.  
14 For example, because Green Direct customers still use PSE’s system, Green  
15 Direct resources do not reduce PSE’s fixed costs. Therefore, reimbursing Green  
16 Direct customers for the fixed-cost portion of their electric service rates would  
17 result in higher costs for non-participants and therefore would be unlawful cross-  
18 subsidization.

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<sup>16</sup> RCW 19.29A.090(5).

<sup>17</sup> The cost of the Green Direct program includes the cost of the PPAs and PSE’s administrative costs.

1 On the other hand, setting the Green Direct Credit too low could result from *not*  
2 compensating Green Direct customers for costs that *were* avoided. For example,  
3 because the electricity from Green Direct resources is absorbed by PSE's system,  
4 some of the non-energy benefits of those resources (e.g., capacity contribution,  
5 CETA compliance costs, etc.) also are absorbed by PSE's system and reduce  
6 PSE's costs. Therefore, not reimbursing Green Direct customers for these benefits  
7 would result in reduced costs for non-participants which would be unlawful cross  
8 subsidization.

9 **Q. How was the issue of the Green Direct Credit resolved in PSE's 2020**  
10 **PCORC?**<sup>18</sup>

11 A. The Green Direct issues were resolved as part of a full settlement of PSE's 2020  
12 PCORC. As part of that settlement, the settling parties agreed to set the Green  
13 Direct Credit at the variable portion of the PCA rate.<sup>19</sup>

14 However, in recognition of the lack of finality on this issue, the settling parties  
15 also agreed to engage in a continued dialogue to find a path forward on a durable  
16 method for calculating the Green Direct Credit.<sup>20</sup> To fulfill this commitment,  
17 parties held multiple collaboratives between June and December 2021.

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<sup>18</sup> *WUTC v. Puget Sound Energy*, Docket UE-200980 (hereinafter "2020 PSE PCORC").

<sup>19</sup> *Id.* at Settlement Agreement, Item A.1.B (April 2, 2021). At that time the variable portion of the PCA rate was calculated as \$39.6/MWh. In the current general rate case, PSE identified the variable portion of the PCA rate in 2023 as \$45.8/MWh. *See* Free Exh. SEF-12 at 1:37.

<sup>20</sup> 2020 PSE PCORC, Settlement Agreement, Item C (April 2, 2021).



1 **Q. Did the collaboratives result in agreement among the participating parties**  
2 **with respect to calculating the Green Direct Credit?**

3 A. No. There was fundamental disagreement among the parties with respect to which  
4 costs and benefits should be reflected in the Green Direct Credit, and whether  
5 some of the suggested costs and benefits even could be quantified. At the end of  
6 the collaboratives, parties continued to be all over the map on what was the most  
7 reasonable proxy for Green Direct customers' avoided cost. Some parties  
8 continued to support using something closer to the variable portion of the PCA  
9 rate, some continued to support using the energy portion of the PCA rate, and  
10 some continued to advance the argument that several system benefits of Green  
11 Direct resources were being unaccounted for altogether and, thus, the Green  
12 Direct Credit was far too low.

13 **Q. In its initial filing in the current general rate case, what did PSE propose**  
14 **with respect to the Green Direct Credit?**

15 A. In its direct case, PSE proposed to revert to the approach used prior to the PCORC  
16 settlement – i.e., calculating the Green Direct Credit as the energy portion of the  
17 PCA rate.<sup>21</sup> Accordingly, in its direct case PSE proposed a Green Direct Credit  
18 for 2023 of \$49.4/MWh.

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<sup>21</sup> The energy portion is 75 percent of the PCA rate. *See* Piliaris, Exh. JAP-5 at 1:2.

1 **Q. Did Staff have concerns with PSE’s as-filed proposal to revert to calculating**  
2 **the Green Direct Credit as the energy portion of the PCA rate?**

3 A. Yes. As Staff outlined in its testimony supporting the 2020 PCORC settlement,  
4 this method leads to a Green Direct Credit that from Staff’s perspective is too  
5 generous to Green Direct customers,<sup>22</sup> and – given that 20 percent of PSE’s fixed  
6 production costs are included in the energy portion of the PCA rate<sup>23</sup> – results in a  
7 Green Direct Credit that reimburses Green Direct customers for certain fixed  
8 costs that Green Direct customers should pay (because they continue to use PSE’s  
9 system).

10 **Q. Why not simply revert to the method used in 2020 PCORC settlement?**

11 A. Reverting to the method used in 2020 PCORC settlement would disregard the fact  
12 that, in agreeing to engage in further dialogue to find a path forward on a durable  
13 method for calculating the Green Direct Credit, the settling parties – Staff  
14 included – implied that the variable portion of the PCA rate was an imperfect  
15 proxy for Green Direct customers’ avoided cost. In its testimony supporting the  
16 settlement, Staff took specific note of the need to consider the capacity  
17 contribution of Green Direct resources when evaluating the proper Green Direct  
18 Credit.<sup>24</sup>

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<sup>22</sup> 2020 PSE PCORC, Liu, Exh. JL-1T at 14:2-4 (April 2, 2020).

<sup>23</sup> See Piliaris, Exh. JAP-5, “MYRP 2023” at 3.

<sup>24</sup> 2020 PSE PCORC, Liu, Exh. JL-1T at 16:11-13 (April 2, 2020).

1 **Q. Is there a “correct” answer on the question of how the Green Direct Credit**  
2 **should be calculated?**

3 A. No. As parties demonstrated in their ultimate disagreement through the  
4 collaboratives, there isn’t a “correct” Green Direct Credit rate that represents the  
5 “true,” quantifiable avoided cost; there is only a range of rates that are defined by  
6 a range of perspectives on which costs are, or are not, avoided.

7 Furthermore, even if there were agreement on all the individual categories of  
8 costs and benefits that should be included in the avoided costs calculation and  
9 also agreement on whether those costs and benefits were already reflected in the  
10 calculation, some of those costs and benefits are extremely difficult – if not  
11 impossible – to quantify. Calculating of the “true” avoided cost appears to be an  
12 unsolvable math problem.

13 **Q. If calculating of the “true” avoided cost is not possible, how did parties agree**  
14 **upon a Green Direct Credit?**

15 A. The parties agreed to a rate that reflected creative thinking and a willingness to  
16 compromise. Recognizing that the avoided cost should reflect a variable cost  
17 resource with non-energy attributes similar to those of the Green Direct resources,  
18 the parties agreed to use the cost of the Green Direct PPAs as a reasonable proxy  
19 for the avoided cost.

1 **Q. What is the agreed-upon rate for the Green Direct Credit?**

2 A. The agreed upon rate for is calculated as the weighted, levelized cost of the two  
3 Green Direct PPAs.<sup>25</sup> In 2023, the Green Direct Credit will be \$47.8/MWh, and  
4 will escalate by two percent per year each year thereafter.

5 **Q. Does the agreed-upon rate of \$47.8/MWh isolate the cost of the PPAs from  
6 other items that are incorporated into the Schedule 139 Energy Charge?**

7 A. Yes. In addition to the cost of the PPAs, the Schedule 139 Energy Charge  
8 includes PSE's costs to administer the Green Direct program and also includes the  
9 reduction in cost associated with liquidated damages PSE received due to delays  
10 in the completion of the Skookumchuck wind facility. These items were excluded  
11 from the Green Direct Credit calculation because (a) they are not relevant to the  
12 use of the PPA cost as a proxy for the avoided cost calculation, and (b) they are  
13 costs and benefits specific to the Green Direct Program and therefore should not  
14 be borne by non-participants. Excluding the program administrative costs and  
15 liquidated damages from the calculation ensures that the \$47.8/MWh rate reflects  
16 only the cost of the PPAs themselves.

17 **Q. Why is the agreed-upon Green Direct Credit reasonable?**

18 A. The agreed upon rate strikes a balance between Green Direct customers  
19 contributing to fixed costs and Green Direct customers being compensated for the

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<sup>25</sup> The two Green Direct PPAs are the Skookumchuck wind PPA and the Lund Hill solar PPA.

1 benefits Green Direct resources bring to PSE's system. This balance is evident  
2 when the agreed-upon rate is compared to PSE's as-filed proposal (energy portion  
3 of PCA rate) and the method used in the PCORC settlement (variable portion of  
4 the PCA rate). The agreed upon rate is lower than the energy portion of the PCA  
5 rate, indicating that Green Direct customers would be contributing to fixed costs,  
6 and the agreed-upon rate is higher than the variable portion of the PCA rate,  
7 indicating Green Direct customers are given some compensation for benefits  
8 Green Direct resources bring to PSE's system.

9 Viewed against the two bookends of the methodological approaches this  
10 Commission previously has accepted (i.e., the energy portion of the PCA and the  
11 variable portion of the PCA), the agreed upon rate is a reasonable split of the two.  
12 The agreed-upon rate of \$47.8/MWh is \$2.0/MWh higher than the variable  
13 portion of the PCA rate (\$45.8/MWh) and \$1.6/MWh lower than the energy  
14 portion of the PCA rate (\$49.4/MWh).

15 **Q. Are there any other benefits to the agreed-upon approach to calculating the**  
16 **Green Direct Credit?**

17 A. Yes. Since the credit level will be known with a fixed escalation of two percent  
18 per year, it will give GD customers predictability and rate stability. Furthermore,  
19 this approach avoids the need for regular updates. Under other approaches  
20 considered (e.g., market rate-based approach, the value stream approach, variable  
21 PCA rate, energy portion of the PCA rate), the credit level would need to be  
22 frequently revised to align with the evolving underlying costs and benefits.

1 Because it specifies the credit level each year for the duration of the PPAs, the  
2 agreed-upon approach requires no regular tariff revisions to update the Green  
3 Direct Credit rate and resolves this issue for years to come.

4 **Q. Does the agreed-upon Green Direct Credit comply with applicable legal**  
5 **standards?**

6 A. Yes. The agreed-upon rate ensures that Green Direct customers continue to share  
7 in the fixed costs of PSE's system while also receiving compensation for non-  
8 energy benefits of the Green Direct resources that are absorbed by PSE's system.  
9 Thus, consistent with RCW 19.29A.090(5), the costs and benefits of the Green  
10 Direct program are reasonably allocated to the customers who voluntarily chose  
11 to participate in the program.

12 **Q. Does this conclude your testimony on behalf of Staff?**

13 A. Yes.

14 **C. Statement of Public Counsel**

15 **Q. Please explain why Public Counsel believes the Settlement is in the public**  
16 **interest.**

17 A. The Settlement is in the public interest because it provides a reasonable and  
18 economically justifiable resolution for the level of the Green Direct Credit with a  
19 transparent and simple mechanism that is easily implemented.

1 **Q. Please explain why the level of the Green Direct Credit in the Settlement is**  
2 **justified economically.**

3 A. According to RCW 19.29A.090, all the costs and benefits associated with the  
4 Green Direct program must be exclusively allocated to participants:<sup>26</sup> “All costs  
5 and benefits associated with any option offered by an electric utility under this  
6 section must be allocated to the customers who voluntarily choose that option and  
7 may not be shifted to any customers who have not chosen such option.” In other  
8 words, non-participants in the Green Direct Program should be indifferent to the  
9 operation of the Green Direct Program. The Settlement provides a good  
10 approximation to the indifference principle mandated by statute.

11 **Q. How can one turn this indifference principle into a calculation for the Green**  
12 **Direct Credit?**

13 A. The indifference principle means that the value of the Green Direct Credit should  
14 be equal to the value that the Green Direct PPAs provide the system. In other  
15 words, but for the incorporation of the Green Direct PPAs in the system, what  
16 would PSE have done differently, and how would that impact power costs? That  
17 is, the Green Direct Credit should equal the difference between the but-for costs  
18 and the actual costs: the “but-for” costs (costs that would have been prudently  
19 incurred by PSE to run the power system had it not entered into the Green Direct  
20 PPAs) minus the “actual” costs incurred by PSE to run the power system

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<sup>26</sup> RCW 19.29A.090 (5).

1 (including service to Green Direct customers and including the Green Direct  
2 PPAs' output, but not the cost of the PPAs).

3 **Q. Please describe the but-for costs in more detail.**

4 A. But-for costs are the costs that PSE *would have* incurred to serve the system  
5 without the Green Direct PPAs, but including Green Direct participant load.  
6 Calculating but-for costs requires an understanding of what PSE would do  
7 differently in absence of the Green Direct PPAs.

8 **Q. Please describe the actual costs in more detail.**

9 A. Actual costs account for the total cost to serve the system including the Green  
10 Direct PPAs output and Green Direct participant load. It does not include the  
11 costs of the PPAs themselves or PSE's administrative costs. Actual costs exclude  
12 the costs of the PPAs themselves and PSE's Green Direct administrative costs  
13 because those costs are paid for by Green Direct customers. As a result, actual  
14 costs are less than but-for costs because the cost of the PPAs is excluded from  
15 actual costs, whereas the costs to replace the value that the Green Direct PPAs  
16 provide are included in the but-for costs.

17 **Q. What are the two basic approaches to calculating but-for and actual costs?**

18 A. The first approach, the *ex post* approach, is to calculate the actual and but-for  
19 costs after the fact. The second approach, the *ex ante* approach, is to calculate the  
20 actual and but-for costs as of the time PSE entered into the contracts.



1 **Q. Please explain the *ex post* approach in more detail.**

2 A. The *ex post* approach could calculate the actual costs by looking back at what  
3 actually happened over the past year as in the power cost adjustment (“PCA”)  
4 mechanism true-up. However, calculating the but-for costs involves creating  
5 scenarios about what PSE might have prudently done absent the Green Direct  
6 PPAs. Would it have entered into long-term contracts in the years preceding, or  
7 would it have simply bought replacement energy on the medium or short-term  
8 markets? The *ex post* but-for case is therefore problematic and potentially  
9 extremely complicated.

10 **Q. Please explain the *ex ante* approach in more detail.**

11 A. The *ex ante* approach focuses on the time that PSE entered into the Green Direct  
12 PPAs and asks the question, absent the Green Direct PPAs, what would PSE have  
13 done differently? Theoretically, calculating *ex ante* costs can be as complicated as  
14 with the *ex post* costs because of the need to project costs into the future.  
15 However, in the case of the Green Direct Credit, getting an approximation to the  
16 value provided by the Green Direct PPAs is straightforward. This is because if  
17 PSE had not entered into the Green Direct PPAs, it likely would have entered into  
18 similar contracts. For instance, PSE’s 2017 IRP shows plans to add solar capacity  
19 to its portfolio.<sup>27</sup> While the timing and nature of alternative contracts to the Green

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<sup>27</sup> PSE 2017 IRP at 1-18.

1 Direct PPAs might have differed, the cost of the Green Direct PPAs offers a good  
2 proxy for what costs might have been in the but-for world.

3 PSE acquired the Green Direct PPAs through an RFP process and the  
4 Commission approved their prudency. The contract prices of the Green Direct  
5 PPAs reflects market prices at the time the contracts were signed. They are  
6 therefore a reasonable approximation of the value they provide to PSE's system  
7 because PSE would likely have entered into similar arrangements in the but-for  
8 world. Therefore, it is reasonable to set the Green Direct Credit to a level  
9 approximately equal to the costs of the PPAs.

10 **Q. So, which approach, *ex ante* or *ex post*, do you recommend?**

11 A. The *ex ante* approach is a better approach for ratepayers because it can offer a  
12 stable and known Green Direct Credit based on a reasonable approximation of the  
13 value provided by the Green Direct PPAs. In contrast, values calculated by an *ex*  
14 *post* approach are likely to be volatile. Moreover, while the updates provided for  
15 in the Settlement to the Green Direct Credit are known ahead of time, updates  
16 through an *ex post* method could not be known beforehand. The *ex ante* approach  
17 avoids the complexities involved with the *ex post* approach. There is no need for  
18 complicated calculations or scenarios with the *ex ante* approach. The Green Direct  
19 Credit provided for in the Settlement is a transparent and simple mechanism that  
20 is easily implemented and in the public interest.

1 **Q. Does this complete your testimony on behalf of Public Counsel?**

2 A. Yes.

3 **D. Statement of King County**

4 **Q. Please explain why King County believes the Settlement is in the public**  
5 **interest.**

6 A. The Settlement reflects a fair and reasonable compromise of contested issues  
7 regarding PSE's Green Direct program. It establishes an approach to calculation  
8 of the Energy Charge Credit that ensures that Green Direct customers receive both  
9 the costs and benefits of the program, and it alleviates the need for the parties to  
10 litigate and re-litigate these issues in other Commission proceedings.

11 **Q. Why is the Settlement in King County's interest?**

12 A. King County objected to both the procedural approach and the substantive result  
13 of the PCORC Settlement, which introduced uncertainty about and significantly  
14 increased program costs. The PCORC Settlement and Final Order adopting it  
15 caused Green Direct customers to incur additional process and expert costs—  
16 during both the collaborative process and this general rate case—to advocate for a  
17 stable methodology that accurately captures the costs and benefits of the Green  
18 Direct program and assigns those to Green Direct customers. This Settlement  
19 does just that. It establishes a durable resolution that allocates costs and benefits  
20 of the Green Direct program to Green Direct customers and is intended to

1 eliminate the need for Green Direct customers to intervene in future Commission  
2 proceedings.

3 When King County enrolled in the Green Direct program in 2017, it did so in  
4 order to advance policy goals—to add renewable resources to the state’s energy  
5 supply mix and create clean energy jobs in Washington State—while maintaining  
6 fiscally responsible operations for the benefit of its residents. With a stable and  
7 predictable Green Direct program, the County will be able to budget accurately,  
8 and eliminate costs for engaging in Commission proceedings, ensuring that more  
9 funds are invested in providing essential services for King County residents.

10 **E. Statement of Walmart**

11 **Q. Please explain why Walmart believes the Settlement is in the public interest.**

12 A. Walmart believes that the settlement is the result of arm’s length negotiations  
13 between the parties and is in the public interest. Specifically, Walmart believes  
14 that the settlement establishes certainty and finality around the calculation of the  
15 Energy Charge for Green Direct customers, the Energy Charge Credit for Green  
16 Direct customers, PSE’s ability to recover the Energy Charge Credit amounts, and  
17 tracking and reporting.

18 **Q. Is Walmart a participant in Green Direct?**

19 A. Yes. Walmart is a participant in Green Direct. Additionally, Walmart has  
20 aggressive and significant company-wide renewable energy goals, including (1) to  
21 be supplied 100 percent by renewable energy by 2035 and (2) zero carbon

1 emissions in its operations, including its transportation fleet vehicles, without the  
2 use of offsets, by 2040. Programs such as Green Direct are an important tool that  
3 help Walmart, and other participating companies, achieve their renewable energy  
4 goals.

5 **V. CONCLUSION**

6 **Q. Does this conclude your Joint Testimony?**

7 **A. Yes.**