Exhibit No. BGM-11T
Dockets UE-220066, UG-220067 and UG-210918
Witness: Bradley G. Mullins

BEFORE THE

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, Complainant, v. PUGET SOUND ENERGY, Respondent.	DOCKETS UE-220066, UG-220067 and UG-210918 (*Consolidated*)
In the Matter of the Petition of PUGET SOUND ENERGY For an Order Authorizing Deferred Accounting Treatment for Puget Sound Energy's Share of Costs Associated with the Tacoma LNG Facility.	

TESTIMONY IN SUPPORT OF SETTLEMENT OF BRADLEY G. MULLINS

ON BEHALF OF

ALLIANCE OF WESTERN ENERGY CONSUMERS

August 26, 2022

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I. INTRODUCTION AND SUMMARY

Q. PLEASE STATE YOUR NAME AND THE PARTY YOU REPRESENT IN THIS MATTER.

A. My name is Bradley G. Mullins, and I am testifying on behalf of the Alliance of Western Energy Consumers ("AWEC").

Q. ARE YOU THE SAME BRADLEY G. MULLINS THAT SPONSORED RESPONSE TESTIMONY ON BEHALF OF AWEC IN THIS PROCEEDING?

A. Yes. My address, educational background and professional experience are included in my Response Testimony.

Q. WHAT IS THE PURPOSE OF YOUR SETTLEMENT TESTIMONY?

A. My testimony recommends approval of both the Settlement Stipulation and Agreement on Revenue Requirement and All Other Issues Except for Tacoma LNG and Green Direct ("Revenue Requirement Settlement") and the Settlement Stipulation and Agreement on Tacoma LNG ("Tacoma LNG Settlement"). Though AWEC participated extensively in all aspects of negotiating both settlement agreements, my testimony is focused on supporting the resolution of issues included in AWEC's response testimony in this case, including revenue requirement, rate spread, and rate design.

Q. WHY DOES AWEC SUPPORT THE SETTLEMENT STIPULATIONS?

A. Foremost, AWEC appreciates the efforts of PSE and all the parties in negotiating the settlement stipulations, which if approved, will resolve all issues in this proceeding. The agreements reflect several months of negotiations and involvement of all active parties in this proceeding. 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] For the reasons set forth below, AWEC recommends the Washington Utilities and Transportation Commission ("WUTC" or "Commission") find that both the Revenue Requirement Settlement and the Tacoma LNG Settlement are consistent with the public interest and approve both stipulations without conditions.

II. REVENUE REQUIREMENT SETTLEMENT

a. Revenue Increases

Q. PLEASE SUMMARIZE THE ELECTRIC AND NATURAL GAS REVENUE INCREASES OUTLINED IN THE REVENUE REQUIREMENT SETTLEMENT.

A. The Revenue Requirement settling parties have agreed that PSE should be permitted to increase rates as follows:

- Overall increase to electric revenues:
  - Rate Year 1: $223 million
  - Rate Year 2: $38 million
- Overall increase to natural gas revenues:
  - Rate Year 1: $70.6 million
  - Rate Year 2: $18.8 million

This represents a "black box" settlement, but is understood to be inclusive of a number of assumptions, as set forth in the Settlement Stipulation and Agreement on Revenue Requirement and All Other Issues. The assumptions are included to address issues and concerns from the parties to this proceeding, including several issues raised by AWEC in

[1] WAC 480-07-750(2).

its Response Testimony. The Revenue Requirement Settlement addresses AWEC's issues as follows:

- Cost of Capital: Return on Equity of 9.4%, a capital structure of 49% equity/51% debt, and cost of debt at 5.0% for the duration of the Multi-Year Rate Plan ("MYRP").
- Capital Additions:
    - For electric capital investments, the Settling Parties agree that PSE's proposed electric capital investments will be included in its proposed MYRP rates with reductions noted elsewhere in this Settlement. PSE will propose to recover certain capital expenses related to its CEIP and TEP through separate trackers.
    - For natural gas capital investments, the Settling Parties agree that PSE's proposed gas capital investments will be included in its proposed MYRP rates with reductions of $5 million in 2023 and $1 million in 2024 to reflect lower gas rate base in part attributable to lower new gas customer construction costs.
    - The Settling Parties do not object to determination of prudence for all other plant investment through 2021 as proposed in PSE's direct case. The Settling Parties do not object to allowing to go into rates all other plant investment included in PSE's MYRP that went, or is projected to go, into service in 2022 through 2024 subject to refund and the annual review

process for prudence proposed in the testimony of Susan E. Free (Exh. SEF-1Tr).

- Operating Expenses:
  - For electric Operations and Maintenance ("O&M") expense, the Settling Parties agree to PSE's proposed increases to electric O&M with reductions embedded in Exhibit J to the Settlement. PSE will recover certain O&M expenses related to its CEIP and TEP through separate trackers.
  - For natural gas O&M, the Settling Parties agree to PSE's proposed increases to gas O&M with a 20% reduction in the gas O&M incrases in 2023 and 2024.
- Line Extension Allowance: PSE shall provide the following tariff revisions for natural gas line extension margin allowances in its compliance filing immediately following the issuance of the final order in this case, with effective dates no later than when new state building codes take effect in 2023, January 1, 2024, and January 1, 2025:
  - No later than when new state building codes take effect in 2023, such tariff revisions shall reflect a natural gas line extension margin allowance based on the net present value ("NPV") methodology using a two-year timeframe and updated inputs from this rate case.
  - No later than January 1, 2024, such tariff revisions shall reflect a natural gas line extension margin allowance based on the NPV methodology using a one-year timeframe and the same inputs used in 2023.

- No later than January 1, 2025, such tariff revisions shall reduce the natural gas line extension margin allowance to zero.

- Renewable Natural Gas: Removal of renewable natural gas ("RNG") costs from PSE's MYRP.
- Northwest Pipeline Refund:
    - PSE agrees to amortize the estimated $24.3 million refund from Northwest Pipeline that are attributable to its gas customers over a 12-month period through its 2023 PGA filing.
    - PSE agrees to amortize the estimated $4.4 million refund from Northwest Pipeline attributable to its electric customers over the 12 months of 2023 as a credit against the forecasted power costs in this case. Power cost increases embedded in the revenue requirement are assumed to equal PSE's filed case ($125.5 million in 2023) reduced for the electric portion of the Northwest Pipeline settlement ($4.6 million, after grossing up for revenue sensitive items). The power cost update that will occur at the compliance filing in this case will use these power costs as the reference point for projected 2023 power costs.
- Monetized Production Tax Credits ("PTCs"):
    - Forecasted Decommissioning and Remediation ("D&R"). The Settling Parties accept PSE's calculation of forecasted Colstrip D&R costs, net of monetized Production Tax Credits ("PTCs"), and PSE's proposed allocation factor for purposes of Microsoft buyout.

- Order of Priority for PTCs. The Settling Parties agree to the change in the order of priority for the application of PTCs to the recovery of Colstrip costs, as described in the testimony of Susan E. Free (Exh. SEF-18).

- COVID Deferral: PSE agrees to a partial write-off of the COVID deferral. Deferred costs, savings and fee revenues associated with PSE's COVID deferred accounting petition filed in Dockets UE-200780 and UG-200781 will be written-off, but PSE can seek to recover its "Additional Funding for Customer Programs" provided by PSE in compliance with Order 01 in Docket U-200281 and bad-debt accrued in excess of levels embedded in existing rates through PSE's electric and gas Schedule 129.

b. Rate Spread and Rate Design

Q. PLEASE SUMMARIZE THE RATE SPREAD AGREED TO FOR THE REVENUE REQUIREMENT SETTLEMENT.

A. For electric service, the Revenue Requirement Settlement settling parties agree to accept PSE's filed rate spread methodology as set forth in the testimony of Mr. Jhaveri (Exh. BDJ-1Tr).

For natural gas, the Revenue Requirement Settlement settling parties agree to a gas base rate spread that is midway between PSE's proposed relative percentage-based increases in the testimony of John Taylor (Exh. JDT-1T) and an equal percent of margin. The Settling Parties agree to spread Schedules 141R and 141N proportionately to the base increase.

Q. PLEASE SUMMARIZE THE RATE DESIGN AGREED TO FOR THE REVENUE REQUIREMENT SETTLEMENT.

A. For electric service, the Revenue Requirement Settlement settling parties agree to the following provisions related to electric rate design:

- No increase to residential basic monthly charge.
- Increase the account limit for the conjunctive demand service option from 5 to 15 accounts per customer and increase the customer's participating load limit to 6 MW of winter demand. To accommodate increased load in this program, PSE agrees to increase the cap on the program size from 20 aMW to 30 aMW.
- For all rate schedules with demand-based charges, the rate design of the MYRP riders (Schedules 141-R and 141-N) should include both a demand and an energy component for each rate schedule that includes both a demand and an energy charge in its base rates. The amount of rider costs collected through the demand and energy charge components for each rate schedule should be proportional to the demand and energy charge revenues that are collected through base rates for each rate schedule. The Settling Parties agree that the proportion of costs to be recovered through the demand and energy charges would be tied to the projected proportion of base revenue in 2023, as actual results are unlikely to vary greatly, and this would avoid the need to track/true-up for small differences between the projected proportionality and actual results.
- For all rate schedules with demand-based charges, the rate design of the Colstrip rider (Schedule 141-C) is as follows: 80 percent of the revenue will be recovered

through demand charges and 20 percent of the revenue will be recovered through energy charges.

- The Settling Parties agree to split the difference (meet halfway) between PSE's electric forecasted billing determinants and the Public Counsel Unit of the Attorney General's Office's ("Public Counsel") forecasted billing determinants for three specific rate schedules (Residential – Rate 7, Secondary Pumping/Irrigation – Rate 29, and High Voltage Interruptible – Rate 46). PSE will incorporate changes in loads associated with these changes to billing determinants into its updates to power costs during the rate plan.

For natural gas service, the Revenue Requirement Settlement settling parties agree to the following provisions related to natural gas rate design:

- The basic charge as proposed by PSE witness John D. Taylor (Exh. JDT-1T), with the exception that the residential customer basic charge be $12.50 per month.
- The Schedule 87/87T charges as proposed by PSE witness John D. Taylor (Exh. JDT-1T), except as modified below:
    - Demand charge remains unchanged at $1.45 per therm.
    - First through fifth base rate volumetric block rates receive an equal percentage increase. Sixth volumetric block rate will receive 33 percent of the average rate increase across base rates.
    - Schedules 141R and 141N rates are proportional to volumetric base rate increase.

- Calculate rates using test year weather normalized actual volumes and blocking in both rate years plus PSE's filed Puget LNG forecast in corresponding years.

III. TACOMA LNG SETTLEMENT

Q. PLEASE SUMMARIZE THE TACOMA LNG SETTLEMENT.

A. The Tacoma LNG Settlement addresses the Revenue Requirement, prudence and ratemaking treatment of Tacoma LNG costs.

The Full Settling Parties agree that PSE's decision to build the regulated portion of the Tacoma LNG Facility was prudent, and thus its investment is appropriately included, on a provisional basis, in cost recovery in this case. The Tacoma LNG Settlement does not waive any party's right to challenge LNG costs at the point that cost recovery is sought, as set forth below.

Cost recovery for non-distribution investments[2] in the Tacoma LNG facility will occur in a separate cost recovery tracker, which will be aligned with the timing of the Purchased Gas Adjustment filings, until otherwise agreed to by the Full Settling Parties. PSE will file a proposed tariff requesting cost recovery associated with the Tacoma LNG Facility contemporaneously with its 2023 PGA filing.

The Tacoma LNG revenue requirement will include: (1) amortization of deferred LNG costs as requested in Docket UG-210918; (2) the provisional capital investments requested in the general rate case, which amount to $47,906,920.[3] To facilitate this, PSE

[2] LNG distribution costs will be recovered in base rates.

[3] This represents an annualized amount. 2023 will be prorated for only November and December.

will continue the Tacoma LNG deferral until recovery of the plant and deferral commences in the tracker.

The Full Settling Parties also agreed to rate spread and rate design regarding the Tacoma LNG tracker costs as follows:

- The Tacoma LNG revenue requirement will be spread only to sales customers.
- Tacoma LNG-related rates will only be charged to sales customers.
- For Schedule 87 charges, rates will be calculated for the Tacoma LNG tracker using test year weather normalized actual volumes and blocking in both rate years. Beginning after the conclusion of PSE's next general rate case, Schedule 87 rates within the tracker would be calculated based on test year loads from the most recently concluded general rate case.

Q. WAS PSE'S DECISION TO BUILD THE TACOMA LNG FACILITY PRUDENT?

A. Yes. AWEC's review of PSE's decision to construct the Tacoma LNG Project led to the conclusion that PSE's decision was prudent. However, The Puyallup Tribe of Indians and Public Counsel oppose the Tacoma LNG Settlement. AWEC understands the challenge to be focused on whether PSE's decision to construct the Tacoma LNG Project was prudent.

Q. DOES THE TACOMA LNG SETTLEMENT ENSURE FAIR, JUST AND REASONABLE RATEMAKING TREATMENT?

A. Yes. The Tacoma LNG Settlement limits cost recovery to prudently incurred costs. Although costs will include provisional amounts beginning with the 2023 tracker filing, parties retain the ability to challenge the prudence of LNG costs when PSE files tariff revisions for the tracker. To the extent that costs included on a provisional basis are deemed imprudent, those costs will be refunded to customers. Cost recovery will also be limited to the customers benefitting from the investment. As such, only prudent costs will be recovered resulting in Tacoma LNG tracker rates that are fair, just and reasonable.

IV. PUBLIC INTEREST

Q. WHAT STANDARD APPLIES WHEN THE COMMISSION IS REVIEWING SETTLEMENTS?

A. The Commission is charged with ensuring that rates are fair, just, reasonable and sufficient for services rendered.[4] Rates are considered fair, just, reasonable and sufficient if they allow the utility to cover its prudently incurred costs and an opportunity to earn a fair rate of return on its investment. Utilities must provide service, instrumentalities and facilities that are safe, adequate and efficient, and in all respects just and reasonable.[5] 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."[6] In reviewing a settlement, the Commission considers the "end result" in determining whether these standards are met, rather than the individual methods by which rates are determined.[7]

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4 RCW 80.28.010(1).

5 RCW 80.28.010(2).

6 WAC 480-07-750(2).

7 *See WUTC v. Avista Corporation*, Dockets UE-120436 and UG-120437 (consolidated), Order 09, and Dockets UE-110876 and UG-110877, Order 14, at 29 (Dec. 26, 2012), referring to *Federal Power Comm'n v. Hope Natural Gas Co.*, 320 U.S. 591, 603, 64 S.Ct. 281, 88 L.Ed. 333 (1944) for the conclusion that "Ultimately, it is the 'end result' that is the test of whether proposed rates are fair, just, reasonable, and sufficient."

Q. PLEASE EXPLAIN WHY AWEC BELIEVES THAT BOTH THE REVENUE REQUIREMENT SETTLEMENT AND THE TACOMA LNG SETTLEMENT ARE IN THE PUBLIC INTEREST.

A. AWEC finds that both the Revenue Requirement Settlement and the Tacoma LNG Settlement are in the public interest because they result in rates that are fair, just, reasonable and sufficient while ensuring that PSE provides safe, adequate and efficient service.

The Revenue Requirement Settlement is the result of extensive settlement discussion, following a robust discovery process and Response Testimony from WUTC Staff, Public Counsel, and intervenors including AWEC that comprehensively addressed PSE's filed case. The Revenue Requirement Settlement is supported by a diverse group of stakeholders, representing PSE's residential, commercial and industrial customer classes while addressing low-income and equity issues, as well as steps PSE will take to meet its compliance obligations under the Climate Commitment Act and the Clean Energy Transformation Act. Further, the Revenue Requirement Settlement is subject to limited opposition – Public Counsel was an active participant in many of the terms that were included in this agreement, and AWEC understands Public Counsel to have only a a couple of potential issues with its terms (return on equity and capital structure); CENSE's participation in this proceeding is limited to the Energize Eastside Project, although CENSE did not participate in settlement negotiations. Despite this opposition, the Revenue Requirement Settlement provides PSE with the opportunity to recover additional costs while appropriately balancing impacts to customers. The result is fair, just, reasonable and sufficient rates consistent with RCW 80.28.010. As such, the Revenue Requirement Settlement should be approved without modification.

Similarly, the Tacoma LNG Settlement is also the result of extensive settlement discussions, following robust discovery and testimony on the issues contained therein. It is supported by PSE, Staff, AWEC, Walmart, Kroger and Nucor Steel Seattle, Inc., and not opposed by The Energy Project and the Joint Environmental Advocates, comprised of NWEC, Sierra Club and Front and Centered.[8] Only the Puyallup Tribe of Indians and Public Counsel oppose the settlement. The Tacoma LNG Settlement is in the public interest for several reasons. It is either supported or not opposed by most stakeholders, and was derived from arm's length settlement negotiations that sought to address the various issues raised by a broad swath of stakeholders. The Tacoma LNG Settlement also provides PSE with a ratemaking mechanism for cost recovery for Tacoma LNG Facility costs in a manner that both preserves parties' abilities to challenge actual costs and ensures that the spread of costs is borne by those customers that benefit from the Tacoma LNG Facility. Because the rate recovery mechanism includes only provisional amounts that are subject to refund following a prudence determination, any imprudent amounts will be refunded to customers. This ensures that customers bear only prudent Tacoma LNG Facility costs, commensurate with the benefits received from the facility. The result is rates that are fair, just, reasonable and sufficient in accordance with the standard set forth in RCW 80.28.010.

8 The Tacoma LNG Settlement is outside of the scope of the following parties' intervention, and thus they do not participate in the Tacoma LNG Settlement: Microsoft, Federal Executive Agencies, CENSE and King County.

Q. DOES THIS CONCLUDE YOUR TESTIMONY IN SUPPORT OF FULL SETTLEMENT?

A. Yes.