

**EXH. SEF-28T**  
**DOCKETS UE-240004/UG-240005 et al.**  
**2024 PSE GENERAL RATE CASE**  
**WITNESS: SUSAN E. FREE**

**BEFORE THE**  
**WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,**

**Complainant,**

**v.**

**PUGET SOUND ENERGY,**

**Respondent.**

**Docket UE-240004**  
**Docket UG-240005**  
**(consolidated)**

**In the Matter of the Petition of**

**PUGET SOUND ENERGY**

**For an Accounting Order Authorizing  
deferred accounting treatment of  
purchased power agreement expenses  
pursuant to RCW 80.28.410**

**Docket UE 230810**  
**(consolidated)**

**PREFILED REBUTTAL TESTIMONY (NONCONFIDENTIAL) OF**

**SUSAN E. FREE**

**ON BEHALF OF PUGET SOUND ENERGY**

**SEPTEMBER 18, 2024**

## **PUGET SOUND ENERGY**

### **PREFILED REBUTTAL TESTIMONY (NONCONFIDENTIAL) OF SUSAN E. FREE**

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## **PUGET SOUND ENERGY**

### **PREFILED REBUTTAL TESTIMONY (NONCONFIDENTIAL) OF SUSAN E. FREE**

#### **LIST OF EXHIBITS**

Exh. SEF-29	Electric Net Revenue Change Requested (previously Exh. SEF-3 pages 1 and 2)
Exh. SEF-30	Electric Revenue Requirement Summary Pages and Detailed Summaries (previously Exh. SEF-4)
Exh. SEF-31	Electric Test Year Schedules (For Change in Filing Fee – Previously Exh. SEF-3 page 3)
Exh. SEF-32	Electric Revenue Requirement Restating, Pro Forma and Provisional Pro Forma Adjustments (previously Exh. SEF-6)
Exh. SEF-33	Natural Gas Net Revenue Change Requested (previously Exh. SEF-7 pages 1 and 2)
Exh. SEF-34	Natural Gas Revenue Requirement Summary Pages and Detailed Summaries (previously Exh. SEF-8)
Exh. SEF-35	Natural Gas Test Year Schedules (For Change in Filing Fee – previously Exh. SEF-7 page 3)
Exh. SEF-36	Natural Gas Revenue Requirement Restating, Pro Forma and Provisional Pro Forma Adjustments (previously Exh. SEF-11)
Exh. SEF-37	Rate Base, Net Operating Income and Revenue Requirement by Adjustment (previously Exh. SEF-9)
Exh. SEF-38	Exhibit A-1 – Power Cost and Fixed Production Cost Baseline Rates for 2025 and 2026 (previously Exh. SEF-12)
Exh. SEF-39	List of Adjustments (previously Exh. SEF-13)
Exh. SEF-40	Reconciliation of Board Approved O&M to Total O&M Requested in Rebuttal (previously Exh. SEF-15)

Exh. SEF-41	Determination of Amount of Base Rates Electric Deficiencies Considered Subject to Refund (previously Exh. 19)
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Exh. SEF-43	PSE's Response to Public Counsel Data Request No. 210 related to cost offsets
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Exh. SEF-47	PSE's Response to WUTC Staff Data Request No. 327 in Docket UE-220066, et al.
Exh. SEF-48	Attachment A to PSE's Response to WUTC Staff Data Request No. 327 in Docket UE-220066, et al.
Exh. SEF-49C	PSE's Response to WUTC Staff Data Request No. 173 related to finance leases
Exh. SEF-50	Commission Staff's Response to PSE Data Request No. 6 related to interest rate on qualifying PPAs.
Exh. SEF-51	Exhibits to Joint Testimony and compliance filing work papers from PSE's 2022 general rate case related to GTZ Tranche 2 amortizations.

**PUGET SOUND ENERGY**

**PREFILED REBUTTAL TESTIMONY (NONCONFIDENTIAL) OF  
SUSAN E. FREE**

**I. INTRODUCTION**

**Q. Are you the same Susan E. Free who submitted Prefiled Direct Testimony on February 15, 2024, on behalf of Puget Sound Energy (“PSE”) in this proceeding?**

A. Yes, on February 15, 2024, I filed the Prefiled Direct Testimony of Susan E. Free, Exhibit SEF-1T and 26 exhibits (Exh. SEF-2 through Exh. SEF 27).

**Q. What is the purpose of your rebuttal testimony?**

A. My rebuttal testimony responds to the various intervenor witnesses who address revenue requirement and regulatory issues. Specifically, I respond to:

- Multiyear rate plan (“MYRP”) annual reviews.
- Earnings on power purchase agreements (“PPA”). Besides myself, PSE witnesses Jamie L. Martin and Matt Steuerwalt also provide rebuttal related to this issue.
- Construction work in progress (“CWIP”) in rate base treatment.
- Schedule 141CEI true-up.
- Colstrip Tracker. Other PSE witnesses besides myself who also address the Colstrip Tracker proposal from the Alliance of Western Energy Consumers (“AWEC”) are Jamie L. Martin and Cara G. Peterman.
- Operations and maintenance (“O&M”) expense. Other PSE witnesses besides myself who address O&M expense issues are Jamie L. Martin and Theresa R. Huizi.

- Performance metrics related to revenue requirement and trackers.
- My testimony also presents PSE's revised revenue requirement calculation prepared in support of PSE's rebuttal filing.

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

A. Yes, I am sponsoring the First through the Twenty-third Exhibits to the Prefiled Rebuttal Testimony of Susan E. Free, Exhs. SEF-29 through SEF-51.

## **II. COMPARISON OF PARTIES' RECOMMENDATIONS**

### **A. Presentation of PSE's and Parties' Revenue Requirement Proposals**

**Q. Please provide a comparison between the net revenue changes presented in PSE's direct filing and those presented by parties in their response testimonies.**

A. The below table contains the comparisons between the net revenue changes presented in PSE's original filing and those presented by parties in their response testimonies. The below table incorporates the revisions to Commission Staff witness Kermode's testimony filed on August 14, 2024. AWEC did not prepare a comprehensive revenue requirement exhibit or model and, therefore, is not included in the table.

**Table 1 – Comparison of Parties Recommendations**

(in millions) Descriptions		Staff		Public Counsel	
		2025	2026	2025	2026
1	PSE's Original Filing on February 15, 2024	\$ 388.3	\$ 310.5	\$ 388.3	\$ 310.5
2					
3	Rate of Return and Capital Structure	(40.7)	(52.5)	(43.3)	(51.5)
4	O&M	(24.7)	(0.7)	(74.2)	(2.4)
5	Remove CWIP in Rate Base (Beaver Creek)	(26.4)	29.8	(27.5)	30.3
6	CETA Demand Response PPA Return and Deferral	(1.3)	(0.1)	(1.6)	(0.0)
7	Remove Recovery of Wildfire Deferral	(6.2)	0.4	-	-
8	Gas Load Adjustment to Revenues	(27.6)	(2.0)	-	-
9	Gas Depreciation Rates	-	-	(73.3)	3.5
10	Storm Normalization Adjustment	-	-	(1.0)	-
11	Incentive Programs	-	-	(7.1)	(0.0)
12	Amortizations for AMI/AMR and GTZ	-	-	(7.2)	(2.8)
13	Power Costs	-	-	(3.6)	3.6
14	Staff Inadvertently included Electric Decarb in Gas	3.6	-	-	-
15	Other	(0.1)	-	-	-
16	Subtotal Changes	(123.5)	(25.1)	(238.7)	(19.5)
17	Per Parties Testimony	\$ 264.8	\$ 285.4	\$ 149.5	\$ 291.0

I step through each of these differences in Section IV.C. of my testimony.

**B. Presentation of PSE's Updated Revenue Requirement for Rebuttal**

**Q. Have you prepared exhibits which detail the updated adjustments that PSE is proposing?**

A. Yes. The impact on electric and natural gas net operating income and rate base for each PSE adjustment is summarized on pages 1 through 3 of Exh. SEF-29 and Exh. SEF-33. I have also prepared Exhs. SEF-30 through SEF-32 and Exhs. SEF-34 through SEF-36, which contain the summary and detailed pages in support of Exhs. SEF-29 and SEF-33. My list of exhibits at the beginning of my testimony includes the equivalent exhibits for each from my direct filing.

1 **Q. What other exhibits have you updated for this rebuttal proceeding?**

2 A. Exh. SEF-37 provides the impact of each adjustment on rate base, net operating  
3 income and revenue requirement. Exh. SEF-38 provides the updated Exhibit A-1  
4 Power Cost and Fixed Production Cost Baseline Rates for use in the Power Cost  
5 Adjustment (“PCA”) mechanism and fixed decoupling mechanism. Exh. SEF-39  
6 provides a list of adjustments at a glance, as PSE has added one new adjustment  
7 for rebuttal and has added reference as to which adjustments are contested.

8 **Q. Have you prepared an exhibit showing PSE’s net revenue change that you**  
9 **are requesting in this rebuttal filing?**

10 A. Yes. I have updated the electric and natural gas net revenue change requested in  
11 this rebuttal filing in Exh. SEF-29 (electric) and Exh. SEF-33 (natural gas), which  
12 are similar to my Exhs. SEF-3 (electric) and SEF-7 (natural gas). I discuss the  
13 changes made since PSE’s direct filing on February 15, 2024 later in Section  
14 IV.A. of my testimony.

15 **Q. Please present the updated Net Revenue Changes Requested.**

16 A. Provided below are the updated net revenue changes requested.

17 **Electric Net Revenue Change Requested**

18 For 2025, the electric net revenue change requested is shown on page one of Exh.  
19 SEF-29. The schedule shows the test period pro forma and restated rate base, line  
20 12; requested rate of return (“ROR”), line 13; operating income requirement, line  
21 15; pro forma operating income, line 17; and the revenue change before changes

1 to other price schedules, line 23. Based on \$6.6 billion invested in rate base, a  
2 7.65 percent ROR and negative \$83.6 million of pro forma base rates operating  
3 income, PSE requires a revenue change before changes to other price schedules  
4 for electric base rates of \$784.8 million. After the expected reduction to other  
5 price schedules, supported in the Prefiled Rebuttal Testimony of Christopher T.  
6 Mickelson, Exh. CTM-13T of \$392.0 million on line 39, the net revenue change  
7 after trackers and riders of \$392.7 million is presented on line 41. This represents  
8 a 13.8 percent increase as supported by Mickelson in Exh. CTM-18.

9 For 2026, based on \$7.4 billion invested in rate base, a 7.99 percent ROR and  
10 negative \$123.9 million of pro forma base rates operating income, PSE requires a  
11 grossed up cumulative revenue change before changes to other price schedules for  
12 electric base rates of \$954.8 million on line 21, which represents an incremental  
13 revenue change for electric for 2026 of \$170.0 million presented on line 23. This  
14 represents a 5.2 percent increase as supported by Mickelson in Exh. CTM-18.<sup>1</sup>

### 15 **Natural Gas Net Revenue Change Requested**

16 The natural gas net revenue change requested is shown on page one of Exh. SEF-  
17 33. This page shows the test period pro forma and restated rate base, line 12;  
18 requested rate of return, line 13; operating income requirement, line 15; pro forma

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<sup>1</sup> Lines 24 through 41 on Exh. SEF-29 for 2026 are presented for informational purposes only and are not included as part of PSE's rate changes that would result from amounts presented in this rebuttal filing as PSE has proposed these amounts be updated in a Tracker in a separate proceeding during the MYRP. The percentage reflected on line 43 is based on the net revenue change reflected on line 23.

operating income, line 17; and the revenue change before changes to other price schedules, line 21.

For 2025, based on \$2.9 billion invested in rate base, a 7.65 percent rate of return and \$30.2 million of pro forma base rates operating income, PSE requires a revenue change before changes to other price schedules for natural gas base rates of \$251.0 million shown on line 21. After the expected reduction to other price schedules supported in the Prefiled Rebuttal Testimony of John D. Taylor, Exh. JDT-8T of negative \$52.5 million on line 31, PSE's net revenue change requested for 2025 for natural gas shown on line 33 is \$198.5 million. This represents a 19.20 percent increase as supported by Taylor in Exh. JDT-12.

For 2026, based on \$2.9 billion invested in rate base, a 7.99 percent ROR and \$19.8 million of pro forma base rates operating income, PSE requires a grossed up cumulative revenue change before changes to other price schedules for natural gas base rates of \$277.3 million on line 21, which represents an incremental revenue change for electric for 2026 of \$26.3 million presented on line 23. This represents a 2.1 percent increase as supported by Taylor in Exh. JDT-12.

**Q. Please provide a reconciliation between the net revenue changes presented in your direct filing with this rebuttal filing.**

A. The below table contains the reconciliation between PSE's net revenue changes requested in the original and rebuttal filings. I present a detailed discussion of the changes made in Section IV.A. of my testimony.

**Table 2**  
**Reconciliation of Electric and Natural Gas**  
**Net Revenue Change Requested between PSE's**  
**Original Filing and Rebuttal Filings**

Line		2025			2026		
		REBUTTAL					
		Electric	Gas	Combined	Electric	Gas	Combined
		(incremental deficiency)					
1	Net Revenue Change Requested February 15, 2024	192.2	196.0	388.3	285.2	25.4	310.5
2	Rebuttal Revenue Changes:						
3	Increase WUTC Filing Fee per HB 1589	5.7	1.8	7.5	0.3	0.0	0.4
4	Include Finance Lease Expense	2.7	0.6	3.3	1.3	0.7	2.0
5	Update Power Costs	192.1		192.1	(91.6)		(91.6)
6	Update Sch 88T and 141N Rates for UG-230393		0.0	0.0		0.3	0.3
7	Total Rebuttal Revenue Changes	200.5	2.4	202.9	(89.9)	1.0	(88.9)
8	Net Revenue Change in Rebuttal September 18, 2024	\$392.7	\$ 198.5	\$ 591.2	\$195.3	\$26.3	\$ 221.6

### III. POLICY AND OTHER ISSUES

#### **A. Multiyear Rate Plan Annual Reviews**

##### **1. Commission Staff**

**Q. Please describe the changes proposed by Commission Staff witness Chris McGuire.**

**A.** McGuire discusses several MYRP policy issues in his Prefiled Response Testimony, and I respond to each of them in the sections below. In summary the issues are:

- 1) The delineation between “traditional” pro forma plant additions and “provisional” pro forma plant additions and the amount that should be subject to refund in this MYRP.
- 2) The actual plant to be allowed in annual retrospective reviews of capital additions (“annual capital review”).
- 3) The timeframe for the annual capital reviews.
- 4) The threshold for determining refunds during the annual capital reviews.

1 **Q. Please address each of the above issues from McGuire’s testimony.**

2 A. I will address each of the issues in turn.

3 1) The delineation between “traditional” pro forma plant additions and  
4 “provisional” pro forma plant additions and the amount that should be subject to  
5 refund in this MYRP.

6 **Q. Does McGuire’s description of the delineation between “traditional” pro**  
7 **forma plant additions (not subject to review in the annual capital report**  
8 **filings) and “provisional” pro forma plant additions (which would be subject**  
9 **to review and possible refund in the annual capital reviews) in his revised**  
10 **testimony comport with the delineation described in your direct testimony?**<sup>2</sup>

11 A. No, McGuire’s revised testimony does not agree with what was proposed in my  
12 testimony. In my testimony, I define capital additions prior to January 1, 2025, as  
13 traditional pro forma adjustments (not refundable) and capital additions from  
14 January 2025 through December 2026 as provisional pro forma adjustments  
15 (refundable). After reviewing McGuire’s original testimony, I contacted him to  
16 point out the discrepancy between his original testimony and mine and after  
17 several informal discussions, McGuire revised his testimony to reflect his  
18 clarified understanding of my original testimony.

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<sup>2</sup> McGuire, Exh. CRM-1Tr at 9:7–11:9.

1 **Q. Do the amounts you have presented as subject to refund in Exhs. SEF-19 and**  
2 **SEF-20 require revising?**

3 A. Yes. Capital additions for 2024 included in this filing are based on estimates made  
4 at the time PSE filed its direct case. Because 2024 is part of PSE's last MYRP  
5 that covers 2023 and 2024 ("2023 – 2024 MYRP"), I had originally assumed  
6 these capital additions would be reviewed in the final annual capital review under  
7 the 2023 – 2024 MYRP to be conducted in March 2025 and therefore would not  
8 need to be considered in the annual capital reviews for this MYRP ("2025 – 2026  
9 MYRP"). Based on this assumption, I did not include plant additions for 2024 in  
10 my calculation of what is subject to refund in this new MYRP. However, as a  
11 result of my informal discussions with Commission Staff, I realized I had not  
12 considered the cumulative impacts that 2024 has on the 2025 and 2026 plant  
13 balances that will be subject to refund in the 2025 – 2026 MYRP.

14 **Q. Can you explain in more detail how 2024 additions should be considered as**  
15 **subject to refund in the 2025 – 2026 MYRP?**

16 A. The December 31, 2024 end of period balance, which is an estimate in this  
17 proceeding, is the first month within the average of the monthly averages  
18 ("AMA") calculation for the rate base amounts in 2025 that are subject to refund.  
19 Additionally, the level of depreciation for estimated 2024 capital additions and the  
20 reduction to depreciation for estimated 2024 capital retirements are also based on  
21 estimates. As such, these inputs should be considered refundable in this MYRP as  
22 parties will need to be able to review how actual amounts compare to the  
23 estimates used when setting rates in this proceeding. Parties will not have a

1 chance to conduct such a review until the first annual capital review for the 2025  
2 – 2026 MYRP, which should occur in March 2026 after rates are set in this  
3 proposed MYRP.

4 **Q. Have you prepared revised exhibits to incorporate 2024 amounts as subject**  
5 **to refund?**

6 A. Yes. I have provided Exhs. SEF-41 and SEF-42, which show my revised subject  
7 to refund calculations that now include the following additional inputs:

- 8 1. The end of period rate base balance as of December 31, 2024 resulting  
9 from estimated 2024 capital additions as the beginning balance in the  
10 2025 AMA calculation;
- 11 2. The depreciation expense from estimated 2024 capital additions;
- 12 3. The offset to depreciation expense for the estimated 2024 capital  
13 retirements.  
14  
15

16 The change between Exhs. SEF-19 and SEF-41 for the electric amounts that are  
17 subject to refund based on PSE's rebuttal filing is an increase of \$120.4 million in  
18 2025 and a decrease of \$2.4 million in 2026. The corresponding increase for  
19 natural gas between Exhs. SEF-20 and SEF-42 is \$44.0 million in 2025 and a  
20 decrease of \$822 thousand in 2026. As PSE made no other changes to plant rate  
21 base in its rebuttal filing, these changes relate solely to the addition of the  
22 amounts associated with the above listed items in the subject to refund  
23 calculations.

24 **Q. Are there any other considerations you wish to point out related to 2024**  
25 **amounts that are subject to refund in the 2025 – 2026 MYRP?**

26 A. Yes. Because they will be refundable in both the 2023 – 2024 MYRP and the  
27 2025 – 2026 MYRP, I want to make clear that the 2024 capital additions

1 themselves should be subject to only one retrospective review, which will be the  
2 one filed in March 2025 under the 2023 – 2024 MYRP. This review will be based  
3 on the estimates for 2024 capital additions that were proposed in PSE’s last rate  
4 case. During that review, the actual capital additions for 2024 will have received  
5 their final review and at that point, it will be known if there are any disallowances  
6 for prudence considerations. Those actuals, including any prudence  
7 disallowances, will then be used to compare to the 2024 estimated amounts for the  
8 categories listed above in the March 2026 annual capital review, and to the extent  
9 they are lower than what was set in rates in this MYRP, a refund will be  
10 considered. A refund is not guaranteed, however, as, even if the beginning  
11 balance for 2025 was set in rates too high, PSE’s 2025 actual capital additions for  
12 the full year on a portfolio basis, may be sufficient to have resulted in rates that  
13 were not set too high for 2025 in total for the period. Ultimately, it is important  
14 that the 2024 actual additions themselves not go through *another* review as they  
15 will have already been reviewed in the prior year. It is only the beginning balance  
16 they create that will be at issue in the second review.

17 2) The actual plant to be allowed in annual capital reviews.

18 **Q. McGuire states that the annual capital reviews should compare actual used**  
19 **and useful plant to the level of plant included in provisional rates on a**  
20 **portfolio basis (rather than on a project-by-project basis).<sup>3</sup> Are Commission**  
21 **Staff and PSE in agreement on this treatment?**

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<sup>3</sup> McGuire, Exh. CRM-1Tr at 12:8-16.

1 A. Yes. Commission Staff and PSE agree that the annual capital reviews that  
2 determine whether or not PSE should provide a refund should be based on the full  
3 portfolio of capital additions in base rates.

4 **Q. McGuire then goes on to add a caveat regarding “significant forecasting or**  
5 **accounting error(s)” resulting in high amounts for a specific project being**  
6 **included in rates.<sup>4</sup> Do you agree with his proposal to order PSE to make a**  
7 **refund for that specific project?**

8 A. No, at least not in the manner McGuire describes. McGuire proposes to  
9 selectively pick through the projects included in the portfolio of projects in the  
10 retrospective review, and only select those, which under-run the forecast by a  
11 “significant” amount calling them an “error”.<sup>5</sup> There are several problems with his  
12 approach.

13 First of all, this defeats the purpose of a portfolio review, which by its design is  
14 intended to look at projects collectively to see how they compare to the amounts  
15 set in rates. Conducting reviews as McGuire proposes would result in a  
16 disincentive for PSE to manage projects to the lowest possible cost. For instance,  
17 if one project incurs higher than forecast costs, there would be no incentive for a  
18 company to slow or stop another project where possibilities exist if only to have  
19 to refund the under-run on that project without being able to offset the project  
20 with the over-run. It only seems reasonable to net the two projects as would be  
21 done in a true portfolio analysis.

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<sup>4</sup> McGuire, Exh. CRM-1Tr at 12:17–13:6.

<sup>5</sup> *Id.*

1 Second, it is unclear what McGuire means by error. He leaves it open that any  
2 project with an under-run can be called an error and thus refunded, while all over-  
3 runs are considered a simple variance and are buried in the portfolio. By  
4 selectively picking just projects that under-run the forecast and labelling them  
5 errors, McGuire seeks to make each and every retrospective review a matter of  
6 differing opinions and gives PSE no opportunity to balance projects that run over  
7 with those that are under.

8 Finally, to support his position, McGuire uses half-truths he gleaned from PSE's  
9 pending March 2024 annual capital review of 2023 capital additions ("2023  
10 annual capital review"), in which PSE recently agreed to extend the review period  
11 an additional three months to give Commission Staff additional time to complete  
12 their review. In his example, McGuire isolates PSE's Advanced Meter  
13 Infrastructure ("AMI") project and characterizes it as being "an incremental  
14 \$132.6 million [that] was included erroneously in 2023 provisional rates".<sup>6</sup> He  
15 further implies that PSE intentionally "asks the Commission to ignore the error in  
16 the provisional plant amount when determining whether the Company's actual  
17 level of plant additions warrants issuing refunds to customers".<sup>7</sup> This could not be  
18 further from the truth. While McGuire has called AMI Meters and Modules  
19 Deployment an error, he ignores that ten lines down in the same exhibit,<sup>8</sup> PSE's  
20 Energize Eastside Transmission project is \$163.2 million higher than forecast due

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<sup>6</sup> McGuire, Exh. CRM-1Tr at 13:9-10.

<sup>7</sup> McGuire, Exh. CRM-1Tr at 13:12-14.

<sup>8</sup> *Wash. Utils. & Transp. Comm'n v. Puget Sound Energy*, Docket UE-220066, Attachment D to The Multi-Year Rate Plan Annual Report, Explanations for Significant Variances Between 2023 Forecasted and Actual Plant Closings at 5 (filed March 29, 2024).

1 to parts of the project going into service sooner than projected. In fact, he ignores  
2 that on a portfolio basis (which he has just claimed to support)<sup>9</sup>, the total capital  
3 plant placed in service exceeds what was provisionally allowed in rates by \$224.0  
4 million. The project costs that exceed what was provisionally allowed in rates are  
5 costs that PSE is unable to recover through the MYRP process until the next GRC  
6 (this case). Thus, while McGuire characterizes under-runs as forecasting and  
7 accounting errors or “windfall spending cushions”,<sup>10</sup> the reality is that in a  
8 portfolio review all amounts set in rates should be considered to allow PSE to  
9 engage in adaptive management of projects and the associated costs over the  
10 course of the rate plan.

11 **Q. Does it concern you that McGuire selected as an example, an unresolved**  
12 **issue from the 2023 annual capital review, which has not been fully**  
13 **addressed in the pending review nor has PSE been able to present its side of**  
14 **the issue?**

15 A. Yes, it seems as though McGuire is using this rate case to argue his side of the  
16 2023 annual capital review without including all pertinent facts related to that  
17 issue. Prior to his testimony being filed in this case, Commission Staff was  
18 provided with responses to informal data requests in the 2023 annual capital  
19 review that put AMI in appropriate context. In particular, PSE’s Response to  
20 WUTC Staff Data Request No. 327 in that proceeding shows that when timing  
21 differences and other factors, such as actuals for accumulated depreciation,

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<sup>9</sup> McGuire, Exh. CRM-1Tr at 12:11-16.

<sup>10</sup> McGuire, Exh. CRM-1Tr at 13:6.

1 accumulated deferred income taxes and depreciation expense are included in the  
2 revenue requirement for AMI, the revenue requirement is almost \$1 million  
3 *higher* than was actually set in rates based on the 2023 – 2024 MYRP forecast. In  
4 order to form a complete record for this issue, I have included Exhs. SEF-47 and  
5 SEF-48, which are PSE’s response and attachment to WUTC Staff Data Request  
6 No. 327, in Docket UE-220066, et.al. Most relevantly, PSE’s response states the  
7 following, which makes clear the variance is not due to an error:

8 After further review, the reason for the seeming variance between the  
9 amount of gross plant for the AMI project that is in rates versus the actual  
10 amounts that have closed for the project is different than what was stated  
11 in Puget Sound Energy’s (“PSE”) MYRP reports. In response to this data  
12 request, it has been determined that the cumulative variance for 2022 and  
13 2023 of \$106.3 million is primarily due to timing differences and is not  
14 materially due to the difference in the closing assumptions for pre-  
15 capitalized meters and modules. After appropriately adjusting for these  
16 timing differences, the actual variance in gross plant is negative \$30.2  
17 million, not negative \$106.3 million, as demonstrated in the following  
18 table.

19 ...Furthermore – and most importantly – once accumulated depreciation,  
20 accumulated deferred income taxes and depreciation expense are  
21 calculated... the revenue requirement based on actuals is higher than the  
22 revenue requirement actually set in rates based on the forecast. As such,  
23 the revenue requirement for the AMI project has not been set too high  
24 during the review period.

25 After filing rebuttal in this case, PSE plans to revise its annual report in the 2023  
26 annual capital review accordingly.

27 I do not know why McGuire did not acknowledge PSE’s above response in his  
28 testimony in this proceeding. PSE’s response was served July 26, 2024, prior to  
29 his response testimony filing. Nonetheless, McGuire’s portrayal of an error

1 existing in PSE's pending 2023 annual capital review is misleading and should be  
2 disregarded by the Commission.

3 3) The timeframe for the annual capital reviews.

4 **Q. How do you respond to Commission Staff's recommendation with respect to**  
5 **a timeframe for review of the annual capital reports?**

6 A. As pointed out above, PSE has agreed to extend the current (2023) capital review  
7 for an additional three months, at the request of Commission Staff. While PSE  
8 would prefer not to permanently extend the review period for future annual capital  
9 reports, PSE does not object to Commission Staff's recommendation to allow a  
10 full six months for the reviews. It is PSE's desire that Commission Staff has  
11 sufficient time to conduct a thorough review.

12 4) The threshold for determining refunds during the annual capital reviews.

13 **Q. How do you respond to Commission Staff's recommendation that there be no**  
14 **threshold allowed when determining whether or not a refund is due in the**  
15 **annual capital reviews?<sup>11</sup>**

16 A. I disagree with Commission Staff's recommendation, primarily because it would  
17 not encourage efficiency in spending; it provides no incentive to minimize costs  
18 where appropriate because even a small amount below the forecast would require  
19 a refund.

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<sup>11</sup> McGuire, Exh. CRM-1Tr at 15:10-16.

1 **Q. Do you agree with how McGuire characterizes PSE's position with regard to**  
2 **the threshold?**<sup>12</sup>

3 A. No, McGuire says that PSE "proposes to issue refunds related to plant  
4 provisionally included in rates that was not used and useful during the rate-  
5 effective period *only if* the Company's actual rate of return exceeds its authorized  
6 rate of return by more than 50 basis points."<sup>13</sup> He appears to be referencing that  
7 the measure used for the threshold is a rate of return on *all* of PSE's earnings.

8 **Q. In reality, how is the threshold applied that PSE is proposing to continue?**

9 A. The process adopted in the settlement agreement that is governing PSE's current  
10 2023 – 2024 MYRP that I am proposing to continue is based on my testimony in  
11 that proceeding and does not characterize the annual capital review threshold in  
12 the manner described by McGuire. My testimony in the prior rate case states as  
13 follows:

14 if PSE's recalculated revenue requirement that is subject to refund is not  
15 less than the equivalent of fifty basis points on rate of return from the  
16 actual refundable revenue requirement set, then such rates should be  
17 considered within reason and require no refund.<sup>14</sup>

18 This is quite different from how McGuire characterizes the threshold; as stated  
19 above, he appears to be referencing that the measure used for the threshold is a  
20 rate of return on *all* of PSE's earnings.

21 If Commission Staff's interpretation of the threshold were the case, PSE would

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<sup>12</sup> McGuire, Exh. CRM-1Tr at 15:4-8.

<sup>13</sup> McGuire, Exh. CRM-1Tr at 15:5-8.

<sup>14</sup> *WUTC v. PSE*, Docket UE-220066, Exh. SEF-1T at 32:14-18 (emphasis added).

not have agreed to the refund it paid to gas customers based on the 2022 retrospective review,<sup>15</sup> which is calculated in the manner I discuss above.

**Q. What is the significance of the difference in Commission Staff's and PSE's interpretation of the threshold?**

A. Commission Staff assumes that if rates subject to refund are set too high compared to how rates would have been set based on actual plant, it inherently means rates are recovering plant that is not used and useful. I do not believe that is the case. The actual plant placed in service *is* used and useful<sup>16</sup> and can be validated as such in the annual capital reviews. The threshold is meant to measure whether or not the rates subject to refund were set materially correct based on the used and useful plant that was eventually placed in service during the rate effective period. Ultimately, the methodology used must result in rates that are fair, just, reasonable, and sufficient; within that broad standard, the Commission has discretion.<sup>17</sup>

**Q. Why do you reference the multiyear rate plan statute, RCW 80.28.425(6), when discussing the subject to refund threshold?**

A. I only reference the statute for the *value* of the measure, *i.e.*, the 50 basis points, to be used in the subject to refund threshold calculation. To address why the 50

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<sup>15</sup> *WUTC v. PSE*, Docket UE-220066 et.al., Amended Compliance Acknowledgement re Provisional Capital Report for 2022 (Sept. 22, 2023).

<sup>16</sup> Employed for service in Washington and capable of being put to use for service in Washington. *See* Docket U-190531, Policy Statement on Property that becomes Used and Useful after Rate Effective Date, ¶ 8 and n. 23 (Jan. 31, 2020) (Used and Useful Policy Statement).

<sup>17</sup> *See* RCW 80.28.425(3)(d).

1 basis points from the MYRP statute was a reasonable basis for the subject to  
2 refund threshold, my testimony in the prior rate case stated:

3 The statute does not require PSE to defer earnings for later consideration  
4 until the Company shows it is over-earning its allowed rate of return on a  
5 Commission basis in its annual CBRs by fifty basis points. Assuming all  
6 things were equal in a utility's annual CBR to what is set in rates except  
7 the level of spending on its provisional pro forma portfolio, the statute  
8 would allow a utility to retain over-earnings that resulted from those  
9 variances until it reached the fifty basis point threshold. Therefore, it  
10 follows that a reasonable threshold to set for the annual portfolio review is  
11 a fifty basis point impact on rate of return.<sup>18</sup>

12 I drew on the legislation as a guide for the level of over-earnings that is  
13 acceptable prior to refunding rates and applied this threshold only to rates that are  
14 subject to refund – not PSE's operations as a whole. This means that it is possible  
15 for PSE to be under-earning as a whole, but still be required to refund customers  
16 if its rates subject to refund were set materially too high compared to actual used  
17 and useful plant placed in service. In 2023, that is exactly what happened in the  
18 natural gas refund provided in PSE's 2022 annual capital review referenced  
19 above.

20 **Q. How do you respond to Commission Staff regarding the Commission not**  
21 **accepting a 50-basis point threshold in PacifiCorp's 2023 rate case?**<sup>19</sup>

22 A. I note that the Commission approved a settlement agreement in that case.  
23 Settlement agreements are entered into by parties and require give and take.  
24 While specifics of settlement negotiations are not available to anyone not

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<sup>18</sup> *WUTC v. PSE*, Docket UE-220066, Exh. SEF-1T at 33:1-10.

<sup>19</sup> McGuire, Exh. CRM-1Tr at 17:18-18:3.

involved in the settlement, it can be reasonably assumed that PacifiCorp gave up its request for a 50-basis point threshold for its annual capital reviews in return for something that was more important for the company to receive in the settlement. I also note that in the order adopting the settlement,<sup>20</sup> the Commission does not appear to have made mention of the settlement term related to the annual capital review threshold. Given this, and the fact that the approval of settlement agreements are not precedence setting, it is not a foregone conclusion that a threshold in an annual capital review cannot be approved by the Commission. To the contrary, the Commission has allowed such a threshold in the past, in PSE's first multiyear rate plan.

**Q. Why should the Commission retain the 50-basis point threshold for PSE's annual capital reviews?**

A. Because the projects that are subject to refund are managed as a portfolio, utilities should not be held to an absolute strict dollar amount of plant that it must place in service or else refunds are required. A company should be allowed the flexibility, *within reason*, to make the right decisions on each of its projects without being concerned with whether it will result in having to refund rates. I am not suggesting companies be given carte blanche in terms of variances – I have looked to the MYRP statute as a guide for what constitutes reasonableness and applied it only to rates that are subject to refund. A threshold combined with

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<sup>20</sup> *WUTC v. Pac. Power & Light Co.*, Dockets UE-230172 & UE-210852, Order 08/06 (Mar. 19, 2024).

1 portfolio review has been proven to be effective as mentioned above, and based  
2 on the above reasons, should continue to be allowed for PSE's annual capital  
3 reviews.

4 **2. AWEC**

5 **Q. Please describe the issues you wish to address in the testimony of AWEC**  
6 **witness Bradley G. Mullins.**

7 A. I will address the following issues related to the annual capital reviews raised by  
8 Mullins.

9 1) The viability of multiyear rate plans.

10 2) I will also discuss Mullins' testimony related to rate base measurement  
11 about changes to the entire subject to refund process that deviate from the  
12 intent of both the MYRP Statute, RCW 80.28.425, and the Commission's  
13 Used and Useful Policy Statement and would result in increased  
14 regulatory lag, the very thing the statute and policy statement were  
15 intended to reduce.  
16

17 3) I will address Mullins' arguments against using a portfolio review for the  
18 annual capital reviews.  
19

20 *1) The viability of multiyear rate plans.*  
21

22 **Q. Is Mullins' proposal to return to modified historical ratemaking viable?<sup>21</sup>**

23 A. Absolutely not. PSE witness Matt Steuerwalt addresses this issue from a high-  
24 level policy perspective in his Exh. MS-4T, Section III.B. Mullins completely  
25 ignores the changing regulatory environment Washington utilities are  
26 experiencing. Modified historical test years may have worked in an environment  
27 with low growth in demand and little need to invest in the business, but they do

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<sup>21</sup> See Mullins, Exh. BRM-1T at Section III.

1 not work when the utility is required to make substantial new investments to meet  
2 the multiple public policy objectives established by the state. In these  
3 circumstances, growth in revenues does not keep up with growth in rate base and  
4 expenses.<sup>22</sup> No party can ignore that PSE and other utilities are facing a much  
5 more complex regulatory environment than in years past. To suggest that we  
6 should return to prior ratemaking processes is irresponsible and utterly tone-deaf.

7 **Q. Has PSE been able to earn its authorized rate of return under modified**  
8 **historical ratemaking?**<sup>23</sup>

9 A. No. And it also has been unable to earn its authorized rate of return under  
10 MYRPs. *It has been several years since PSE has been able to earn its authorized*  
11 *rate of return*, which the table below demonstrates and which Mullins, again,  
12 completely ignores. PSE witnesses Dan Doyle, Jamie Martin, Cara Peterman, and  
13 Ann Bulkley all provide substantial testimony regarding PSE's current financial  
14 situation and the challenges it will face without sufficient regulatory support. The  
15 Commission should not give any credence to Mullins' testimony, which seeks to  
16 halt progress towards a regulatory environment intended to provide the pathway  
17 to meet current state policy.

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<sup>22</sup> See, e.g., *WUTC v. PSE*, Dockets UE-111048/UG-111049 Order 08 ¶¶ 489-91, 494, 506-07 (May 7, 2012) (noting intensive capital investment may challenge traditional historical or budgeted test-period relationships and ratemaking, and expressing openness to proposals that would address rate recovery for PSE's high levels of capital investment and to break pattern of continuous rate cases).

<sup>23</sup> Mullins, Exh. BGM-1T at 11:3-14.

**Table 3 – PSE’s CBR Results for Rate of Return vs. Authorized**

<b>Year</b>	<b>Dockets</b>	<b>Electric</b>	<b>Gas</b>	<b>Authorized</b>
2019	UE-200294/UG-200295	6.8%	6.1%	7.5%
2020	UE-210212/UG-210213	6.5%	6.4%	7.5%
2021	UE-220229/UG-220231	6.8%	6.9%	7.4%
2022	UE-230208/UG-230209	6.2%	6.8%	7.4%
2023	UE-240219/UG-240220	6.9%	6.5%	7.2%

**Q. Mullins claims that budgets and forecasts are not verifiable and are inappropriate for use in the ratemaking purposes.<sup>24</sup> Do you agree?**

A. No. Mullins’ perspectives in this regard is a red herring in his attempt to convince the Commission to return to the historical ratemaking of the past. First, in this proceeding, PSE has filed volumes of data and testimony in support of its rate base in this proceeding. The parties have ample opportunity to review and question that data and testimony. In addition, there is a second level of capital spending review available to parties once actual spending has been made, which I have addressed above. These are substantial opportunities for the parties and the Commission to review PSE’s budgeted and forecasted spending and rate base calculations.

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<sup>24</sup> Mullins, Exh. BGM-1T at 11:15–12:3.

1 Second, Mullins ignores that many commissions including Wisconsin,<sup>25</sup> Hawaii,<sup>26</sup>  
2 California,<sup>27</sup> and Oregon, to name a few have been using and continue to  
3 successfully use forward looking GRC ratemaking mechanisms that require the  
4 use of budgets or other forecasting techniques.

5 Last, Mullins describes a level of precision and exactitude to ratemaking,  
6 budgeting and forecasting, and actual spending results that does not exist in  
7 reality. Whether the GRC regime is a historical test year-based approach or a  
8 forward-looking approach that uses budgets and forecasts, there will always be  
9 differences between expenditures included in rates through the ratemaking  
10 process, budgets and forecasts, which are never set in stone and must be  
11 continually refined over time to reflect changing circumstances and priorities, and  
12 actual spending patterns. This is particularly true of the detailed components that  
13 make up any complex budget or forecast. The Commission should not be  
14 persuaded by Mullins implicit claim that the process is more precise or exacting  
15 than it ultimately can be in practice.

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<sup>25</sup> See, e.g., *Madison Gas & Elec. Co. v. Pub. Serv. Comm'n of Wisconsin*, 105 Wis. 2d 385, 386, 313 N.W.2d 847, 848 (Ct. App. 1981), *aff'd*, 109 Wis. 2d 127, 325 N.W.2d 339 (1982) (The use of historic test years has, however, been criticized, mainly because they do not take into account future economic trends, such as inflation. To better account for future economic trends, regulatory commissions, including the PSC, have turned to future or forward-looking test years.); see also, [PSC Revenue Requirement \(wi.gov\)](https://www.wisconsin.gov/psc/revenue-requirement) (“The Commission bases the revenue requirement on a forward looking test year, typically the first calendar year for which the rates are expected to be in effect.”).

<sup>26</sup> Haw. Code R. § 16-601-87(4) “... The test year shall be a forward test year, determined as follows: ...”

<sup>27</sup> CPUC Frequently Asked Questions (PG&E’s General Rate Case Proposal – Customer Impacts (updated November 13, 2023) [updated faq-pge-grc-103023.pdf \(ca.gov\)](https://www.cpuc.ca.gov/updated-faq-pge-grc-103023.pdf) (in a GRC, utility presents its four-year budget, including its plans for the various activities it needs to deliver safe and reliable electric and natural gas services to customers).

1 **Q. Do you agree that utilities have ignored critical ratepayer protections and**  
2 **that abandonment of the modified historical test year approach to**  
3 **ratemaking has had negative impacts on customers?**<sup>28</sup>

4 A. No, I do not. Mr. Mullins is again providing select arguments and ignoring reality.  
5 Under MYRPs, there remains strong customer protections, including earnings  
6 sharing mechanisms,<sup>29</sup> substantial low-income protections, and annual capital  
7 reviews as I discussed above. It makes no sense to me that Mullins uses the fact  
8 that utilities have been requesting repeated rate increases as an argument against  
9 MYRPs. Indeed, one of the reasons that led the legislature to set a policy  
10 requiring MYRPs was the annual filing of rate requests by all of the utilities prior  
11 to the statute's enactment. Table 3 above provides a clear reason for PSE's filing.  
12 It is not MYRPs that are causing the need for repeated rate increases but rather the  
13 fact that PSE cannot earn its authorized rate of return. The regulatory environment  
14 should allow utilities the opportunity to earn their authorized rate of return<sup>30</sup> while  
15 providing benefits and protections to customers. Mr. Mullins ignores and  
16 dismisses the significant customer protections that exist under MYRPs. The

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<sup>28</sup> Mullins, Exh. BGM-1T at 8:14-15, 9:6-9.

<sup>29</sup> RCW 80.28.425(6).

<sup>30</sup> *WUTC v. PSE*, Dockets UE-111048/UG-111049 Order 08 at ¶ 22 (May 7, 2012) ("Following long-established principles of utility ratemaking and Commission practices, we must determine on the basis of the evidence presented what levels of prudently incurred expenses the Company will experience, and allow for recovery of those expenses in rates. In addition, we must determine the Company's "rate base" and allow for an appropriate rate of return on that rate base. This is necessary to allow the Company to recover the costs of its investments in infrastructure, repay its lenders, and provide an opportunity for the Company to earn a reasonable return, or profit, some of which may be distributed to its equity investors in the form of dividends.")

1 Commission should not be misled by Mullins' arguments that customers are not  
2 protected under MYRPs.

3 2) Rate base measurement and 3) portfolio approach.

4 **Q. Mullins recommends that only capital demonstrated to be used and useful on**  
5 **or before the rate effective date of each respective rate year in a MYRP**  
6 **should be considered in the revenue requirement for that year.<sup>31</sup> Do you**  
7 **agree with his recommendation?**

8 A. No. Mullins goes to great length to list all of the issues he claims have been  
9 created by the use of MYRPs and suggests that the historical test year approach is  
10 more appropriate. His recommendation here is a further extension of his desire to  
11 revert back to historical test years. He proposes that nothing be included in the  
12 revenue requirement until PSE has filed an attestation concurrent with its  
13 compliance filing, that the capital included in its forecast for the rate year was  
14 placed into service.<sup>32</sup> This takes away all rate recovery associated with the AMA  
15 balance of the forecast capital additions for each respective rate year. His  
16 proposal is contrary to the MYRP statute as discussed by PSE witness Steuerwalt.  
17 It is also contrary to the Commission's related policy statement.<sup>33</sup> Mullins is  
18 focused on moving back to the historical test year approach rather than working

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<sup>31</sup> Mullins, Exh. BGM-1T at 12:5-7.

<sup>32</sup> Mullins, Exh. BGM-1T at 14:1-7.

<sup>33</sup> Docket U-190531, *Policy Statement on Property That Becomes Used and Useful After Rate Effective Date* (Jan. 31, 2020).

1 constructively within the statute to develop a process that works for the benefit of  
2 all parties.<sup>34</sup>

3 **Q. What does Mullins propose regarding the cost of the capital additions**  
4 **allowed in rates?**

5 A. Mullins proposes that for any forecasted project exceeding \$1,000,000 that is  
6 placed into service at a cost less than what was forecast in rates, PSE would be  
7 required to reduce the rates that go into effect by the revenue requirement impact  
8 of the difference with no offset for projects that had a cost higher than was  
9 forecast.<sup>35</sup> This creates the same problem that I discussed with regard to  
10 Commission Staff witness McGuire's proposal; it creates a disincentive to  
11 minimize costs where appropriate because even a small amount below the  
12 forecast would require a refund rather than be used to offset legitimate cost over-  
13 runs from other projects.

14 **Q. Mullins does not support the use of a portfolio approach in the retrospective**  
15 **capital review. How do you respond?**

16 A. Mullins suggests the review be done solely on a project-by-project basis.<sup>36</sup> He  
17 fails to recognize the benefits of the portfolio review. As Commission Staff  
18 witness McGuire points out in his testimony, "Requiring the Company to stick  
19 rigidly to its forecasted capital plan could lead to bad business decisions and the

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<sup>34</sup> Mullins, Exh. BGM-1T at 10:1-11, 12:13-18.

<sup>35</sup> Mullins, Exh. BGM-1T at 14:3-7.

<sup>36</sup> Mullins, Exh. BGM-1T at 14:12-13.

1 Company should not be penalized for adaptively managing its investment plan  
2 and appropriately responding to changing circumstances. Examining the level of  
3 plant on a portfolio level allows for adaptive management while still ensuring  
4 that, in the aggregate, customers only pay for plant that is used and useful during  
5 the rate-effective period.”<sup>37</sup>

6 It is not realistic to expect that any company can manage its projects in a way that  
7 it would have the same list of projects more than two years after the time those  
8 projects were estimated. Nor would it be good business practice or prudent utility  
9 behavior to do so. As recognized by McGuire, rate treatment should allow  
10 companies to adaptively manage their portfolios. There are sufficient customer  
11 protections in place through earnings sharing mechanisms, annual capital reviews  
12 and rates subject to refund that allow for this rate setting approach to be balanced  
13 and beneficial to all participants given what is required of utilities today.

14 **Q. What other observations do you have about Mullins’ proposal for rate base**  
15 **measurement?**

16 A. Mr. Mullins omits a very important detail in his proposal to only allow capital  
17 additions up to the start of each rate period in the MYRP. He is only removing  
18 costs for those periods and does not remove the associated benefits related to the  
19 costs he proposes to remove. If he is proposing to remove costs, he should  
20 certainly not expect the related benefits to be treated differently. The benefits that

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<sup>37</sup> McGuire, Exh CRM-1Tr at 12:11-16.

1 I am referring to are the roll-forward of test year plant and retirements. In PSE's  
2 filed revenue requirement calculation, an adjustment is made to provide the  
3 benefit of the additional accumulated depreciation and retirements that will occur  
4 through the rate years related to PSE's test year plant. AWEC had access to this  
5 information from PSE's Response to Public Counsel Data Request No. 210,  
6 which I have provided as Exh. SEF-43. Although PSE strongly requests that the  
7 Commission deny Mullins' rate base measurement proposal, if it does accept the  
8 part of the proposal that only allows capital additions through the start of each rate  
9 period, then a corresponding adjustment needs to be made to the test year roll  
10 forward and retirements adjustments.

11 **Q. What is your overall recommendation related to Mullins' rate base**  
12 **measurement proposal from Section III of his testimony?**

13 A. Mullin's proposal is not fully developed and does not follow the current statute  
14 regarding MYRPs or the Used and Useful Policy Statement. For these reasons,  
15 and those stated above, the Commission should deny Mullins' proposal.

16 **B. Trackers**

17 **Q. Can you summarize parties' positions related to PSE's proposal for three**  
18 **new tracker mechanisms?**

19 A. PSE has proposed three new tracker mechanisms in this rate case:

- 20 1. Schedule 141CGR – Clean Generation Resource Tracker (Electric)  
21 (“CGR Tracker”)

2. Schedule 141WFP – Wildfire Prevention Plan Adjustment Rider (Electric) (“Wildfire Tracker”)
3. Schedule 141DCARB – Decarbonization Rate Adjustment (Electric and Gas) (“Decarb Tracker”).

The following witnesses provided their opinion and recommendations on PSE’s tracker proposals:

1. Commission Staff witnesses McGuire, Kermode and Franks request the Commission establish an overall policy standard for when trackers are appropriate, and based on their recommended standard, request that all PSE’s trackers be rejected and alternative forms of recovery be provided. Besides myself, PSE witness Steuerwalt rebuts Commission Staff witnesses regarding their proposal to adopt policy standards for authorizing trackers, and PSE witness Jamie Martin rebuts McGuire’s arguments that trackers shift risk from shareholders to rate payers.
2. Public Counsel witness Gorman argues trackers are inconsistent with PSE’s responsibility to maintain rate affordability for customers. Martin provides rebuttal to Gorman’s testimony. Gorman also argues that PSE’s tracker proposal could result in PSE over-recovering its cost of service, which I address in my testimony.
3. AWEC witnesses Kaufman and Mullins each recommend that the Commission reject all three trackers and provide recommendations for cost allocation if the trackers are accepted. Martin and I rebut Mullins, and PSE witness Mickelson provides rebuttal to Kaufman.
4. JEA witnesses Gehrke and Cebulko provide testimony in support of PSE’s Decarb and CGR Trackers.
5. FEA witness Al-Jabir argues that trackers shift risk from shareholders to customers and PSE’s proposals should be rejected. This is rebutted by PSE witness Todd A. Shipman, Exh. TAS-5CT.

**Q. What areas will you be covering related to issues discussed by parties with PSE’s proposals for new tracker mechanisms?**

A. As shown above, I will address Commission Staff witness McGuire, AWEC witness Mullins, and Public Counsel witness Gorman.

1           **1. Commission Staff**

2           **Q.     Please summarize Commission Staff witness McGuire’s testimony for which**  
3           **you will be providing rebuttal.**

4           A.     McGuire argues that trackers shift risks from shareholders to rate payers and  
5           provides a proposal to establish a broad policy directive with attendant criteria for  
6           when trackers should be approved.<sup>38</sup> Please see PSE witness Martin’s rebuttal  
7           testimony for why trackers do not shift risk from shareholders to rate payers and  
8           PSE witness Steuerwalt’s rebuttal testimony for rebuttal of the proposal to  
9           establish a broad policy directive in this case.<sup>39</sup> I concur with Mr. Steuerwalt that  
10          if the Commission wishes to set standards for trackers, it should do so in a policy-  
11          making docket that provides all interested parties an opportunity to be heard—not  
12          just the parties to this rate case. My testimony indicates that, even if the  
13          Commission were to apply McGuire’s policy framework, PSE’s proposed trackers  
14          would still be appropriate to establish.

15          **Q.     Please summarize the circumstances McGuire’s argues need to exist before**  
16          **establishing a tracker is appropriate.**

17          A.     On pages 37 through 45 of his testimony, he argues trackers should only be  
18          allowed if they achieve one of the following goals:

- 19                   1. Advancement of a specific policy goal;

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<sup>38</sup> McGuire, Exh. CRM-1Tr at 45:4–49:2.

<sup>39</sup> See Martin, Exh. JLM-1CT; Steuerwalt, Exh. MS-4T.

2. Addresses intergenerational inequities; and

3. Addresses cost risk that could be substantial to earnings that is outside a utility's control.<sup>40</sup>

**Q. What criteria does McGuire establish to determine if any of the above circumstances exist?**

A. McGuire recommends the following criteria be used to determine if circumstances exist to establish a tracker:

1. Does the cost control incentive that exists in standard rate making interfere with the advancement of public policy?<sup>41</sup>

2. Is it necessary to clear a specific deferral balance to avoid intergenerational inequity?<sup>42</sup>

3. Is cost variance risk that is outside a utility's control reasonably expected to have a substantial impact on utility's earnings?<sup>43</sup>

**Q. Do you agree with the required circumstances and criteria that McGuire indicates must exist before establishing a tracker is appropriate?**

A. No. Where my opinion differs from McGuire's is in the rigidity that would result in the application of the criteria within the context of a framework. As I will demonstrate, McGuire's proposal only has the appearance of a relevant structure, when in reality, its application will still come down to differences of opinion and will provide no clear framework at all. The need for trackers comes in many shapes and sizes, and it is best to address them individually on their merits.

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<sup>40</sup> McGuire, Exh. CRM-1Tr at 37:6-14.

<sup>41</sup> McGuire, Exh. CRM-1Tr at 46:18-19.

<sup>42</sup> McGuire, Exh. CRM-1Tr at 47:3-6.

<sup>43</sup> McGuire, Exh. CRM-1Tr at 48:3-5.

Further, as in PSE's proposals, multiple trackers can work in concert to address singular issues,<sup>44</sup> and the application of a rigid framework would only serve to thwart the purpose of the proposals.

**Q. Please expand on why you do not believe McGuire's proposal provides a helpful framework.**

A. Although it is PSE's position that a policy framework for trackers is unnecessary, I will demonstrate that PSE's proposed trackers would meet McGuire's criteria, despite his conclusion that they do not, proving that his proposed framework does not really provide any added benefit from where we stand today.

**(i) PSE's Proposed Clean Generation Resources Tracker, Schedule 141CGR**

**Q. With which of McGuire's three proposed criteria does the CGR Tracker most closely align?**

A. In my opinion, PSE's proposed CGR Tracker meets McGuire's first criteria, the promotion of public interest. McGuire indicates it does not meet this criteria.<sup>45</sup> He narrowly defines his criteria to only consider whether the cost control incentive interferes with the public policy objective. He does not consider that there may need to be support provided to utilities in order to achieve public policy mandates over and above the removal of the cost control incentive. Such is the case for PSE's need to invest in CETA compliant utility scale resources. While I agree

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<sup>44</sup> See Steuerwalt, Exh. MS-4T for discussion of PSE's combined proposal and the impacts rejection of the combined proposal would have on PSE's ability to manage the clean energy transition.

<sup>45</sup> McGuire, Exh. CRM-1Tr at 55:1-9.

1 with McGuire that for the project costs included in the tracker, PSE does not need  
2 any additional incentive to control costs,<sup>46</sup> PSE does need additional regulatory  
3 support to finance the vast investment it must make in CETA-eligible projects on  
4 behalf of its customers.<sup>47</sup> The CGR Tracker, in concert with CWIP in rate base, is  
5 PSE's proposal to address these needs. McGuire sets his criteria so narrow as to  
6 ignore the true need that is being addressed in PSE's proposal (*i.e.*, the need to  
7 invest in massive CETA compliant resources). If it is the advancement of the  
8 public interest that is of import, then PSE's proposed CGR Tracker does help  
9 advance the public interest. Based on McGuire's standard, the CGR Tracker  
10 meets this criteria and should be approved. Without CWIP in rate base treatment  
11 and the timely adjustment of its rates through a tracker to address its cash flow  
12 concerns, PSE may be unable to take advantage of commercial deals on behalf of  
13 its customers due to its inability to finance the projects.<sup>48</sup>

14 **Q. Do you have any further thoughts on why using a tracker and CWIP in rate**  
15 **base for clean generation resources should be permitted by the Commission?**

16 A. Yes. The intent language of CETA makes clear that utilities have "an important  
17 role to play" in the clean energy transition, and they must be "fully empowered"  
18 by the Commission, through regulatory tools and incentives, to achieve the goals

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<sup>46</sup> McGuire, Exh. CRM-1Tr at 52:19-53:3.

<sup>47</sup> See, e.g., Martin, Exh. JLM-1CT.

<sup>48</sup> See, e.g., Martin, Exh. JLM-1CT (if it is not known whether CWIP in rate base treatment will be available until after deciding to proceed with a project, in some cases, PSE may be unable to proceed with a proposed project due to cash flow constraints).

1 of CETA.<sup>49</sup> A tracker that allows timely recovery of the costs of new clean energy  
2 resources will help to empower PSE to meet the CETA targets.

3 (ii) PSE's Proposed Decarb Tracker, Schedule 141DCARB

4 **Q. With which of McGuire's three proposed criteria does the Decarb Tracker**  
5 **most closely align?**

6 A. In my opinion, PSE's proposed Decarb Tracker meets McGuire's first criteria, the  
7 promotion of public interest. The sole purpose of this tracker is to provide an  
8 instrument for the Commission and parties to determine the appropriate level of  
9 investment for decarbonization activities that do not necessarily meet standard  
10 parameters that are required for other PSE investments recovered in base rates.  
11 This tracker will provide a transparent process and solution for determining how  
12 fast the Commission would like to go in funding programs that promote  
13 decarbonization. These types of investments, because of their uncertainty and  
14 questions about cost effectiveness, would not compete well with the remainder of  
15 PSE's capital and O&M portfolio, which must adhere to standard ratemaking  
16 principles. This gets directly at the heart of McGuire's first criteria in that PSE  
17 would not likely invest in these areas without the benefit of a tracker. As PSE  
18 witness Martin testifies, if the Commission makes the level of cuts to O&M  
19 spending recommended by Commission Staff and Public Counsel, it is precisely  
20 this kind of work that PSE is likely to be unable to deliver.

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<sup>49</sup> RCW 19.405.010(5).

1 **Q. Are there other reasons these costs should be recovered through a tracker?**

2 A. Yes. The programs that will be pursued under the proposed pilots come with  
3 uncertainty regarding participation levels. Allowing recovery through a tracker,  
4 which provides for a true-up, will ensure that PSE does not over or under recover  
5 these costs, which would only be invested in with Commission approval.

6 **(iii) PSE's Proposed Wildfire Tracker, Schedule 141WFP**

7 **Q. With which of McGuire's three proposed criteria does the Wildfire Tracker**  
8 **most closely align?**

9 A. As with the other two proposed trackers discussed above, in my opinion, PSE's  
10 proposed Wildfire Tracker meets McGuire's first criteria, the promotion of public  
11 interest, and this time, McGuire and I are essentially in agreement.<sup>50</sup>

12 **Q. Do you agree with McGuire's proposal to require PSE to recover the costs**  
13 **PSE is proposing in its Wildfire Tracker in base rates with a balancing**  
14 **account?**<sup>51</sup>

15 A. No. McGuire claims his proposal for a balancing account is consistent with the  
16 treatment Avista receives for its wildfire costs, but that is not the case. Although  
17 Avista has always had a balancing account to recover the costs of its Wildfire  
18 Mitigation and Response Plans, Avista is allowed to reset rates through a separate

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<sup>50</sup> McGuire, Exh. CRM-1Tr at 56:6-15, 58:16-59:3.

<sup>51</sup> McGuire, Exh. CRM-1Tr at 59:5-22.

1 price schedule on an annual basis to clear the balancing account.<sup>52</sup> This is no  
2 different from what PSE is proposing to do in its Wildfire Tracker. McGuire  
3 indicates that timing of recovery of the balancing account is the only difference  
4 between a tracker and a balancing account.<sup>53</sup> I do not believe the true difference is  
5 fully explained by McGuire, as it is possible that balancing accounts, which are  
6 included in base rates, can be trued up annually through a separate tariff schedule,  
7 as was the case for Avista. This would make the balancing account no different  
8 than a tracker, which is why I have left my proposal unchanged. PSE is at a  
9 similar stage now as Avista was when it was provided with annual true-ups of its  
10 balancing account. The treatment PSE is requesting now is no different than the  
11 treatment Avista received at a similar stage of the development of its Wildfire  
12 Mitigation and Response Plan. Just because the emerging risk of wildfire was  
13 slower to present itself to PSE because of geographical location, does not mean it  
14 should receive differing treatment.

15 **Q. Under what conditions would PSE be accepting of a balancing account for**  
16 **wildfire?**

17 A. If the Commission does decide it prefers the use of a balancing account and  
18 moves PSE's proposed wildfire costs into base rates, then PSE requests it be  
19 allowed to true-up the balancing account on an annual basis as Avista is currently

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<sup>52</sup> See Docket UE-240649, Avista's Tariff Schedule No. WN U-28 (Aug. 30, 2024) ("The purpose of the Wildfire Balancing Account schedule is to surcharge or rebate wildfire costs that differ from the level set by the Commission in the Company's most recent general rate case filing *on an annual basis*" (emphasis added)).

<sup>53</sup> McGuire, Exh. CRM-1Tr at 59:13-22.

1           allowed to do. Again, this is really no different than PSE's proposal, which is why  
2           it has been left unchanged.

3       **Q.     Do you agree that the Commission should require PSE in its next general**  
4       **rate case to provide justification of any request to continue special recovery**  
5       **for wildfire costs?**

6       A.     No. PSE's proposal is that these costs be included in a tracker. The annual tracker  
7       filings would be an available forum for parties to show cause for such a request.

8       **Q.     Does McGuire take issue with any of the costs PSE is proposing to recover**  
9       **through the Wildfire Tracker?**

10      A.     Yes. McGuire is proposing that the Commission not allow recovery of a wildfire  
11      deferral PSE is requesting.<sup>54</sup> I address this in more detail below in Section IV.C.5.  
12      of my testimony.

13      **Q.     Overall, what should the Commission decide regarding whether or not PSE's**  
14      **proposed trackers should be allowed?**

15      A.     Although PSE does not believe the Commission should apply a policy  
16      framework—particularly without giving all interested persons an opportunity to  
17      be heard—PSE has shown that each tracker has merit on its own and would  
18      promote the public interest. Additionally, the trackers serve collectively to address  
19      the issues with PSE's financial health that are discussed by PSE witness

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<sup>54</sup> McGuire, Exh. 64:4-9.

1 Steuerwalt and Martin. They are designed as a package to address these issues and  
2 should be approved together by the Commission.

3 **2. AWEC**

4 **Q. What response do you have to Mullins' testimony regarding PSE's proposed**  
5 **trackers?**

6 A. Mullins provides a half a page of testimony on this issue.<sup>55</sup> The information I  
7 provided above in rebuttal of McGuire's testimony is sufficient to address  
8 Mullins' issues. PSE's incentive to manage costs still exists when costs are  
9 recovered in a tracker and are plainly visible and subject to review in each year's  
10 filing. Rebuttal to Mullins' concern that trackers shift risk is addressed by PSE  
11 witnesses Jamie Martin, Exh. JLM-1CT and Todd Shipman, Exh. TAS-5CT.

12 **3. Public Counsel**

13 **Q. Please explain Public Counsel witness Gorman's arguments that PSE's**  
14 **proposal for the CGR Tracker could result in PSE over-recovering its cost of**  
15 **service.**

16 A. Gorman argues that without careful synchronization, PSE's CGR Tracker could  
17 result in over-recovery.<sup>56</sup>

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<sup>55</sup> Mullins, Exh. BGM-1T at 23:14-24:4.

<sup>56</sup> Gorman, Exh. MPG-1CT 29:16-32:20.

1 **Q. Should the Commission be persuaded by Gorman's arguments?**

2 A. No. First, I will note that the Commission has allowed rate changes to recover rate  
3 base between general rate cases in the Cost Recovery Mechanisms that are  
4 provided for under the Commission's Pipeline Replacement policy statement in  
5 Docket UG-120715.

6 **Q. What other reasons do you believe Gorman's arguments are not valid?**

7 A. Most importantly, Gorman ignores the fact that PSE will only be utilizing its  
8 proposed CGR Tracker in concert with power cost only rate cases or general rate  
9 cases<sup>57</sup> and, therefore, will only include new resources in the CGR Tracker once  
10 they have undergone a threshold prudence review. In power cost only rate cases  
11 and general rate cases, rates are set based on total rate base, not just the rate base  
12 being included in the CGR Tracker.<sup>58</sup> By tying the use of the CGR Tracker with a  
13 formal rate proceeding, Gorman's concerns of synchrony are unfounded.

14 **C. Earnings on Qualifying PPAs**

15 **Q. Please briefly explain PSE's proposal related to earning a return on**  
16 **qualifying PPAs.**

17 A. In 2023, PSE began incurring costs on three, five-year demand response ("DR")  
18 PPAs selected in its Clean Energy Action Plan ("CEAP"). The PPA costs, in  
19 addition to a return on the PPA costs, are eligible for deferral under RCW

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<sup>57</sup> Exh. SEF-1T at 15:9-14, 17:1-18:7.

<sup>58</sup> Production rate base is included in power cost only rate cases.

1 80.28.410. PSE has not changed its original proposal, which is to request a return  
2 at its full authorized rate of return, which is applied in two separate adjustments.  
3 Exh. SEF-6 Adjustment 32.47 (previously 6.47) “CETA DR PPA Deferrals”  
4 captures the deferred PPA contract costs and associated return on the PPAs  
5 incurred between September and when rates are effective in this case, and SEF-  
6 32.38 “Power Costs” includes the return on DR PPA costs included in the rate  
7 years.

8 **Q. Please describe the issues raised with respect to PSE’s request to earn a**  
9 **return on qualifying PPAs.**

10 A. Public Counsel, AWEC, JEA, and The Energy Project all argue against PSE’s  
11 proposal to earn a return on qualifying PPAs. PSE witness Martin addresses these  
12 parties’ arguments in her testimony. I will address the issues raised by  
13 Commission Staff witness McGuire. There are three main issues raised by  
14 McGuire with respect to PSE’s request to earn a return on qualifying PPAs.

- 15 • Whether or not PSE should be allowed to earn a return.
- 16 • What rate should be used if a return is allowed.
- 17 • Whether or not PSE should recover its deferral of the return booked  
18 under Docket UE-230810 for the full time period it has requested.

19 **Q. Which of the above issues will you address in testimony?**

20 A. I will address item 3 above. Items 1 and 2 are addressed by PSE witnesses  
21 Steuerwalt and Martin. PSE is continuing to request its full rate of return as the  
22 rate to use for the earnings calculation.

1 **Q. Has PSE changed its position in rebuttal with respect to either the deferral or**  
2 **the recovery of ongoing earnings on qualifying PPAs?**

3 A. No. PSE has not changed its position on its proposed treatment of either the  
4 deferral or the ongoing earnings on qualifying PPAs to include in rates. PSE's  
5 revenue requirement adjustments relating to the PPAs have not changed.

6 **Q. Please expand on your rebuttal for item 3.**

7 A. McGuire argues that PSE should not be allowed to recover the deferral of the  
8 return on the qualifying PPAs that it booked after the underlying PPAs were  
9 included in rates (after December 2023). He argues that the statute prevents this  
10 treatment.<sup>59</sup>

11 **Q. Can you provide some background on the deferred accounting petition at**  
12 **issue and when the underlying PPA costs were included in rates?**

13 A. Yes. PSE filed its deferred accounting petition in Docket UE-230810 a few  
14 months before filing this general rate case. At the same time it filed its deferred  
15 account petition, PSE also filed its annual update to the power cost baseline rate,  
16 which would put new power cost rates in effect approximately three months after  
17 the filing. PSE made clear in its deferred accounting petition that it was seeking  
18 to defer the recovery of the contract costs of the demand response PPAs until they  
19 were included in rates in PSE's power cost baseline rate update in January 2024.  
20 PSE also made clear in its petition that it would not request recovery of the return

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<sup>59</sup> McGuire, Exh. CRM-1Tr at 77:19–78:8.

1 on the PPAs in the power cost update but would request that recovery in its next  
2 multiyear rate plan,<sup>60</sup> *i.e.*, the current case. After the power cost update was  
3 approved, PSE included only the contract cost of the PPAs in rates beginning  
4 January 2024 and discontinued the deferral of those PPA costs at that time.  
5 However, consistent with the deferred accounting petition, PSE did not include  
6 the return on those costs in rates in the power cost update, choosing instead to  
7 continue deferring the return and allow consideration of this issue by the  
8 Commission in the current general rate case. PSE made this decision to bifurcate  
9 the recovery of these components of the PPA to allow more time for parties to be  
10 heard on the issue of recovery of a return on a PPA under RCW 80.28.410, an  
11 issue of first impression for the Commission.<sup>61</sup>

12 **Q. Why do you believe that the statute allows the deferral of return on PPAs**  
13 **after the underlying PPA costs are included in rates?**

14 A. The logical interpretation of the statute's intent is to prevent double recovery that  
15 would result if a company defers a cost that is already being recovered in rates.

16 The statute defines the costs that are subject to deferral as follows:

17 **The costs** that an electrical company **may account for and defer for**  
18 **later consideration** by the commission pursuant to subsection (1) of this  
19 section include **all operating and maintenance costs, depreciation,**  
20 **taxes, cost of capital** associated with the applicable resource or the  
21 execution of a power purchase agreement.<sup>62</sup>  
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<sup>60</sup> Docket UE-230810, Petition of Puget Sound Energy, ¶ 11 (Sept. 29, 2023).

<sup>61</sup> Docket UE-230810, Open Meeting Memo at 3 (Mar. 28, 2024).

<sup>62</sup> RCW 80.28.410(2) (emphasis added).

1 Subsection 1 of the statute provides how the costs (as defined in subsection 2)  
2 should be treated and provides for the cessation the costs allowed to be deferred:

3 if during such a period the electrical company files a general rate case or  
4 other proceeding for the recovery of such costs, deferral ends on the  
5 effective date of the final decision by the commission in such a  
6 proceeding.<sup>63</sup>  
7

8 Each of the costs that are defined by the statute are individual inputs in a revenue  
9 requirement calculation. There is no requirement in the statute that the four  
10 specific costs it defines must be treated the same from a deferral or ratemaking  
11 perspective throughout the life of the contract.<sup>64</sup>

12 Because PSE has not included the return on the PPA in rates, it is not precluded  
13 from continuing to defer those costs. Therefore, because “such costs” related to  
14 the cost of capital (*i.e.*, the return on the contract costs of the PPAs) were not set  
15 in rates in January 2024, PSE may continue to “defer [them] for later  
16 consideration by the Commission.” PSE’s request is consistent with the language  
17 of the statute and the Commission should approve recovery of the deferred return  
18 after December 2023 on the PPAs.

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<sup>63</sup> RCW 80.28.410(1) (emphasis added).

<sup>64</sup> The Commission has shown an understanding that underlying costs and the return on those costs are separate inputs in the revenue requirement and can receive different treatment in its decision to not allow the return for AMI in rates and the requirement for PSE to defer that return while at the same time allowing recovery of the depreciation expense, which would be synonymous with the contract cost of the PPAs. *See WUTC v. PSE*, Dockets UE-190529 and UG-190530, Order 08 ¶¶ 153-57 (July 8, 2020).

1 **D. CWIP in Rate Base Treatment**

2 **Q. What issues are you addressing in this rebuttal with respect to PSE's**  
3 **proposal for using CWIP in rate base treatment rather than AFUDC for the**  
4 **Beaver Creek project as well as for utility scale CETA-eligible projects going**  
5 **forward?**

6 A. I am responding to issues raised by The Energy Project ("TEP") witness Stokes in  
7 opposition to PSE's proposal. PSE witnesses Jamie L. Martin and Matt  
8 Steuerwalt provide further testimony on this topic in their respective rebuttal  
9 testimonies.

10 **Q. What concerns do you have with TEP witness Stokes' testimony opposing**  
11 **CWIP in rate base treatment?**

12 A. I have several concerns. First, the authority she cites in opposition to the use of  
13 CWIP in rate base treatment actually supports the use of CWIP in rate base  
14 treatment. I discuss that below.

15 Second, I disagree with her analysis that CWIP in rate base treatment would lead  
16 to unduly high investor profits at the expense of ratepayers.<sup>65</sup> The substantial  
17 evidence in this case demonstrates that PSE has been unable to earn its authorized  
18 rate of return since 2017. As such, there is little risk of high investor profits at the  
19 expense of ratepayers. Moreover, RCW 80.28.425(6) protects customers from  
20 unduly high investor profits by imposing deferral of all earnings that are more

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<sup>65</sup> Stokes, Exh. SNS-1T at 67:6-8.

1 than .5 percent higher than PSE's authorized rate of return, and allows the  
2 Commission to order refunds for customers in such a case.

3 Finally, I disagree with her perspective, which looks at the cost of CWIP in rate  
4 base treatment as compared to AFUDC over the two-year rate plan only, and does  
5 not consider the savings that result over the life of the project using CWIP in rate  
6 base treatment.<sup>66</sup> This final point was addressed in the Prefiled Direct Testimony  
7 of Daniel A. Doyle, Exh. DAD-1CT, and will not be repeated here.

8 **Q. What authorities does Stokes cite with respect to CWIP in rate base?**

9 A. Stokes cites the Commission Final Order in PSE's 2011 general rate case, and she  
10 cites an intervention and protest filing at FERC by the CPUC.<sup>67</sup> I address both  
11 below.

12 **Q. Does the Final Order in PSE's 2011 general rate case support the use of**  
13 **CWIP in rate base?**

14 A. Yes. In Final Order 08, the Commission noted that it already employs, or is open  
15 to using, several remedies to address attrition and failure to earn authorized  
16 returns. One such remedy the Commission points to is the "Inclusion of  
17 Construction Work in Progress (CWIP) in rate base providing a return on  
18 investment prior to when the new plant goes into service."<sup>68</sup> The Commission  
19 stated that although there is limited guidance in literature about how to calculate

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<sup>66</sup> Stokes, Exh. SNS-1T at 67:8-10.

<sup>67</sup> Stokes, Exh. SNS-1T at 65:11-2, 68:4-10.

<sup>68</sup> *WUTC v. PSE*, Dockets UE-111048 and UG-111049, Order 08 at ¶ 491 (May 7, 2012).

1 or implement these remedies, the Commission viewed these as appropriate tools  
2 in times of high general inflation or high levels of plant additions.<sup>69</sup> The  
3 Commission reiterated that it remains open to, and will consider fairly, specific  
4 proposals supported by adequate evidence showing CWIP in rate base treatment  
5 and the other cited tools to be an appropriate response to PSE's economic and  
6 financial circumstances including, if demonstrated, under earnings due to  
7 attrition.<sup>70</sup>

8 **Q. Did the Commission endorse the use of CWIP in rate base treatment prior to**  
9 **the passage of HB 1589?**

10 A. Yes, the Commission's order identifying CWIP in rate base as an available tool in  
11 the tool kit was issued in 2012, more than a decade before HB 1589 was passed.  
12 Therefore, Stokes' suggestion that CWIP in rate base should not apply because it  
13 does not meet all three criteria in HB 1589 should be rejected.<sup>71</sup>

14 **Q. What is your conclusion with respect to the Commission's ability to order**  
15 **CWIP in rate base treatment for utility scale CETA-eligible projects as**  
16 **proposed by PSE?**

17 A. The legislature amended the used and useful statute in 1991 to allow the use of  
18 CWIP in rate base treatment. Though the Commission has not had many

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<sup>69</sup> *Id.* Other available remedies cited by the Commission as available tools, in addition to CWIP, were pro forma adjustments subsequent to the end of the test year, use of end of period plant adjustments, and attrition allowances.

<sup>70</sup> *Id.*

<sup>71</sup> Stokes, Exh. SNS-1T at 66:18-69:4.

1 opportunities to address the use of CWIP in rate base since that time, it has  
2 acknowledged that it is a tool available to address under earnings in times of  
3 inflation and high plant additions. PSE is facing that situation now and over the  
4 next several years as it seeks to meet its clean energy targets. Thus, this is an  
5 appropriate situation for the Commission to approve CWIP in rate base treatment  
6 for CETA-eligible utility scale construction projects.

7 **Q. Is there other authority cited by Stokes that supports the use of CWIP in rate**  
8 **base treatment?**

9 A. Yes. In the FERC docket cited by Stokes,<sup>72</sup> FERC *approved* the use of CWIP in  
10 rate base treatment by SoCal Edison. Stokes noted only that the CPUC filed a  
11 notice of intervention and a protest.<sup>73</sup> Stokes failed to mention that FERC  
12 approved SoCal Edison's request in an Order issued June 27, 2024 and agreed  
13 with the utility that recovering CWIP expenditures in transmission rate base will  
14 help cash flow and smooth the projects' rate impact. The decision stated that  
15 recovering CWIP expenditures provides "upfront regulatory certainty, rate  
16 stability, and improved cash flow, thereby reducing the pressures on an  
17 applicant's finances caused by investing in transmission projects."<sup>74</sup> PSE is  
18 facing the need to acquire and build substantial clean energy projects. As noted  
19 by FERC, CWIP in rate base treatment will allow for improved cash flow and will

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<sup>72</sup> Fed. Energy Reg. Comm., Dkt. EL24-71-000, Notice of Intervention and Protest of the Cal. Pub. Util. Comm., at 2 (Mar. 8, 2024).

<sup>73</sup> Stokes, Exh. SNS-1T at 66:3-10.

<sup>74</sup> FERC Dkt. EL24-71-000, Order on Transmission Rate Incentives at ¶ 34 (June 27, 2024).

1 smooth the projects' rate impacts as PSE seeks to acquire and build utility scale  
2 CETA-eligible projects to meet its targets.

3 **Q. What is your conclusion regarding CWIP in rate base treatment?**

4 A. The Commission has acknowledged its authority to order CWIP in rate base  
5 treatment during times of under earning and attrition. PSE's current situation,  
6 where it has been chronically underearning, has faced significant inflation, and  
7 must acquire substantial new clean energy resources to meet state mandated clean  
8 energy targets, is precisely the type of situation where CWIP in rate base  
9 treatment should be allowed. Moreover, CWIP in rate base treatment will help  
10 smooth the projects' rate impact as well as provide upfront regulatory certainty,  
11 rate stability, and improved cash flow<sup>75</sup> for construction projects of importance to  
12 the public and PSE. For these reasons the Commission should reject TEP witness  
13 Stokes' position and approve PSE's proposal for CWIP in rate base treatment. As  
14 discussed in my prefiled direct testimony, PSE requests CWIP in rate base  
15 treatment for the Beaver Creek project and for all CETA-eligible utility scale  
16 projects in its Clean Generation Tracker going forward.

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<sup>75</sup> *Id.*

1 **E. Schedule 141 CEI True-Up**

2 **Q. Please summarize the issue related to the true-up of Schedule 141CEI Clean**  
3 **Energy Implementation Tracker.**

4 A. Page 92 of my direct testimony, Exh. SEF-1T, explains that it is not possible to  
5 follow the approved true-up language in PSE's Schedule 141CEI, as the actual  
6 costs and revenues for the schedule will not be known at the time rates in this  
7 proceeding become effective. Accordingly, PSE made an alternative proposal to  
8 conduct the true-up in its next general rate case following the conclusion of this  
9 GRC.<sup>76</sup>

10 **Q. Does Staff witness Franks agree with your proposal?**

11 A. Franks recommends that the true-up be conducted sooner rather than waiting until  
12 the next general rate case. He proposes that PSE make a filing by March 31, 2025  
13 to effectuate the true-up.<sup>77</sup>

14 **Q. Do you agree with Franks' proposal?**

15 A. Yes. PSE agrees that utilizing Schedule 141CEI for conducting the true-up  
16 process by March 31, 2025 is preferable to waiting until the next general rate  
17 case, and would further recommend that rates be effective May 1, 2025 to  
18 coincide with other rate changes PSE is already required to make. The settlement  
19 agreement under PSE's 2022 general rate case that governs the true-up process

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<sup>76</sup> Exh. SEF-1T at 93:16–94:11.

<sup>77</sup> Franks, Exh. WAF-1T at 34:16–35:6.

1 requires that Schedule 141CEI be discontinued in this general rate case.<sup>78</sup>

2 Therefore, in order for PSE to be able to follow the process that both Franks and I  
3 agree with, the Commission will need to approve it, which both PSE and  
4 Commission Staff recommend.

5 **F. Colstrip Tracker**

6 **Q. Please summarize AWEC witness Mullins' proposal on PSE's Schedule**  
7 **141COL.**

8 A. Witness Mullins is proposing 1) PSE's Schedule 141COL be eliminated as of  
9 December 31, 2025,<sup>79</sup> 2) remaining balances from Schedule 141COL be  
10 transferred to a separate regulatory liability account,<sup>80</sup> and 3) the newly  
11 established separate regulatory liability account should accrue interest.<sup>81</sup>

12 **Q. How do you respond to witness Mullins' proposal on PSE's Schedule**  
13 **141COL?**

14 A. In summary, PSE strenuously objects to all facets of Mullins proposal for the  
15 following reasons:

- 16 1. Mullins makes his proposal because he claims the current treatment is  
17 detrimental to customers,<sup>82</sup> when in fact, the opposite is true.

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<sup>78</sup> See *WUTC v. Puget Sound Energy*, Dockets 220066 et al., Appendix A to Order 24/10 at p. 8, item K (Dec. 22, 2022) ("This tracker will expire upon the implementation of new rates in PSE's next general rate case, or other date agreed to by the Settling Parties.").

<sup>79</sup> Mullins, Exh. BGM-1T at 6:15-16.

<sup>80</sup> Mullins, Exh. BGM-1T at 6:21-22.

<sup>81</sup> Mullins, Exh. BGM-1T at 7:3-4.

<sup>82</sup> Mullins, Exh. BGM-1T at 5:7-10.

2. Mullins' proposal is light on details, not fully vetted, and does not provide a sound basis for changing the approach agreed upon in the settlement and approved by the Commission in PSE's 2022 GRC.

**Q. Please explain in more detail.**

A. I discuss the first reason in more detail below. The second reason requires no further explanation.

**1. Customer Benefit:**

**Q. Do you agree with the way Mullins characterizes that PSE will not be providing the benefit of the revenue requirement reduction for Schedule 141COL to customers?<sup>83</sup>**

A. No. This section of Mullins testimony is very misleading. He appears to imply that because PSE claims Schedule 141COL is outside the scope of this proceeding, PSE will not be providing a future revenue requirement reduction to customers. Just because PSE did not present a revenue requirement reduction for Schedule 141COL in this proceeding does not mean customers will not be receiving the reduction. Indeed, by the very fact that the costs/benefits in question are in a tracker that is updated annually, customers will most definitely see a reduction under Schedule 141COL, likely for *roughly* the amount Mullins estimates,<sup>84</sup> whether it is discussed in this proceeding or not.

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<sup>83</sup> Mullins, Exh. BGM-1T at 4:17–5:2.

<sup>84</sup> Mullins, Exh. BGM-1T at 4:15.

1 **Q. Please explain in more detail the impact of Mullins' proposal on customers.**

2 A. As PSE clearly stated in Exh. BGM-4 (PSE's Response to AWEC Data Request  
3 No. 45), the treatment of Colstrip costs through Schedule 141COL are outside the  
4 scope of this proceeding. In PSE's 2019 general rate case, the Commission  
5 ordered PSE to present a Tracking and True-up Mechanism for Colstrip  
6 decommissioning and remediation ("D&R") costs ("Colstrip Tracker") in its next  
7 general rate case.<sup>85</sup> PSE followed the Commission's requirement, and the  
8 Colstrip Tracker was approved in PSE's 2022 general rate case.<sup>86</sup> In approving  
9 the tracker, the Commission stated:

10 The Settlement's treatment of Colstrip costs is consistent  
11 with the Commission's earlier order and CETA's  
12 requirements. We observe, as well, that Public Counsel  
13 supports the Settlement's treatment of Colstrip D&R costs,  
14 even though Public Counsel is not one of the Settling  
15 Parties.<sup>87</sup>

16 Unfortunately, witness Mullins disagreed with PSE's Response to AWEC Data  
17 Request No. 45 and stated, "If the status quo treatment, using the Colstrip tracker,  
18 is applied PSE will be required to refund significant amounts of funds to  
19 ratepayers for the regulatory liability balances on its books. This would be an  
20 undesirable outcome, since those funds were meant to be applied towards the  
21 Colstrip retirement."<sup>88</sup>

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<sup>85</sup> See *WUTC v. PSE*, Docket UE-190529 and UG-190530, Order 08 at ¶ 767 (July 8, 2020).

<sup>86</sup> See *WUTC v. PSE*, Dockets 220066 et al., Order 24/10 ¶ 281, referring to ¶ 277 (Dec. 22, 2022).

<sup>87</sup> *Id.* at ¶ 283.

<sup>88</sup> Mullins, Exh. BGM-1T at 5:7-10.

1 This is flawed circular logic, and it does nothing to address why Mullins believes  
2 the Colstrip Tracker should be made part of this proceeding. PSE is not passing  
3 back the regulatory liability, as Mullins suggests. The regulatory liabilities on  
4 PSE's books that are in the Colstrip Tracker exist specifically to pay for future  
5 D&R costs related to the Colstrip facilities. They are included as they are being  
6 offset with the ongoing spending for D&R that will continue to occur in 2026,  
7 when Mullins has requested the Colstrip Tracker rate be set to zero. The Colstrip  
8 Tracker was set up to be an ongoing mechanism that the Commission approved in  
9 a prior rate case and is therefore outside the scope of this proceeding. AWEC  
10 witness Mullins presents no logical or rational premise that justifies serious  
11 consideration of his proposal or a reconsideration of the existing tracker treatment  
12 that the Commission requested in PSE's 2019 general rate case.

13 **Q. Does PSE believe there is any value or benefit to transferring any remaining**  
14 **balances to a separate regulatory liability account?**

15 A. No. The regulatory liability balances are already transparently contained and  
16 tracked within the Colstrip Tracker. Further, the spending on D&R and recovery  
17 of D&R through depreciation are part of the accounts Mullin would have  
18 collapsed and these amounts are tracked separately by Commission order.<sup>89</sup>  
19 Creating a separate consolidated regulatory account, as Mullins suggests, provides  
20 no inherent value or benefit to the Commission, PSE, or its customers.

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<sup>89</sup> *WUTC v. PSE*, Docket UE-190529 and UG-190530, Order 08 at ¶ 768 (July 8, 2020).

1 **Q. Does PSE believe there is any benefit to its customers related to Mullins’**  
2 **proposal to accrue and compound interest on the separate regulatory liability**  
3 **account that he requests the Commission consider?**<sup>90</sup>

4 A. No, in fact, Mullins’ proposal results in a serious rate payer detriment. The  
5 regulatory liability balances in question are currently included in Schedule  
6 141COL as a current reduction to rate base, which obviously reduces rates. Under  
7 Mullins’ proposal, customers would lose that current rate base reduction, thereby  
8 increasing rates. Mullins states in testimony, “Rather than continuing to include  
9 the liability rate base balances in a tracker [as a rate base reduction], removing  
10 those amounts from rate base altogether and accruing interest on the account  
11 itself, will set aside more funds for the decommissioning and remediation  
12 activities, or for other purposes, depending upon the outcome of the agreement  
13 with Northwestern Energy.”<sup>91</sup>

14 Mullins presents no data, information, or logic as to why customers should lose  
15 the current rate base reduction and in return accept compounding accrued interest  
16 as some unspecified and unsupported “hedge” against future unforeseen  
17 decommissioning and remediation activities or other unforeseen purposes. In  
18 addition to the intergenerational inequities that PSE raises below related to  
19 Mullins’ proposal, PSE finds no compelling reason to eliminate the rate base  
20 reductions related to the regulatory liability balances in question that PSE’s

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<sup>90</sup> Mullins, Exh. BGM-1T at 7:3-4.

<sup>91</sup> Mullins, Exh. BGM-1T at 7:4-8.

1 customers currently enjoy. Those rate base reductions should remain in the  
2 Colstrip Tracker and inure to the rate-reducing benefit of PSE's customers, who  
3 are currently paying for the benefit of Colstrip and should not have to wait for  
4 D&R to be complete to benefit from the outstanding regulatory liability.

5 **Q. How should intergenerational issues be viewed related to the Colstrip**  
6 **Tracker and Mullins' proposal?**

7 A. As it relates to Colstrip, because of the length of time between when the assets  
8 were originally put in service and when the final remediation will be achieved,<sup>92</sup> I  
9 believe that intergenerational equity is a complex issue that certainly has no  
10 perfect solution. No matter what way rate recovery is handled, intergenerational  
11 equity concerns will arise. Given this reality, it is best to charge or credit current  
12 customers based on current circumstances and information, which will be  
13 achieved by maintaining the Colstrip Tracker where the costs and the benefits are  
14 kept together and revisited and rates reset annually. This was the intent of the  
15 Commission when requiring PSE to propose a tracking and true-up mechanism.

16 As the Commission stated:

17 We agree with Staff that, for the purposes of this  
18 proceeding, a tracking and true-up mechanism will (1)  
19 allow rates to be based on projected D&R costs; (2) allow  
20 cost recovery to continue beyond the facility's service life;  
21 **(3) enable regular adjustments to capture updated cost**  
22 **estimates, actual expenditures, and effects of prudence**  
23 **determinations**; and (4) ensure that PSE will recover only  
24 prudently incurred D&R costs consistent with RCW  
25 80.04.250, RCW 19.405.030, and Commission practice.

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<sup>92</sup> This could easily be a span of over 80 years.

1 We also agree with Staff and require PSE to include actual  
2 D&R expenditures in its Annual Colstrip Report, but we  
3 reject the Company's suggestion that doing so acts as a  
4 sufficient tracker of D&R costs. **Staff is correct that the**  
5 **Company's Annual Colstrip Report is not a sufficient**  
6 **substitute for a tracking and true-up mechanism**  
7 **because it does not facilitate transparency. Moreover,**  
8 **waiting until PTCs are depleted before initiating a**  
9 **tracking and true-up mechanism would create an**  
10 **unnecessary delay with no corresponding benefit.**<sup>93</sup>

11 The Commission decision was not precedent-setting; it indicated the benefits of  
12 the tracking and true-up mechanism the Commission envisioned, namely, the  
13 ability to make regular adjustments to rates through a transparent process.  
14 Mullins' proposal does not achieve this objective. It is very reasonable to assume  
15 that cost estimates could increase materially between rate cases and exceed the  
16 level of PTCs and Treasury Grants built into rates, and there would be no means  
17 to adjust rates to recognize this. The above Commission decision further indicates  
18 delaying the implementation of a tracking and true-up mechanism was not  
19 desirable. By setting the rates to zero and moving monitoring to general rate  
20 cases, which can now be up to four years apart, Mullins' proposal is equivalent to  
21 delaying the implementation of the mechanism, which the Commission has  
22 previously rejected.

23 **Q. PSE recently announced that it had entered into an agreement to transfer its**  
24 **ownership of Colstrip units 3 and 4 to Northwestern Energy. Do you believe**  
25 **that the transfer of ownership agreement will have any incremental impact**

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<sup>93</sup> *WUTC v. PSE*, Dockets UE-190529 and UG-190530, Order 08 at ¶¶ 429-430 (July 8, 2020) (emphasis added).

1           **on PSE’s ultimate decommissioning and remediation liability that it expects**  
2           **to collect from customers?**

3       A.     No. PSE only expects to collect from customers the decommissioning and  
4           remediation liabilities incurred specifically during the time period of its  
5           ownership. Once the asset transfer is consummated with Northwestern Energy,  
6           any incremental decommissioning and remediation costs that relate exclusively to  
7           Northwestern Energy’s future ownership and operation of the facilities will be  
8           borne by Northwestern Energy and not PSE.

9       **Q.     Are there other areas of support that Mullins presents for his proposal that**  
10       **you find misleading?**

11      A.     Yes. Mullins indicates that PSE will have an annual amount due to rate payers of  
12           \$18 million starting in 2026.<sup>94</sup> Mullins completely ignores the D&R spending that  
13           PSE will experience starting June 2023 and going forward. Within the work  
14           papers he cites on page 4, PSE provided the estimates of those costs in the last  
15           three tabs showing significant spending on D&R<sup>95</sup> and also shows this spending  
16           will consistently decrease the amount PSE will credit customers through the  
17           Colstrip Tracker each year after 2026 as the spending occurs. This is not  
18           accounted for by his claims that his numbers “are obviously rough estimates”.<sup>96</sup>

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<sup>94</sup> Mullins, Exh. BGM-1T at 4:15.

<sup>95</sup> These tabs are the basis for the \$165.9 million of estimated D&R Mr. Mullins discusses later in his testimony. Exh. BGM-1T at 5:14.

<sup>96</sup> Mullins, Exh. BGM-1T at 4:15-16.

1 **Q. Should the Commission accept Mullins' proposal related to the Colstrip**  
2 **Tracker?**

3 A. No. Mullins proposal is not better for customers, is not better for PSE's cash flow  
4 constraints, and is not a fully vetted proposal. Therefore, the Commission should  
5 not accept the proposal.

6 **G. O&M Expense**

7 **Q. Please indicate which intervening parties filed proposals to adjust PSE's**  
8 **O&M expense.**

9 A. Commission Staff witness McGuire and Public Counsel witness Meyer each  
10 proposed to adjust PSE's O&M expense. PSE witnesses Theresa R. Huizi, Exh.  
11 TRH-1T and Jamie L. Martin, Exh. JLM-1CT address the majority of these  
12 witnesses' proposals. Martin addresses the issues at a high level, and Huizi  
13 addresses all of McGuire's issues except the requirements for O&M expense to be  
14 known and measurable, and all of Meyer's issues except the administrative and  
15 general ("A&G") non-labor forecast issue, which are the only O&M expense  
16 issues that I address in my testimony.

1           **1. Commission Staff**

2           **Q.     McGuire recommends the Commission remove amounts for management**  
3           **reserves and reserve contingencies from PSE's O&M request as they are not**  
4           **known and measurable.<sup>97</sup> How do you respond?**

5           A.     First, McGuire relies on the Commission's Used and Useful Policy Statement for  
6           his arguments against PSE's O&M expense request.<sup>98</sup> The Used and Useful  
7           Policy Statement addresses property that is used and useful; it does not address  
8           recovery of O&M expenses.

9           **Q.     Do you have any other observations?**

10          A.     Yes. I believe McGuire is conflating the Commission's standards of recovery for  
11          plant investments versus O&M expense. McGuire cites to a Commission order in  
12          Cascade Natural Gas's 2020 general rate case in which the Commission denies  
13          blanket funding requests.<sup>99</sup> However, the Commission's decision relates to capital  
14          projects, not O&M expenses. The Commission has acknowledged in its Used and  
15          Useful Policy Statement that it has authorized attrition adjustments to set rates.<sup>100</sup>  
16          Attrition adjustments, by their nature, do not result in precisely defined O&M  
17          expenses that are included in rates. And in general, because operating expenses  
18          are not subject to the used and useful standard in RCW 80.04.250, the

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<sup>97</sup> McGuire, Exh. CRM-1Tr at 4:16-20.

<sup>98</sup> Docket U-190531, Policy Statement on Property that becomes Used and Useful after Rate Effective Date (Jan. 31, 2020).

<sup>99</sup> McGuire, Exh. CRM-1Tr at 117:5-16.

<sup>100</sup> Docket U-190531, Policy Statement on Property that Becomes Used and Useful After Rate Effective Date at 8, ¶ 23 (January 31, 2020).

1 Commission has broad discretion in the manner in which O&M expenses are  
2 projected in rates.<sup>101</sup>

3 **Q. Is there other authority that guides the Commission on setting the**  
4 **appropriate level of recovery of O&M expenses?**

5 A. Yes. Most importantly, the multiyear rate plan statute, RCW 80.28.425(3)(d)  
6 indicates that when ascertaining and determining the operating expenses for rate  
7 making purposes for each year of a multiyear rate plan, “the commission may use  
8 any standard, formula, method, or theory of valuation reasonably calculated to  
9 arrive at fair, just, reasonable, and sufficient rates.” This gives the Commission  
10 broad authority to determine the amount of O&M expense to set in rates, and it  
11 does not have to be held to a precisely defined detail of every dollar of O&M  
12 expense it approves in rates. PSE witnesses Huizi and Martin provide ample  
13 evidence of the reasonableness of PSE’s overall O&M request and the  
14 Commission should not be persuaded by McGuire’s attempts to bring a level of  
15 precision to the rate making process that is not required.

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<sup>101</sup> *People’s Org. For Wash. Energy Resources v. WUTC*, 104 Wn.2d 800, 817 (Dec. 1985) (“POWER 85”) (allowing development costs of abandoned nuclear plants into rates as operating expense and noting broad discretion granted to Commission on allowing recovery of operating expenses); *Wash. Att’y Gen.’s Office v. WUTC*, 4 Wn. App. 2d 657, 684, 687 (2018) (citing POWER 85 for the proposition that RCW 80.04.250 is purely a rate base statute and does not apply to operating expenses and further noting that to the extent the Commission relied on its attrition adjustment to account for increases in Avista’s O&M expenses, it did not violate law).

1           **2. Public Counsel**

2           **Q.     Please explain the issue related to A&G non-labor expenses and why you are**  
3           **the witness to address this particular issue.**

4           A.     I am the witness who allocated the forecasted O&M expense provided by PSE  
5           witnesses Kensok and Huizi to FERC accounts<sup>102</sup> based on how the SAP orders  
6           on the WBS elements used for forecasting were actually charged to FERC  
7           accounts historically. Because the A&G non-labor issue is primarily an issue  
8           related to PSE's assignment of the forecasted O&M to FERC accounts, I am the  
9           witness who will address this issue.

10          **Q.     Do you have any responsibility over the forecasting or spending of O&M**  
11          **expense that occurs?**

12          A.     No. I only employed an allocation method to assign the forecasted O&M expense,  
13          which is not on a FERC basis, to FERC accounts.

14          **Q.     Please summarize Meyer's arguments for adjusting the amount of non-labor**  
15          **A&G in PSE's requested O&M.**

16          A.     Meyer identifies material increases in non-labor A&G FERC account 920  
17          Administrative and General Salaries.<sup>103</sup>

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<sup>102</sup> See 18 CFR Part 101 and 18 CFR Part 201.

<sup>103</sup> Mullins, Exh. GRM-1CT at 30:6–32:8.

1 **Q. Do you believe the increases shown in Table GRM-5 are grounds for**  
2 **reducing the level of O&M expense PSE is requesting in this proceeding?**

3 A. No. I will demonstrate that Meyer focuses on these increases in isolation and does  
4 not take into consideration offsetting reductions in other FERC accounts. I will  
5 also demonstrate that the increases identified in Table GRM-5 are fully  
6 explainable and provide no basis for an adjustment of PSE's requested O&M  
7 expense.

8 **Q. Can you explain the increases Meyer notes in Table GRM-5 of his testimony?**

9 A. Yes. First, it is important to understand that the information requested by Public  
10 Counsel did not specify if the information should be unadjusted or adjusted on a  
11 Commission or other basis. Therefore, PSE noted in its response that it provided  
12 unadjusted information.<sup>104,105</sup> This will become relevant later as I explain some of  
13 the differences causing the increases noted in Table GRM-5.

14 **Q. Can you please summarize the explanations for the non-labor amounts in**  
15 **FERC 920 that increased in 2025 versus the amounts reported for 2023?**<sup>106</sup>

16 A. Yes. The causes for the increase between the actual 2023 unadjusted FERC non-  
17 labor costs and the 2025 unadjusted forecasted amounts allocated to FERC non-

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<sup>104</sup> Meyer, Exh. GRM-10 at 1 ("Attached ... is an MS Excel file that presents a breakdown of **unadjusted** operations and maintenance expenses by account." (emphasis added)).

<sup>105</sup> Meyer, Exh. GRM-11 at 1 ("Attached ... **in a format comparable** to PSE's Response to Public Counsel Data Request No. 072" (emphasis added)).

<sup>106</sup> Table GRM-5, Meyer, Exh. GRM-1T at 31:1, compares 2023 from PSE's Response to Public Counsel Data Request No. 072 (Exh. GRM-10) to 2025 from PSE's Response to Public Counsel Data Request No. 209 (Exh. GRM-11).

labor costs can be segregated into four categories, listed as follows:

1. Amounts that are not included in this rate case. Because these amounts are not included in this rate case, they very clearly cannot be used as the basis for an adjustment to PSE's requested O&M expense, as they are not included in PSE's request.
2. Amounts that represent appropriate incremental increases over 2023.
3. Amounts that should have been allocated to FERC 902 instead of FERC 920. Because the comparable amount for 2023 is included in FERC 902, which means a decrease for 2025 compared to 2023 exists in FERC 902 that offsets the increase seen here in FERC 920.
4. Amounts for which PSE's rebuttal arguments are supported by PSE witness Huizi.

**Q. Related to category 3 above, are there any issues created by the forecast being allocated to the wrong FERC account?**

A. No. An O&M dollar is included in the revenue requirement in the same manner no matter what FERC account it is assigned to. Additionally, because PSE witnesses Mickelson and Taylor do not utilize the rate year information for their cost of service, rate spread, and rate design analyses, there is no impact for the misclassification to the corresponding rates that are developed.

**Q. Please provide a summary of the amounts that must be adjusted in the amounts reported as non-labor amounts in FERC 920 for 2025 and 2026 in order to make 2025 and 2026 amounts comparable to 2023 actuals.**

A. The following table demonstrates that 2025 and 2026 amounts in FERC 920 are comparable to 2023 once they are appropriately adjusted. It is important to note that on line 15 of Table 4, the amounts for 2025 and 2026 are reasonably

comparable to 2023, which demonstrates it is not necessary to make the adjustment recommended by Meyer for A&G Non-Labor.

**Table 4 – Comparison of adjusted 2025 and 2026 non-labor amounts in FERC 920 to 2023 amounts**

(in millions)					
Line	Description / Category	2025		2026	
		Electric	Gas	Electric	Gas
(a)	(b)	(c)	(d)	(e)	(f)
1	<b>2025 / 2026 amounts reported</b>	\$ 81.3	\$ 9.7	\$ 74.8	\$ 18.2
2	<b>1. Not included in this rate case:</b>				
3	Colstrip Tracker	\$ (27.9)	\$ -	\$ (3.4)	\$ -
4	Decarb Tracker*	(1.1)	-	(1.2)	-
5	Transp. Electrification Tracker*	(2.4)	-	(2.5)	-
6	Subtotal	(31.4)	-	(7.0)	-
7	<b>2. Incremental increases over 2023</b>				
8	CEIP Costs	(28.1)	-	(29.6)	-
9	<b>3. Offset is included in FERC 902:</b>				
10	Landis + Gyr	(14.6)	(7.6)	(1.9)	(1.0)
11	<b>4. Previously supported:</b>				
12	Management Reserve	9.5	4.9	(18.3)	(9.4)
13	Total adjustments for comparability	(64.6)	(2.7)	(56.8)	(10.4)
14	<b>Comparable 2025 / 2026 Amounts</b>	16.7	6.9	18.0	7.8
15	2023 Electric 920 Non-Labor	19.3	9.1	19.3	9.1
16	Compare to 2023	\$ (2.6)	\$ (2.2)	\$ (1.3)	\$ (1.3)
17					
18	* Only a portion of the total was allocated to FERC 920				

**Q. Please discuss each of the adjustments that must be made to 2025 and 2026 amounts to appropriately make them comparable to 2023.**

**A.** The following explains each of the adjustments in Table 4:

**Category 1 – amounts not included in this rate case**

The amounts reflected on lines 3 through 5 of Table 4 totaling \$31.4 million for 2025 and \$7.0 million for 2026 are not included in this rate case and should

therefore be eliminated when comparing to 2023 amounts. Please see Exh. SEF-15 at 2 (rows 13, 15 and 16) that shows these amounts were removed from the O&M expense in this filing. Accordingly, these amounts are not appropriate to be included in Meyer's reduction to PSE's requested O&M expense.

**Category 2 – incremental increases over 2023**

In 2025 and 2026, over 90 percent of forecasted costs for CEIP were allocated to FERC 920, of which 90 percent was allocated to non-labor, based on the existing historical allocations for the WBS element. The remainder of the costs were allocated to other FERC accounts on the same basis. A comparison of total CEIP costs between 2025 and 2026 and 2023 by FERC is shown below.

**Table 5 – CEIP Cost Comparison (Includes Labor + Non-Labor)**

Line	FERC	2023	E.2025	E.2026
1	920	3,120,698	32,345,907	32,756,320
2	583	-	27,568	31,318
3	592	28,792	198,147	203,914
4	593	5,012	28,562	32,342
5	594	-	44,933	51,046
6	921	74,895	50,883	52,905
7	923	1,348,680	1,379,668	1,506,300
8		<b>4,578,076</b>	<b>34,075,668</b>	<b>34,634,145</b>
9				
10	926	743,644	1,244,986	860,556
12		<b>5,321,720</b>	<b>35,320,654</b>	<b>35,494,702</b>

As shown in Table 5 above, when comparing 2025 and 2026 costs to 2023, there is an increase related to CEIP of \$30 million, \$29 million of which were allocated to FERC 920 in 2025 and 2026. Based on more recent history, these costs will likely settle more to FERC 500 and 926 accounts. However, as noted above, the misclassification has no impact on the revenue requirement or resulting rates. The CEIP O&M costs for the rate years are discussed in the Prefiled Direct Testimony of Joshua J. Jacobs, Exh. JJJ-1T. The portion of CEIP O&M costs associated with non-labor assigned to FERC 920 are not appropriate to be included in isolation in Meyer's reduction to PSE's requested O&M expense.

**Category 3 – offset to the increase is included in FERC 902**

The majority of the amounts reflected on line 9 of Table 4 represent meter reading costs. The amounts were allocated to FERC 920 based on the history of the WBS on which the costs were forecasted, but because the costs were on a WBS that had just been created, the allocation history was based on one immaterial transaction that was charged to FERC 920, which resulted in all costs on the forecasted WBS being allocated to FERC 920 rather than FERC 902. As noted above, the misclassification has no impact on the revenue requirement or resulting rates. The

below table demonstrates that, in total, meter reading expenses within PSE's total O&M expense are comparable between 2023 and 2025 and 2026, which cannot be seen when looking at FERC 920 in isolation as Meyer has done.

**Table 6 – Meter Reading Cost Comparison**

FERC	FERC Description	Non-Labor Expenses								
		2023 - PC DR 078 (GRM-10)			2025 - PC DR 209 (GRM-11)			2026 - PC DR 209 (GRM-11)		
		Electric	Gas	Total	Electric	Gas	Total	Electric	Gas	Total
FERC 902	Meter Reading Expense	\$12,398,543	\$10,069,643	\$22,468,186	\$ 96,949	\$ 1,287,669	\$ 1,384,618	\$ 121,887	\$ -	\$ 121,887
FERC 920	A&G Salaries - Meter Reading WBS Only	10,015	5,261	15,276	16,433,558	8,590,872	25,024,430	2,530,029	1,321,932	3,851,961

These are legitimate and necessary expenses and are reasonable when viewed in total.<sup>107</sup> Accordingly, the portion allocated to FERC 920 non-labor is not appropriate to be included in isolation in Meyer's proposed reduction to PSE's requested O&M expense, especially because his adjustment would leave in PSE's approved O&M expense the large offsetting decrease in O&M expense shown in Table 6 for FERC 902.

**Category 4 – Management Reserve items**

The final category of costs, shown on line 11 of Table 4, that must be adjusted for comparability to 2023 amounts represent management reserve items that were allocated to FERC 920. PSE witness Huizi provides substantial discussion on what these amounts represent and why they are appropriate for inclusion in PSE's requested O&M expense. Accordingly, the management reserves allocated to FERC 920 non-labor are not appropriate to be included in Meyer's reduction to PSE's requested O&M expense.

<sup>107</sup> Even though the management reserve has been fully distributed, in 2026 these expenses are currently unfunded. In situations such as this, PSE will ultimately fund these expenses from other areas of the business while remaining within its original overall approved O&M levels.

1 **Q. After all of this detailed discussion, what important factor should the**  
2 **Commission keep in mind when deciding the level of O&M expense to**  
3 **approve in this MYRP?**

4 A. PSE witnesses Martin and Huizi provide evidence that PSE's requested O&M  
5 expense is set at reasonable levels, both compared to PSE's O&M expense  
6 historically and compared to its peer utilities.

7 **Q. What should the Commission conclude about Meyer's proposed adjustment**  
8 **for non-labor costs in A&G expense?<sup>108</sup>**

9 A. Meyer looks at costs in isolation by focusing just on amounts allocated to FERC  
10 920, non-labor expenses. His proposed adjustment is arbitrary in that it holds  
11 PSE's level of O&M expense for this category of costs at 2023 amounts for  
12 electric and 2025 amounts for gas,<sup>109</sup> which does nothing to address the level of  
13 O&M expense that is necessary for the rate years. Even though Meyer did not  
14 have the benefit of the above information, I have demonstrated that his proposal:  
15 1) includes adjustments for material amounts that are not included in this rate  
16 case, 2) includes adjustments to remove legitimate cost increases for CEIP that  
17 are supported by other PSE witnesses, 3) focuses on costs in isolation and does  
18 not consider offsetting and compensating amounts in other areas of O&M  
19 expense, and 4) proposes to remove amounts that PSE believes are legitimate

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<sup>108</sup> Meyer, Exh. GRM-1CT at 31:8–32:8.

<sup>109</sup> Meyer, Exh. GRM-1CT at 32:1-8.

1 items to include in O&M expense. For all these reasons, the Commission should  
2 not accept Meyer's proposal to adjust non-labor A&G expenses.

3 **H. Additional Performance Metrics Proposed By Commission Staff**

4 **Q. Are there performance metrics proposed by parties that relate to PSE's**  
5 **revenue requirement?**

6 A. Yes. Commission Staff witness McGuire recommends that the Commission order  
7 PSE to report on six additional affordability metrics, including one on the total  
8 revenues incurred through riders and associated mechanisms not captured in the  
9 MYRP, which I will address.<sup>110</sup>

10 **Q. Do you agree with witness McGuire's proposal to report on total revenues**  
11 **associated with riders or similar cost recovery mechanisms not captured in**  
12 **an MYRP?**<sup>111</sup>

13 A. No. McGuire proposes a metric that is not part of the suite of performance  
14 metrics included in the Commission's recently issued "Policy Statement  
15 Addressing Initial Reported Performance Metrics."<sup>112</sup> The Commission issued  
16 this policy statement after PSE filed its direct case. As explained by PSE witness  
17 Steuerwalt, the Commission's Policy Statement is comprehensive and a result of  
18 collaborative effort by a more diverse set of parties than represented in this case.

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<sup>110</sup> See McGuire, Exh. CRM-1Tr at p. 19:12–20:9.

<sup>111</sup> McGuire, Exh. CRM-1Tr at 19:14–15.

<sup>112</sup> See *In the Matter of the Proceeding to Develop a Policy Statement Addressing Alternatives to Traditional Cost of Service Rate Making*, Docket U-210590 (Aug. 2, 2024).

1 Therefore, PSE finds it more appropriate to begin reporting on the metrics  
2 approved by Commission in the Policy Statement and consider adjustments and/or  
3 new metrics based on our learning experience from this initial set.<sup>113</sup>

#### 4 **IV. DISCUSSION OF EXHIBITS SUPPORTING PSE'S REBUTTAL** 5 **REVENUE REQUIREMENT**

##### 6 **A. Changes to PSE's Revenue Requirement for Rebuttal**

7 **Q. Did PSE make changes to its revenue requirement in its rebuttal case?**

8 A. Yes. I discuss the changes made below.

##### 9 **1. Power Cost Update**

10 PSE has made several updates to power costs, the specifics of which are  
11 supported by PSE witness Brennan D. Mueller in his rebuttal testimony.<sup>114</sup> These  
12 changes, as discussed by witness Mueller, are the reasons for the updates made in  
13 this adjustment. Line 5 in Table 2 shows that the impact of these changes on the  
14 net revenue change requested is an increase for electric of \$192.1 million in 2025  
15 and an incremental decrease of \$91.6 million for 2026.

##### 16 **2. Finance Leases**

17 **Q. Is PSE proposing new adjustments in PSE's rebuttal position?**

18 A. Yes, PSE is proposing a new adjustment to recover operating expenses associated  
19 with finance leases that were inadvertently omitted from its direct filing, in

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<sup>113</sup> See Steuerwalt, Exh. MS-4T.

<sup>114</sup> Mueller, Exh. BDM-23CT.

Adjustments 32.49 and 36.49 Finance Leases. The expenses associated with three finance leases, the Kent Service Center, the Puyallup Service Center, and the Puyallup Operations Training Center, should be included in the revenue requirement in the same manner as the treatment of operating leases. However, it was discovered during the preparation of PSE's Response to WUTC Staff Data Request No. 173 that the expense associated with the three finance leases were inadvertently and incorrectly excluded from PSE's requested revenue increase. I have provided PSE's Response to WUTC Staff Data Request No. 173 as Exh. SEF-49C. PSE's response gave notice to all parties of the inadvertent omission and indicated it would update its requested revenue change with this adjustment at a future point in the proceeding. Including these amounts in PSE's rebuttal request allows the Commission and parties to have a better reflection of PSE's estimated O&M expenses that will exist in the rate years.

**Q. Please explain why the three finance leases were inadvertently and incorrectly excluded from PSE's requested revenue increase.**

A. PSE uses a FERC presentation to develop its revenue requirement. For FERC reporting, both operating and finance leases are recorded in FERC account 931 Rents, which is a part of PSE's O&M expense. However, for GAAP and forecasting purposes, finance leases are included in amortization and interest expense while operating leases are included in O&M expense. Due to this difference between FERC and GAAP forecasting presentation, amortization and interest expense related to the three finance leases were inappropriately not added

1 to the forecasted O&M expense to match the FERC presentation needed for  
2 developing the revenue requirement. They were therefore excluded from the  
3 O&M adjustment and, thus, the rate case revenue requirement calculations. Once  
4 the appropriate O&M allocation factor is applied to the finance lease expenses,  
5 PSE's overall requested revenue change for electric in this proceeding increased  
6 \$2.7 million in 2025 and an additional \$1.3 million in 2026. PSE's overall  
7 requested revenue change for natural gas in this proceeding increased \$0.6 million  
8 in 2025 and an additional \$0.7 million in 2026.<sup>115</sup>

9 **3. Regulatory Fee**

10 **Q. Please describe the change in Washington Utilities and Transportation**  
11 **Commission regulatory filing fee.**

12 A. House Bill 1589 ("HB 1589"), which is effective March 28, 2024, and which  
13 amends RCW 80.24.010, changed the Commission regulatory filing fee  
14 ("regulatory fee") from the .4 percent that was approved in HB 5634 (2021-2022)  
15 for utilities meeting certain requirements that are only applicable to PSE.  
16 According to RCW 80.24.010, this new rate applies to "gross operating revenue  
17 from intrastate operations for the preceding calendar year". Therefore, it will  
18 apply to all of calendar year 2024 applicable revenues and will become payable to  
19 the Commission in April 2025.

20 **Q. How has PSE responded to this change in WUTC regulatory filing fee?**

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<sup>115</sup> See line 4 in Table 2 of my testimony.

1 A. On January 26, 2024, the Commission approved PSE's accounting petition in  
2 Dockets UE-220407 and UG-220408 in which it authorized PSE to defer  
3 regulatory fees to the level approved in HB 5634. On June 28, 2024, PSE  
4 submitted a Second Amended Accounting Petition in Dockets UE-220407 and  
5 UG-220408, requesting an order authorizing it to defer the change in the  
6 regulatory fee under HB 1589. PSE stated in its Second Amended Petition that it  
7 would include the impacts of the updated regulatory fee at its first available  
8 opportunity in this proceeding.

9 **Q. Does PSE believe it is important to include the updated regulatory filing fee**  
10 **for recovery in this proceeding?**

11 A. It is very important to incorporate the updated regulatory filing fee from HB 1589  
12 into this proceeding so PSE's GRC revenues can be set at the appropriate level to  
13 be closely aligned with the actual costs, and so it can cease the deferral related to  
14 these revenues once they become effective, which is expected to be in January  
15 2025. Otherwise, PSE will have to continue to defer the difference in the filing  
16 fees for the full two-year multiyear rate plan.

17 **Q. Has the Commission approved PSE's Second Amended Petition to defer fees**  
18 **at the level approved in HB 1589?**

19 A. The Commission has not yet been given the opportunity to approve the Second  
20 Amended Petition as it has not been brought forward by Commission Staff for  
21 consideration. Below, I discuss the considerations of this related to PSE's

proposal to recover the regulatory fee deferral approved and pending in Dockets UE-220407 and UG-220408.

**Q. Please describe all the updates that were made to the revenue requirement model due to this change in WUTC regulatory filing fee.**

A. The following updates were made to the revenue requirement model to incorporate the updated regulatory filing fee:

- Electric and Gas Conversion Factors: these conversion factors are used to adjust the electric and natural gas net operating income deficiency for revenue sensitive items and federal income tax to determine the total electric and natural gas requested net revenue change. These conversion factors now include the updated annual filing fee of .5 percent as is reflected in HB 1589 and are now 0.750523 for electric operations and 0.753423 for natural gas operations.
- Adjustment Nos. 32.21 and 36.21 (previously 6.21 and 11.21) – WUTC Filing Fee: the levels of WUTC filing fee for test year revenues have been updated to reflect the 0.5 percent as is reflected in HB 1589.
- Adjustment Nos. 32.34 and 36.34 (previously 6.34 and 11.34) – Regulatory Filing Fee Deferral: the deferral balance is recalculated to reflect the increased cost per HB 1589 that went into effect in 2024. This change will only impact the pro forma adjustment, which includes the amortization of the deferral over two years for calendar year 2025 and 2026.

**Q. Is it appropriate for the Commission to approve recovery of the portion of the deferral related to the incremental filing fee up to the level approved in HB 1589 if it has not yet approved PSE's Second Amended Petition?**

A. Yes. Circumstances in PSE's Second Amended Petition are no different than they were in the First Amended Petition filed on December 20, 2022 that the Commission approved on January 26, 2023. No party in this case contested PSE's

1 recovery of the deferral PSE filed in its original filing pursuant to Order 01 in  
2 Dockets UE-220407 and UG-220408. The Commission has broad discretion and,  
3 if the Second Amended Petition has not been approved by the time it issues its  
4 order in this proceeding, the Commission can require in its order that the Second  
5 Amended Petition be brought for consideration on a date certain to ensure  
6 administrative process has been satisfied. The Commission has proceeded in this  
7 manner previously in PSE's 2011 general rate case in Docket UE-111048 in  
8 relation to a deferral that was pending in Docket UE-100882 that had not been  
9 consolidated with the general rate case.<sup>116</sup> Therefore, as has been demonstrated in  
10 the past, the Commission is within its authority to approve recovery of a deferral  
11 that has not yet been approved in the separate accounting petition docket.

12 **Q. What is the overall impact of the filing fee update on the revenue**  
13 **requirement in this proceeding?**

14 A. As shown on line 3 of Table 2 above, the impact on PSE's requested net revenue  
15 change for updates to the regulatory fee is an increase of \$5.7 million in 2025 and  
16 an additional \$0.3 million in 2026, and for natural gas represents an increase of  
17 \$1.8 million in 2025 with no measurable incremental increase for 2026.

18 **Q. Please continue to explain the changes PSE has made to its revenue**  
19 **requirement for rebuttal.**

20 A. The final update was also made to PSE's revenue requirement for rebuttal:

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<sup>116</sup> See *WUTC v. Puget Sound Energy*, Dockets UE-111048 et al., Order 08 ¶ 236 (May 7, 2012).

1           **4. Adjustment to Revenues for Schedule 88T**

2           PSE has made an update to its pro forma gas revenues, the specifics of which are  
3           supported by PSE witness Taylor. The update to this adjustment serves to  
4           properly reflect the level of revenues at current rates PSE will receive from  
5           Schedule 88T in the test year and rate years, pursuant to the recently decided  
6           Schedule 141LNG filing in Docket UG-230393, which set new rates for  
7           Schedules 141LNG, 141D, 141N and 88T effective May 11, 2024. Line 7 in  
8           Table 2 shows that the impact of this change on the natural gas net revenue  
9           change requested is no change in 2025 and an increase of \$0.3 million for 2026.

10          **B. Errors in Parties' Revenue Requirement Calculations**

11          **Q. In your review of parties' testimony, did you encounter any issues with their**  
12          **calculations which impact their proposed revenue requirements?**

13          A. Yes. Below is the summary of the issues that were encountered by myself or other  
14          PSE witnesses.

15               **1. Electric Decarb Amount used for Gas Revenue Requirement**

16           Commission Staff Witness Kermode inadvertently picks up the Electric O&M  
17           amount instead of the Gas O&M amount in his revised exhibit "240004-05-Staff-  
18           Kermode-Exh.DPK-7r and DPK-8r.xkxx" which related to the Schedule  
19           141DCARB, PSE's proposed Decarbonization Tracker. The error results in an

over statement of Commission Staff's proposed gas revenue requirement change by \$3.6 million<sup>117</sup> in 2025 and 2026, which is reflected in Table 1 on line 14.

## **2. Interest rate used for earnings on qualifying PPAs**

For earnings on qualifying PPAs, Commission Staff proposes to allow PSE to earn at its authorized cost of debt rather than at its authorized rate of return.<sup>118</sup>

This is a contested adjustment, and PSE witness Martin discusses the basis for approving PSE's adjustment as filed in her prefiled rebuttal testimony. However, it should be noted that the amounts included in Commission Staff witness Kermode's adjustment DPK-6r, page 38 (the power cost adjustment), contains an error in the calculation of the adjustment. I have provided Exh. SEF-50, which is a data request response from Commission Staff acknowledging the error. If the Commission agrees with Commission Staff on this contested adjustment, the amounts in Exh. SEF-50 should be used in the electric revenue requirement model, tab "Electric Adj" cells K33 and M33. This error understates Commission Staff's recommended revenue requirement by \$439,068 in 2025 and an incremental \$32,041 in 2026.<sup>119</sup>

## **3. Equity Ratio**

PSE witness Peterman discusses that Commission Staff witness Parcell incorrectly references PSE's current authorized equity ratio as 48.5 percent. In

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<sup>117</sup> The difference between electric at \$7.6 million in Exh. SEF-3 at 1:36 and \$4.0 million in Exh. SEF-7 at 1:29. The differences were grossed up by .950029 from Exh. SEF-31, p. 3, for revenue sensitive items.

<sup>118</sup> McGuire, Exh. CRM-1Tr at 3:21-4:2.

<sup>119</sup> For 2025, the adjustment in cell K33 in Exh. DPK-6r currently is \$457,012, and it should be \$874,140 per Exh. SEF-50 part f. For 2026, the adjustment in cell M33 is currently \$5,931, and it should be \$36,371 per Exh. SEF-50 part f.

1 reality, the Commission authorized an equity ratio of 49 percent, which was a  
2 contested issue in PSE's 2022 general rate case.<sup>120</sup> This has the impact of  
3 understating Commission Staff's proposed revenue requirement. She also  
4 discusses a small calculation error related to calculating the long-term cost of debt  
5 for 2026 where he uses an incorrect year-end long-term debt balance, rather than  
6 the AMA balance. The impact from these two discrepancies would increase  
7 Commission Staff's proposed net revenue change by \$2.4 million for electric and  
8 \$0.7 million for gas for 2025 and an incremental \$0.5 million for electric and a  
9 negative \$0.1 million for gas for 2026.

10 **C. Contested Adjustments and Other Differences between PSE and Parties at**  
11 **Rebuttal**

12 **1. ROR and Capital Structure**

13 **Q. Have other parties proposed a different capital structure and return on**  
14 **equity than what PSE requested in its direct filing?**

15 A. Yes, the different capital structures and returns on equity embedded in the rates of  
16 return proposed by parties create significant differences between PSE's base rates  
17 revenue deficiency and the parties'. The need to approve the capital structure and  
18 return on equity as proposed by PSE are discussed by PSE witnesses Peterman  
19 and Bulkley in their Prefiled Rebuttal Testimonies, Exhibit CGP-11CT and  
20 Exhibit AEB-19T. These differences between PSE and parties impact any of the  
21 revenue requirement adjustments that contain rate base. The overall impact of

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<sup>120</sup> *WUTC v. PSE*, Dockets UE-220066 et al., Order 24/10 ¶¶ 112-128 (December 22, 2022).

1 these changes as they relate to PSE's originally filed case are reflected in my  
2 Table 1 on line 3. Commission Staff's proposals for capital structure and ROE  
3 represent total reductions of \$40.7 million in 2025 and an additional \$52.5 million  
4 in 2026. Public Counsel's proposals for ROE represent total reductions of \$43.3  
5 million for 2025 and an additional \$51.5 million in 2026.

6 **Q. Please continue to describe where PSE and the parties differ in their**  
7 **proposed revenue requirements.**

8 A. The following adjustments are also contested between parties as reflected in my  
9 Table 1.

10 **2. O&M Expenses**

11 Both Commission Staff and Public Counsel propose adjustments to PSE's O&M  
12 expenses as discussed in Section III.G. of my testimony. In addition to myself,  
13 PSE witness Huizi discusses why the Commission should approve PSE's proposal  
14 as filed.

15 The difference in revenue requirement created by this contested adjustment  
16 between PSE and Staff is a negative \$24.7 million in 2025 and an incremental  
17 \$0.7 million in 2026 as shown on line 4 of my Table 1, which also shows that for  
18 Public Counsel, the differences are a negative \$74.2 million in 2025 and an  
19 incremental \$2.4 million in 2026.

1           **3. CWIP in Rate Base Treatment**

2           Both Commission Staff and Public Counsel reject PSE's proposal to include  
3           CWIP in rate base treatment, and they provide revenue requirement proposals that  
4           remove CWIP in rate base treatment. PSE witnesses Martin and Steuerwalt  
5           discuss why the Commission should approve PSE's proposal as filed, and I also  
6           provide testimony on the appropriateness of CWIP in rate base treatment.

7           The difference in revenue requirement created by this contested adjustment  
8           between PSE and Commission Staff is a negative \$26.4 million in 2025 and an  
9           incremental reversal of \$29.8 million in 2026 as shown on line 5 of my Table 1,  
10          which also shows that for Public Counsel, the differences are a negative \$27.5  
11          million in 2025 and an incremental reversal of \$30.3 million in 2026.

12           **4. Earnings on Qualifying PPAs**

13          Both Commission Staff and Public Counsel propose adjustments to PSE's return  
14          on qualifying PPAs, which I rebut in Section III.C. of my testimony. In addition  
15          to myself, PSE witnesses Martin and Steuerwalt discuss why the Commission  
16          should approve PSE's proposal as filed.

17          The difference in revenue requirement created by this contested adjustment  
18          between PSE and Commission Staff is a negative \$1.3 million in 2025 and an  
19          incremental \$0.1 million in 2026 as shown on line 4 of my Table 1, which also

shows that for Public Counsel, the differences are a negative \$1.6 million in 2025 with no additional amount in 2026.

##### **5. Wildfire Insurance Premium Deferral Amortization**

In his testimony, Commission Staff witness McGuire recommends that the Commission not accept PSE's request to recover its Wildfire deferral in Docket UE-231048, stating the authority to defer these costs has not been granted by the Commission and the docket has not been consolidated in these proceedings.<sup>121</sup> In rebuttal of McGuire's recommendation, there are a multitude of reasons the Commission should grant PSE's request for recovery of the Wildfire Insurance Premium deferral:

1. PSE has no control over whether or not its accounting petitions are presented to the Commission for approval, so should not be required to pass up an opportunity to seek recovery because a petition has not been addressed. The instant petition has been outstanding for nine months with more than three months left to go before the Commission will decide in this proceeding.
2. Rather than deny PSE's request, Commission Staff could have used the five months of discovery in this case to review PSE's proposed adjustments and the merits of the accounting petition and presented its findings in this case.
3. The amount of the deferral is not in question as the insurance premiums attributable to wildfire have been prepaid through November 2024, which is almost the whole length of the deferral period.
4. As I stated above in my discussion of the regulatory fee deferral,<sup>122</sup> the Commission has chosen in the past to approve recovery of deferrals under similar circumstances<sup>123</sup> and can do so here.

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<sup>121</sup> McGuire, Exh. CRM1-Tr at 62:21-63:9.

<sup>122</sup> *Supra*, Section IV.A.2.

<sup>123</sup> See *WUTC v. Puget Sound Energy*, Dockets 111048 et al., Order 08 ¶ 236 (May 7, 2012).

1 The difference in revenue requirement created by this contested adjustment  
2 between PSE and Commission Staff is a negative \$6.2 million in 2025 and an  
3 additional positive \$0.4 in 2026 as shown on line 7 of my Table 1.

4 **6. Adjustment to Revenues for Forecasted Load Assumptions**

5 **Q. Please describe the proposal made by Commission Staff witness Glenn A.**  
6 **Watkins to Gas Adjustment No.11.01 – Revenues & Expenses.**

7 A. Watkins determines that PSE's normalized and forecasted Residential sales and  
8 base rate revenues are unreasonably understated, and thus proposes to increase  
9 assumed revenues for the Residential Class (Rate Schedule 23) for the test year  
10 and each year of the multiyear rate plan. PSE witness Allison E. Jacobs, Exh.  
11 AEJ-1T, discusses how Watkin's modeling methodology is not suitable,  
12 understates PSE's natural gas forecasted load, and should be rejected by the  
13 Commission.

14 The difference in revenue requirement created by this contested adjustment  
15 between PSE and Staff is a negative \$27.6 million in 2025 and an additional  
16 negative \$2.0 in 2026 as shown on line 8 of my Table 1.

17 **Q. Please continue to describe where PSE and the parties differ in their**  
18 **proposed revenue requirements.**

19 A. My testimony below addresses additional differences in the revenue requirements  
20 proposed by PSE and other parties.

1           **7. Accelerated Gas Depreciation Rates**

2           The testimonies of Commission Staff witnesses Chris McGuire and Wesley  
3           Franks, Public Counsel witness David Garrett, AWEC witness Lance Kauffman,  
4           JEA witness William Gehrke, and TEP witness Shaylee Stokes in one manner or  
5           another all dispute PSE's proposed increase to gas depreciation rates. PSE  
6           witnesses Allis, Steuerwalt and Martin each address the various reasons to reject  
7           the proposals made in each parties' response testimonies. As Allis points out, the  
8           overarching reason for rejecting these proposals is simple, the current statutory  
9           requirements designed to reduce Washington's dependence on carbon based fuels  
10          will result in higher depreciation rates and that PSE's proposal is a reasonable,  
11          prudent, and gradual change towards the higher level of depreciation needed.<sup>124</sup>  
12          Additionally as Steuerwalt discusses, we all should take a lesson from the past  
13          and not repeat the shortsighted approach taken in PSE's 2007 general rate case. In  
14          that case Public Counsel and Commission Staff sought to lengthen the service  
15          lives of Colstrip units in order to benefit customers by keeping depreciation costs  
16          lower than they otherwise would have been. PSE disagreed with this approach,  
17          but ultimately, as part of a settlement covering multiple issues, agreed to the  
18          extension. A decade later, the shortsighted nature of this approach was on full  
19          display, as parties in PSE's 2017 general rate case grappled with the 2022 closing  
20          date for Colstrip units 1 and 2 and the need to address depreciation of the plant  
21          over a very tight time frame.<sup>125</sup> Finally as Martin points out, PSE's accelerated

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<sup>124</sup> Allis, Exh. NWA-4T.

<sup>125</sup> See Steuerwalt, Exh. MS-4T.

1 gas depreciation proposal does not provide a short-term financial windfall to  
2 PSE's shareholders. Instead, the proposal will decrease the gas AMA rate base,  
3 which is a short-term financial detriment to PSE's shareholders.<sup>126</sup> For these  
4 reasons as well as others stated in the testimonies of these PSE witnesses, the  
5 Commission should accept PSE's proposal for accelerated gas depreciation.

6 The difference in revenue requirement created by this contested adjustment  
7 between PSE and Public Counsel is a negative \$73.3 million in 2025 with an  
8 incremental offsetting positive adjustment of \$3.5 million in 2026 as shown on  
9 line 9 of my Table 1.

#### 10 **8. Normalized Storm Expense**

11 Public Counsel, as described in the Response Testimony of Greg R. Meyer, Exh.  
12 GRM-1CT, proposes to reduce PSE's revenue requirement by \$1,021,345 by  
13 reducing PSE's normalized storm expense from the \$10 million threshold level  
14 proposed by PSE down to the six-year average of normal storm expense of  
15 \$8,978,655, as PSE has not supported an increase above the six-year average.<sup>127</sup>

16 However, support does exist for an increase above the six-year average as O&M  
17 expense is subject to inflationary pressures described in the Prefiled Direct

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<sup>126</sup> See Exh. JLM-1CT.

<sup>127</sup> Meyer, Exh. GRM-1CT at 7:6–8:7.

1 Testimony of JAK-1CT. The \$10 million threshold approximates the \$9 million  
2 threshold proposed by Meyer adjusted for inflation.<sup>128</sup>

3 Regardless of what the Commission decides, however, the Commission should  
4 order that the amount included in rates from their decision will be the new  
5 threshold to use for the level above which PSE can defer qualifying storm costs  
6 under its storm deferral mechanism.

7 The difference in revenue requirement created by this contested adjustment  
8 between PSE and Public Counsel is a negative 1.0 million in 2025 with no  
9 additional adjustment in 2026 as shown on line 10 of my Table 1.

10 **9. Annual Goals and Incentive Plan**

11 Public Counsel, as described in the Response Testimony of Greg R. Meyer, Exh.  
12 GRM-1CT, proposes an adjustment that removes 50 percent of the annual  
13 incentive plan costs to ratepayers by shifting the cost to shareholders.<sup>129</sup> Meyer  
14 noted that Public Counsel had proposed a similar alternative adjustment in PSE's  
15 2019 general rate case, but the Commission accepted PSE's Annual Goals and  
16 Incentive Plan.<sup>130</sup> The Prefiled Rebuttal Testimony of PSE witness Tom M. Hunt,  
17 Exh.-12T, addresses the mischaracterizations presented in Public Counsel's  
18 testimony. Given the reasons stated by Mr. Hunt, Public Counsel's adjustment

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<sup>128</sup> Storm costs are a mix of labor and non-labor. Using a blend of PSE's proposed inflation escalation factors for 2025 of 7.83 percent for labor and 1.57 percent for non-labor from Exh. GRM-9 at 2, rate year 1 would be \$9.4 million and after applying a blend of the 2026 escalation factors of 3.20 percent for labor and 1.81 percent for non-labor, would be \$9.6 million.

<sup>129</sup> Meyer, Exh. GRM-1CT at 18:3-11.

<sup>130</sup> Meyer, Exh. GRM-1CT at 15:9-12.

1 should be rejected and PSE's adjustment accepted. The difference in revenue  
2 requirement created by this contested adjustment between PSE and Public  
3 Counsel is a negative \$6.1 million in 2025 with no additional adjustment in 2026,  
4 which is a portion of the amount shown on line 11 of my Table 1. The next  
5 contested adjustment, Long Term Incentive Plan, makes up the remainder of the  
6 amount listed on line 11 of my Table 1.

7 **10. Long Term Incentive Plan ("LTIP")**

8 Meyer proposes to remove PSE's adjustment for the inclusion of 10 percent of  
9 PSE's Long Term Incentive Plan ("LTIP").<sup>131</sup> The Prefiled Rebuttal Testimony of  
10 PSE witness Tom M. Hunt, Exh-TMH-12T, also addresses this proposal from  
11 Public Counsel and presents the mischaracterizations presented in Public  
12 Counsel's testimony. Mr. Hunt describes the benefits to ratepayers for the  
13 Environmental, Social, and Governance ("ESG") goals portion of LTIP. The  
14 difference in revenue requirement created by this contested adjustment between  
15 PSE and Public Counsel is a negative \$1.0 million in 2025 with no additional  
16 adjustment in 2026 which is a portion of the adjustment shown on line 11 of my  
17 Table 1. The previous contested adjustment, Annual Goals and Incentive Plan  
18 makes up the remainder of the amount listed on line 11 of my Table 1. Given the  
19 reasons stated by Mr. Hunt, Public Counsel's adjustment should be rejected and  
20 PSE's adjustment accepted.

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<sup>131</sup> Meyer, Exh. GRM-1CT at 11:10-15.

1 **Q. Meyer cited a Commission order included in your original testimony.<sup>132</sup> Was**  
2 **that an appropriate citation for disallowing the LTIP?**

3 A. No. There is no current guidance from the Commission regarding rate recovery of  
4 PSE's LTIP plan. My original testimony inadvertently confused the LTIP, an  
5 incentive program, and the SERP program, which is a retirement program.<sup>133</sup> PSE  
6 witness Tom Hunt, the subject matter expert on this issue, correctly identified and  
7 discussed the history of PSE's LTIP plan, as I discuss later in my testimony.  
8 Unfortunately, Meyer used my mistaken reference and included significant text  
9 from the Commission order in his testimony—text which discusses executive  
10 retirement programs, but not the LTIP that he was arguing against.

11 **Q. How should your original testimony be changed to be factually correct?**

12 A. The corrected section of testimony at Exh. SEF-1T at 82:7-21 is shown below:

13 **34. Adjustment Nos. 6.37 and 11.37 – Long Term Incentive Plan**  
14 **("LTIP") Payments**

15 ~~In Docket UE-090704, the Commission determined that PSE could no~~  
16 ~~longer recover the costs of its Long Term Incentive Plan ("LTIP") in~~  
17 ~~rates;<sup>64</sup> and PSE has not included LTIP since that time. PSE has not~~  
18 ~~previously sought to recover the costs of its Long Term Incentive Plan~~  
19 ~~("LTIP") in rates.~~ However, as discussed by Mr. Hunt in his Prefiled  
20 Direct Testimony, PSE's LTIP program has recently changed and in  
21 recognition of Washington laws such as CETA, it now measures and  
22 incentivizes executives to achieve Environmental, Social and Governance  
23 ("ESG") goals in order to receive a payout. Ten percent of LTIP funding  
24 in the 2023-2025 cycle is based on achievement of reduction in carbon  
25 intensity. Accordingly, PSE is requesting ten percent of the costs of the  
26 program be recovered in rates. Mr. Hunt provides the details for how the  
27 program works. This adjustment assumes an initial funding level of \$12

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<sup>132</sup> Meyer, Exh. CRM-1CT at 8:14–9:2.

<sup>133</sup> Free, Exh. SEF-1T at 82:9-11, n.61.

1 million that increases three percent per year. Ten percent of the payout  
2 that is estimated for 2025 and 2026 is used for the adjustment. This  
3 amount was then allocated to O&M using the O&M allocator...

4  
5 <sup>64</sup> ~~WUTC v. PSE, Dockets UE 090704 and UG 090705, Order 11, ¶ 81 (April 2, 2010).~~  
6 ~~Previously referred to as the Supplemental Excess Benefit Retirement Plan, or SERP.~~

7 **Q. Does this change the financial aspects of the case?**

8 A. No, this does not result in any change to PSE's requested rate recovery.

9 First, my testimony at Exh. SEF-IT at page 82 was a mistake in stating that LTIP  
10 was previously recovered in rates and then disallowed by the Commission in  
11 2009. I mistakenly equated the PSE LTIP program with the PSE SERP program  
12 (Supplemental Executive Retirement Program), an error that was not noticed by  
13 myself or other PSE reviewers. In his rebuttal testimony, PSE witness Hunt  
14 testifies in Exh. TMH-12T that PSE's LTIP program has never historically been  
15 included in rates and is not the same as SERP.

16 **Q. Did your direct testimony include the block text from the Commission order**  
17 **that Meyer cites?**

18 A. No, I only referenced the order.

1 **Q. Do you believe this misstatement in your testimony impacted Public**  
2 **Counsel’s recommendation regarding PSE’s proposal to include 10 percent**  
3 **of LTIP expense in rates?**

4 A. No, I do not. Public Counsel argued that the plan was designed to benefit  
5 shareholders and based on that view recommended not including the expense in  
6 rates.

7 **Q. Was the Supplemental Executive Retirement Plan (“SERP”) and the**  
8 **Commission order disallowing it from recovery in rates mentioned in other**  
9 **PSE prefiled direct testimony?**

10 A. Yes, Hunt, in Exh. TMH-1T at 32-33 describes the PSE executive retirement  
11 programs, including SERP, and clearly states that program is not included in rates  
12 “based on the order in Docket UE-090704.”

13 **Q. Did other PSE testimony correctly distinguish between SERP and LTIP?**

14 A. Yes. PSE witness Hunt is the subject matter expert on this topic, and he  
15 appropriately addressed PSE’s LTIP and SERP in his prefiled direct testimony.  
16 Hunt’s testimony referred to SERP as a retirement program closed in 2019.<sup>134</sup> His  
17 direct testimony included discussion of both LTIP and SERP,<sup>135</sup> including a  
18 correct reference to the Commission’s order disallowing SERP.<sup>136</sup> Also, his Exh.  
19 TMH-5, with excerpts from PSE’s 2022 SEC Form 10-K filing, included

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<sup>134</sup> Hunt, Exh. TMH-1T at 21:7-11.

<sup>135</sup> Hunt, Exh. TMH-1T at 21:1-11, 32:20–33:13.

<sup>136</sup> Exh. TMH-1T 33:10-12.

1 considerable information about LTIP and also mentioned SERP at Exh. TMH-5  
2 page 7.

3 **11. AMI Deferral Amortization**

4 **Q. Please summarize Public Counsel witness Greg R. Meyer's recommendation**  
5 **to PSE's Common Adjustment 32.24 and 36.24 (previously 6.24 and 11.24) –**  
6 **AMI Plant and Deferral.<sup>137</sup>**

7 A. Meyer disagrees with PSE requests to amortize the equity and debt returns of the  
8 AMI investment over a three-year period in this case. Meyer recommends a six-  
9 year amortization period for the equity and debt returns of the AMI investments.

10 **Q. Please summarize Meyer's reasoning for the recommended six-year**  
11 **amortization period.**

12 A. Meyer claims six years is more consistent with the period over which the deferred  
13 return accumulated and, therefore, is the more appropriate amortization period.<sup>138</sup>

14 **Q. Do you agree with Meyer's understanding of the issue?**

15 A. No, Meyer's understanding of the issue is incorrect. PSE has already started  
16 recovering the debt return on its AMI investment as part of its last rate case.  
17 Therefore, PSE's current incremental new request only relates to the amortization  
18 of the deferral of its equity return component over three years.<sup>139</sup>

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<sup>137</sup> Meyer, Exh. GRM-1CT at 19:18–20:19.

<sup>138</sup> Meyer, Exh. GRM-1CT at 20:12-14.

<sup>139</sup> See Free, Exh. SEF-1T at 74:3-25.

1 **Q. What is your recommendation related to Meyer's proposal to Adjustment**  
2 **32.24 and 36.24 (previously 6.24 and 11.24)?**

3 A. Meyer's reasoning for his recommended amortization period only mentions the  
4 period over which the deferred return accumulated, and fails to consider several  
5 other factors. Meyer's recommendation of a longer amortization period than what  
6 was requested exacerbates the issue of intergenerational inequity. So far,  
7 customers who are receiving the benefits of PSE's AMI infrastructure have not  
8 been paying the full cost of the project. On the flip side, PSE has not been able to  
9 include in rates its equity return on this plant for several years, despite the fact  
10 that the plant has been in service for several years—beginning in 2016, eight  
11 years ago. Extending the amortization period of the deferral only serves to  
12 exacerbate these issues. For these reasons, PSE requests the Commission deny  
13 Meyer's proposal and approve PSE's adjustment as filed.

14 **Q. Please summarize the difference between PSE and Public Counsel for this**  
15 **contested adjustment.**

16 A. The difference in revenue requirement created by this contested adjustment  
17 between PSE and Public Counsel is a negative \$7.2 million in 2025 with no  
18 additional adjustment in 2026 which is a portion of the amounts shown on line 12  
19 of my Table 1. The next contested adjustment, GTZ deferral amortization, makes  
20 up the remainder of the amount (i.e. the 2026 amount) listed on line 12 of my  
21 Table 1.

1           **12. GTZ Deferral Amortization**

2           **Q.     Please describe the changes to PSE’s Electric Adjustment 32.41 (previously**  
3           **6.41) – Electric Regulatory Assets/Liabilities proposed by Public Counsel**  
4           **Witness Greg R. Meyer related to GTZ.**

5           A.     Meyer states the second tranche (“T2”) of the GTZ Depreciation Deferral that was  
6                 approved in Docket UE-220066 and the associated deferred carrying charges also  
7                 approved in the same docket are set to expire in January 2026 and that PSE is  
8                 overstating its amortization expenses.<sup>140</sup> Meyer proposes to reduce the level of  
9                 amortization expense to reflect his assessment of the amortization period.

10          **Q.     Is Meyer’s statement regarding GTZ T2 amortization correct?**

11          A.     No, his statement is incorrect. Both amortizations of GTZ T2 Depreciation  
12                 deferral and the associated deferred carrying charges were approved to be  
13                 recovered over four years through January 2027. The work paper to which Meyer  
14                 refers contains a labeling error – January 2026, and should have been labeled  
15                 January 2027. However, these two deferrals were approved for recovery through  
16                 January 2027. Exh. SEF-51 provides exhibits to joint testimony and work papers  
17                 in support of the settlement from PSE’s 2022 general rate case compliance filing  
18                 for these regulatory assets that was adopted in the settlement. Therefore, the  
19                 Commission did approve amortization through January 2027, and the  
20                 Commission should accept PSE’s adjustment, which keeps a full year of

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<sup>140</sup> Meyer, Exh. GRM-1CT at 19:10-15.

1 amortization for 2026 as previously approved by the Commission. PSE has  
2 corrected the mis-labeling in the work papers filed with its rebuttal filing.

3 The difference in revenue requirement created by this contested adjustment  
4 between PSE and Public Counsel has no impact in 2025 and has an additional  
5 adjustment in 2026 of negative \$2.8 million which is a portion of the amounts  
6 shown on line 12 of my Table 1. The previous contested adjustment, AMI deferral  
7 amortization, makes up the remainder of the amount (i.e. the amount for 2025)  
8 listed on line 12 of my Table 1.

9 **Q. Please continue to describe PSE rebuttal adjustments.**

10 A. The following adjustments reflect changes to PSE's revenue requirement on  
11 rebuttal.

12 **13. Regulatory Fee**

13 I discuss the adjustment PSE made to its rebuttal revenue requirement related to  
14 the regulatory fee pursuant to HB 1589 in Section IV.A.3. above. This update  
15 naturally creates differences, which have yet to be determined as contested or  
16 uncontested, between PSE and parties. The amount related to these adjustments is  
17 presented on line 3 of Table 2 of my testimony. They are an increase in 2025 of  
18 \$5.7 million for electric and \$1.8 million for natural gas and an incremental  
19 increase of \$0.3 million for electric with no change for natural gas in 2026. So, to  
20 the extent they are contested, they would result in PSE's request being higher than

1 parties' for 2025 and 2026 (2026 being the cumulative amount shown on line 3 of  
2 Table 2).

#### 3 **14. Finance Leases**

4 I discuss the adjustment PSE made to its rebuttal revenue requirement related to  
5 Finance Leases in Section IV.A.2. above. This update naturally creates  
6 differences, which have yet to be determined as contested or uncontested,  
7 between PSE and parties. The amount related to these adjustments is presented on  
8 line 4 of Table 2 of my testimony. They are an increase in 2025 of \$2.7 million  
9 for electric and \$0.6 million for gas and an incremental increase of \$1.3 million  
10 for electric and \$0.7 million for gas in 2026. So, to the extent they are contested, it  
11 would result in PSE's request being higher than parties' for 2025 and 2026 (2026  
12 being the cumulative amount shown on line 4 of Table 2).

#### 13 **15. Power Cost Update**

14 The difference between PSE and parties related to power costs is a combination of  
15 two factors. First, Public Counsel makes adjustments to PSE's power costs that  
16 creates differences. These are reflected in on line 13 of my Table 1, and represent  
17 a negative \$3.6 million in 2025, which is incrementally reversed in 2026. These  
18 differences are delineated and addressed by PSE witness Mueller in his rebuttal  
19 testimony. Second, PSE makes updates to power costs as I discussed in Section  
20 IV.A.1. of my testimony, which naturally create differences, which have yet to be  
21 determined as contested or uncontested, between PSE and parties. The amount  
22 related to these adjustments is presented on line 5 of Table 2 of my testimony.

1 They are an increase in 2025 of \$192.1 million and an incremental offsetting  
2 decrease of \$91.6 million in 2026, so to the extent they are contested, they would  
3 result in PSE's request being higher than parties' for 2025 and 2026 (2026 being  
4 the cumulative amount shown on line 5 of Table 2).

5 **16. Adjustment to Revenues for Schedule 88T**

6 I discuss the adjustment PSE made to its rebuttal revenue requirement related to  
7 the revenues from Schedule 88T in Section IV.A.4. above. This update naturally  
8 creates differences, which have yet to be determined as contested or uncontested,  
9 between PSE and parties. The amount related to this adjustment is presented on  
10 line 6 of Table 2 of my testimony. It represents no change in 2025 and an  
11 increase of \$0.3 million for natural gas in 2026. So, to the extent this update is  
12 contested, it would result in PSE's request being higher than parties' for 2025  
13 and 2026 (2026 being the cumulative amount shown on line 6 of Table 2).

14 **D. Uncontested Adjustments**

15 **Q. Has PSE prepared a list of Contested and Uncontested Adjustments?**

16 A. Yes, please refer to Exh. SEF-39, which lists all Adjustments, and whether they  
17 are contest or uncontested.

18 **V. CONCLUSION**

19 **Q. Does that conclude your testimony?**

20 A. Yes, it does.