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**Exh. GSS-1T
DOCKETS UE-220066, UG-220067
2022 PSE GENERAL RATE CASE
WITNESS: GARY S. SALEBA**

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY

Respondent.

**Docket UE-220066
Docket UG-220067
(Consolidated)**

**PREFILED RESPONSE TESTIMONY OF
GARY S. SALEBA**

**ON BEHALF OF THE PUYALLUP TRIBE OF INDIANS IN OPPOSITION TO THE
SETTLEMENT STIPULATION AND AGREEMENT ON TACOMA LNG**

SEPTEMBER 9, 2022

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2
3 **PUYALLUP TRIBE OF INDIANS**

4
5 **PREFILED TESTIMONY OF**

6
7 **GARY S. SALEBA**

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PUYALLUP TRIBE OF INDIANS
PREFILED RESPONSE TESTIMONY OF
GARY S. SALEBA
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- Exh. GSS-2Saleba Resume
- Exh. GSS-3PSE Response to Public Counsel Data Request No. 106
- Exh. GSS-4PSE Response to Public Counsel Data Request No. 378
- Exh. GSS-5PSE Letter to EFSEC
- Exh. GSS-6Map
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- Exh. GSS-8PSE Response to Public Counsel Data Request No. 373

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PUYALLUP TRIBE OF INDIANS
PREFILED RESPONSE TESTIMONY OF
GARY S. SALEBA

8 **I. PROFESSIONAL BACKGROUND AND QUALIFICATIONS**

9
10 **Q. Please state your name and business address.**

11
12 A. My name is Gary S. Saleba. I am now, and at all times mentioned herein, a citizen of the United
13 States and a resident of the State of Washington. I am over 18 years of age, am competent to
14 provide this testimony, and provide it based on my personal knowledge as well as my experience,
15 training and education. If called to testify verbally before the Washington Utilities and
16 Transportation Commission (WUTC or Commission) regarding the contents of this pre-filed
17 rebuttal testimony, my testimony would be consistent with this written testimony. My business
18 address is 16701 NE 80th Street, Suite 102, Redmond, WA 98052.

19
20 **Q. Please describe your education and relevant employment experience.**

21
22 A. I am an Executive Consultant for EES Consulting, a GDS Associates Company.

23
24 I received a Bachelor of Arts degree in Economics and Mathematics from Franklin College. I
25 received my Master of Business Administration in Finance from Butler University. My
26 responsibilities include supervision and preparation of electric, water, wastewater and natural gas
27 studies in the area of strategic planning, financial studies, cost of service, rate design, load
28 forecasting, load research, management evaluation studies, bond financing, integrated resource
29 planning, prudency reviews and overall utility operations. Before that, I was employed by a
30 national management consulting firm in a similar practice, and prior to that I was employed as an
31 Economist with Indianapolis Power and Light Company.

1 I have provided expert witness testimony on utility operations in a number of State and Provincial
2 jurisdictions as well as before the Federal Energy Regulatory Commission, the National Energy
3 Board and numerous courts of law. I have also testified before the Washington Utilities and
4 Transportation Commission. A summary of my professional experience and background is
5 attached to this testimony as Exh. GSS-2.

6
7 **Q. On whose behalf are you testifying?**

8
9 A. I am testifying on behalf of the Puyallup Tribe of Indians (Tribe).

10
11 **Q. What information did you evaluate in conducting your analyses in this case?**

12
13 A. I reviewed the direct testimony and exhibits of relevant PSE and other intervenor witnesses in
14 this case, and PSE's responses to a number of data requests.

15
16 **II. PURPOSE AND SUMMARY OF TESTIMONY**

17
18 **Q. Please explain the purpose of your testimony.**

19
20 A. In reviewing the PSE testimony and exhibits regarding the Tacoma Liquefied Natural Gas
21 (LNG) plant, I noted several issues that warrant responses and rebuttal. These issues are
22 summarized below:

- 23
- 24 ▪ The need for a peaking resource on the PSE natural gas system has not been established,
25 particularly in light of the projected declining use of natural gas as a heating fuel.
 - 26 ▪ The Tacoma LNG plant location has a disproportionately adverse impact on the Tribe, which
27 impact has not been adequately recognized or accounted for.
 - 28 ▪ Equity has not been adequately considered, which precludes a determination that the decision
29 to build the Tacoma LNG facility on the border of the Puyallup Tribe's Reservation was
30 prudent.

- 1 ▪ If the LNG plant is eventually put into the PSE rate base, the percentage allocation of the
2 Tacoma LNG plant to PSE’s regulated business is too high.

3
4 Each of these issues is addressed in more detail below.

5
6 **III. TESTIMONY**

7
8 A. THE NEED FOR THE TACOMA LNG FACILITY FOR PEAKING PURPOSES HAS NOT
9 BEEN ESTABLISHED

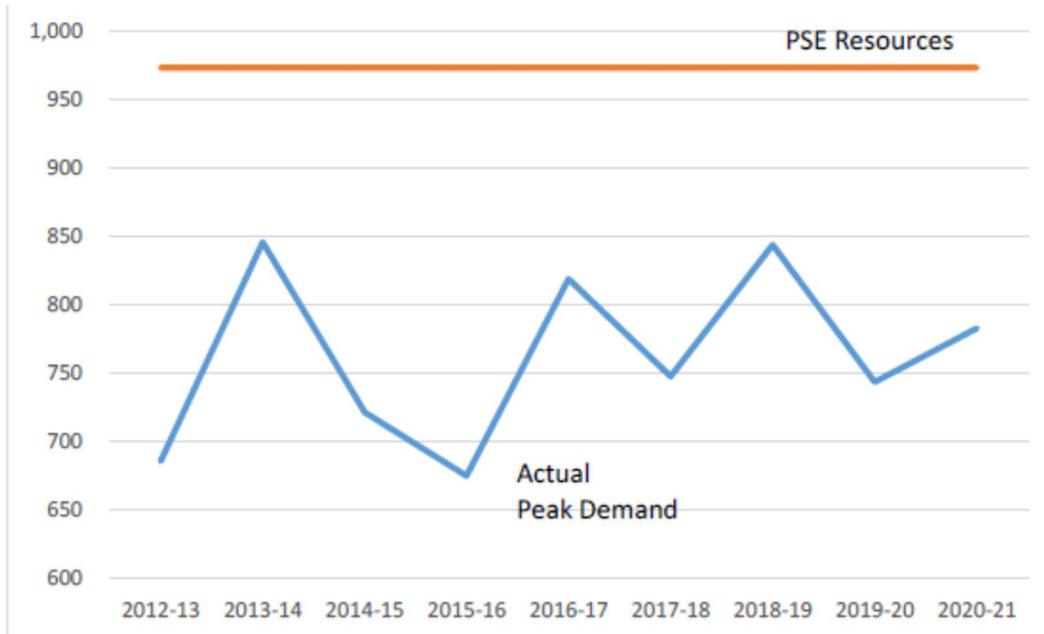
10
11 **Q. Why do you assert that the need for the Tacoma LNG facility has not been established?**

12
13 A. There are three primary reasons.

14
15 First, PSE’s historical natural gas peak demands have been below its available resources at the
16 time of the system peak for several years. This actuality is graphically displayed below on Figure
17 1.

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Figure 1: PSE Resources versus PSE System Peak Demand¹



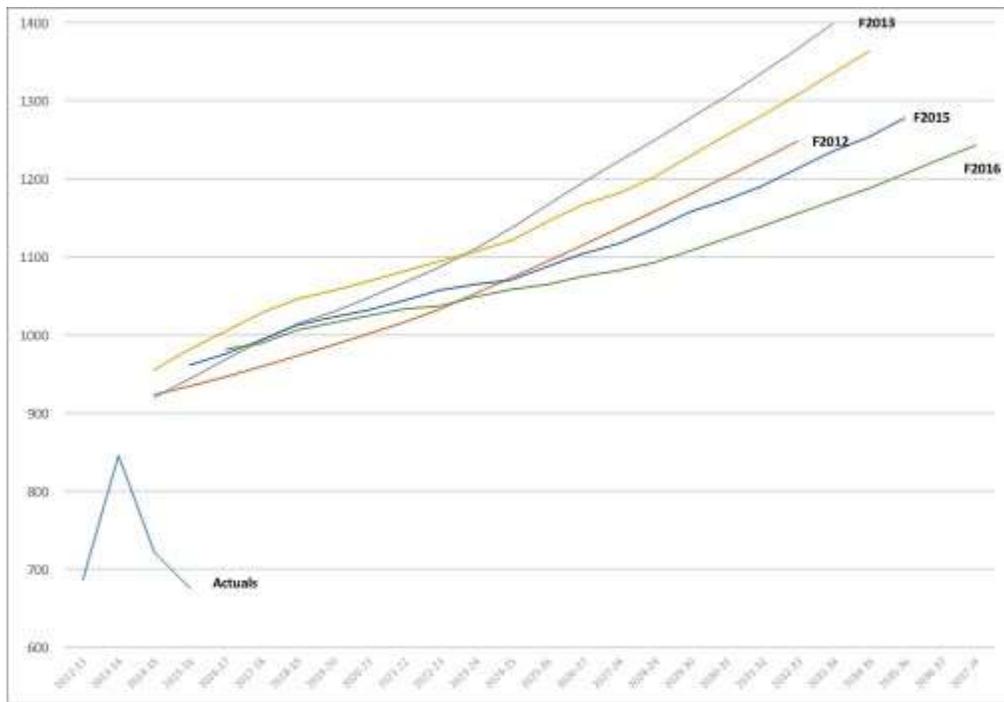
The orange line denoting “PSE Resources” does not include the Tacoma LNG facility.

Second, PSE has continually over-forecast its peak day demands. Figure 2 below demonstrates the degree to which PSE over-forecast its peak demands at the time the initial decision was made to construct the Tacoma LNG plant (September 2016).

¹ Data from Puget Sound Energy Response to Public Counsel Data Request No. 106, and from Puget Sound Energy Response to Public Counsel Data Request No. 378, attached as Exh.GSS-3 and Exh. GSS-4. respectively.

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Figure 2: Actuals and Forecasts at the Time of September 2016 Decision Point²



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It is noteworthy on Figure 2 that the PSE system peak demand forecast generally declined from the forecast done in 2013 to the forecast done in 2016, showing that PSE acknowledged that the demand for natural gas was declining as early as FY 2014/2015. This acknowledgement preceded PSE’s September 2016 decision point regarding the construction of the Tacoma LNG plant.

Third, the long-term trend in natural gas utilization will continue to decrease as there has been a national goal for several years to reduce carbon emissions. This goal has manifested itself on the natural gas industry via moratoriums in many jurisdictions on the installation of new natural gas using appliances and applications. Figure 3 provides a partial list of jurisdictions on the west coast that have adopted a natural gas moratorium.

Figure 3: Local Jurisdictions with New Natural Gas Moratoriums

² Data from Puget Sound Energy Response to Public Counsel Data Request No. 106, Attachment A and from Puget Sound Energy Response to Public Counsel Data Request No. 378, Attachment A.

Jurisdiction	Date Enacted	Source	Application
Washington	4/2022	WSR 22-02-076	Commercial Buildings and Multifamily Buildings
Seattle	02/2021	Ordinance 126279	Commercial and Multifamily Buildings
Bellingham	02/2022	Bellingham Municipal Code Chapter 17.10	Commercial and Multifamily Buildings
Shoreline	12/2021	Shoreline Energy Code 15.05.090	Commercial and Multifamily Buildings
King County	08/2022	King County Ordinance Sections 65, 69,79, 86, 98, 99, 102, 105-107,119	Commercial and Multifamily Buildings
Tacoma	04/2021	Resolution 40776	Municipal Buildings
Olympia	01/2022	Resolution M-2289	Municipal Buildings
Oregon			
Eugene	07/2022		New Residential Buildings
California			
Carlsbad	2/26/2019		Multifamily Buildings
Berkeley	7/15/2019	Section 65913.4, 65589.5	Residential/Non Residential buildings
Windsor	8/27/2019		Multifamily Buildings
San Mateo	8/27/2019	Municipal Code Chapter 23.24	Multifamily Buildings
Menlo Park	9/10/2019	Ordinance No. 1057	Residential/Non Residential buildings
Santa Monica	9/10/2019	Ordinance Amending Article VIII of Santa Monica	Residential/Non Residential buildings
Davis	9/24/2019		Municipal buildings
Marin County	9/24/2019		Municipal buildings
Mountain view	10/22/2019		Residential/Non Residential buildings
Morgan Hill	10/23/2019	Ordinance Adding Chapter 15.63	Residential/Non Residential buildings
Palo Alto	11/4/2019	Ordinance Repealing Chapter 16.17	Residential/Non Residential buildings
Alameda	11/5/2019	Exhibit 1 - Resolution 15607	Municipal buildings
Milpitas	11/5/2019	California energy code	Municipal buildings
Santa Rosa	11/12/2019	Municipal code 54953(e)	Residential Buildings
Pacifica	11/12/2019		Residential/Non Residential buildings
Mill Valley	11/18/2019	Ordinance to Amend Section 14.42.050	Residential Buildings
Saratoga	11/20/2019	municipal code 36937	Municipal buildings
Brisbane	11/12/2019	Ordinance No. 643	Multifamily Buildings
Healdsburg	12/2/2019	Ordinance No. 1157	Residential Buildings
Los Gatos	12/3/2019		Multifamily Buildings
Cupertino	9/24/2019		Municipal buildings
San Francisco	9/25/2019		Municipal buildings
Los Altos hills	1/16/2020		Multifamily Buildings
Campbell	2/4/2020		Residential Buildings
San Mateo County	2/11/2020		Residential Buildings
Richmond	1/1/2022	Municipal code chapter 9.64	Municipal buildings

Jurisdiction	Date Enacted	Source	Application
Hayward	3/3/2020	Municipal code Sections 100.0, 100.1, 140.0, 140.1, 150.1, 200, 4.106, and 5.106	Residential/Non Residential buildings
Santa Cruz	3/24/2020		Municipal buildings
Burlingame	7/6/2020		Residential Buildings
San Anselmo	4/14/2020		Residential Buildings
Piedmont	7/20/2020	Ordinance No. 750	Multifamily Buildings
Redwood city	8/24/2020	Ordinance No. 522	Commercial/Residential Buildings
East Palo Alto	10/6/2020		Commercial/Residential Buildings
Los Altos hills	10/27/2020	Ordinance No. 2020-470A,470B,470,471	Municipal buildings
Millbrae	10/27/2020		Commercial/Residential Buildings
Sunnyvale	10/27/2020	Ordinance No. 3149-19	Commercial/Residential Buildings
Ojai	10/27/2020	Ordinance No. 904	Municipal buildings
Oakland	12/1/2020	Chapter 15.37 of the Oakland Municipal Code	Municipal buildings
Albany	12/9/2020	Resolution.no 2020-127	Commercial/Residential Buildings
San Carlos	1/25/2021		Municipal buildings
Daly city	4/27/2021	Ordinance No. 1448	Residential/Non Residential buildings
Petaluma	5/3/2021	Ordinance No. 2689	Municipal buildings
South San Francisco	5/26/2021		Municipal buildings
Sacramento	6/1/2021		Municipal buildings
Santa Barbara	1/1/2022		Commercial/Residential Buildings
Fairfax	3/1/2022		Commercial/Residential Buildings
Contra Costa county	6/1/2022	15378, 15307, 15308, and 15061(b) (3)	Residential/Medium Commercial buildings
San Luis Obispo	6/16/2020	Municipal code 17.156.004, Section 100.1	Municipal buildings
Los Angeles		Council File: 22-0151	Commercial/Residential Buildings
Hercules	2022	CEC 17922, 17958, 17958.5, 17958.7, and 18941.5	Residential/Medium Commercial buildings
San Jose		Ordinance No. 30801	

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This trend towards natural gas moratoriums belies PSE’s assertion that new peaking capacity will be needed in the future.

1 B. TACOMA LNG's LOCATION HAS A DISPROPORTIONATELY ADVERSE IMPACT ON
2 THE TRIBE, WHICH HAS NOT BEEN ADEQUATELY ADDRESSED BY PSE IN ITS
3 EVALUATION OF THE NEED AND LOCATION OF THE TACOMA LNG PLANT

4
5 **Q. Why do you assert that the Tacoma LNG facility has a disproportionately adverse impact**
6 **on the Tribe?**

7
8 A. The location of the Tacoma LNG plant vis-à-vis the Tribe's reservation boundaries is depicted
9 in Exh. GSS-6. By referencing this exhibit, it is clear that a significant event – like the one at
10 Plymouth, Washington, or more recently, at Freeport LNG in Houston, Texas – has the potential
11 to have major impacts on the Tribe's reservation activity and population given its proximity to
12 Tacoma LNG. Likewise, the emissions of pollutants (including toxic and carcinogenic pollutants)
13 from Tacoma LNG plant will directly impact the airshed over the Tribe's reservation. These
14 impacts are generally called externalities.

15
16 PSE contends that Tacoma LNG is designed to be a safe facility. But notably, PSE's claim is true
17 of all LNG facilities that have been built, commissioned and allowed to operate by regulatory
18 authorities. The fact is that even a LNG facility determined to be "code compliant" and/or "safe"
19 can present significant risks to the surrounding area, including risks posed by a major explosion.
20 For example, the Plymouth LNG plant was determined to be a "safe" facility (evidenced by the
21 fact that it successfully completed the commissioning process and began operating) but still
22 experienced a major explosion in 2014.³

23
24 In sum, Tacoma LNG presents negative externalities in the form of safety risks and air
25 contamination that disproportionately impact the Tribe, its members and its homeland.⁴ These
26 negative externalities have not been adequately addressed by PSE, notwithstanding PSE's
27 assertions in their pre-filed testimony.⁵

³ See, e.g., Exh. GSS-7

⁴ On this point, it is important for the Commission to note that the Tribe only has its one Reservation. The Tribe will not get another Reservation, and it cannot pick up and move to avoid the impacts caused by the Tacoma LNG facility.

⁵ Exhibits RJR – 30T @ p. 37.

1
2 C. EQUITY HAS NOT BEEN ADEQUATELY RECOGNIZED IN THE PRUDENCY
3 REVIEW OF THE LNG PLANT
4

5 **Q. Why do you assert that equity has not been adequately addressed in this proceeding?**
6

7 A. Equity has been a long-standing and guiding principle for many years within the utility
8 regulatory environment. I have prepared utility rate case expert testimony before regulatory
9 tribunals for decades, and a constant consideration in making decisions in rates cases has been the
10 impacts on low income or otherwise disadvantaged communities. Recently, the WUTC reinforced
11 the need to look at equity in its order dealing with Cascade Natural Gas.⁶ As noted earlier in this
12 testimony, the Tribe is disproportionately impacted by the siting and operations of the Tacoma
13 LNG plant, and equity disparity has not been adequately addressed by PSE. In fact, in its responses
14 to data requests, PSE makes clear that it did not address equity as defined by “the benefits and
15 burdens to Highly Impacted Communities and Vulnerable Populations.”⁷
16

17 On the equities of siting the Tacoma LNG plant, the Commission should also note that that Tacoma
18 LNG was designed in a manner that allowed it to avoid the jurisdiction of Washington’s Energy
19 Facility Site Evaluation Council (EFSEC). Indeed, PSE formally sought a determination that
20 EFSEC lacked jurisdiction over Tacoma LNG and, thus, could play no role in determining whether
21 PSE could build this facility on the border of the Tribe’s Reservation.⁸ Further, because it is not
22 an export facility, Tacoma LNG also avoided siting review by the Federal Energy Regulatory
23 Commission (FERC). Had Tacoma LNG undergone EFSEC and/or FERC siting reviews, equity
24 considerations almost certainly would have been examined in a more strenuous fashion than what
25 is required by 49 C.F.R., Part 193 (and its Form 18 process).
26
27

⁶ WUTC vs. Cascade Natural Gas Company, Docket UG-210755, Order 09.

⁷ PSE response to Public Counsel Data Request No. 373 (Exh. GSS-8).

⁸ See Exh. GSS-5.

1 D. IF THE LNG PLANT IS EVENTUALLY PUT INTO RATE BASE, THE PERCENTAGE
 2 ALLOCATION TO PSE’S REGULATED BUSINESS IS TOO HIGH

3
 4 **Q. Why do you assert that PSE’s proposed allocation of the LNG plant to its regulated entity**
 5 **is too high?**

6
 7 A. The guiding principle for proper cost allocations is the tenant of “cost causation.” Cost
 8 causation requires that costs be allocated based upon how a facility is used and to those that use it.
 9 The allocation of the LNG plant between PSE’s regulated and unregulated business was originally
 10 prescribed in Docket UG-15166B, Order 10. The final allocation of LNG plant rate base per the
 11 final decision in Order 10 follows on Figure 4.

12
 13 **Figure 4: LNG Plant Allocation per Docket UG-151603 – Order 10**

14

Component Ownership Share	PSE	Puget LNG	Projected Capital Expenditures (No AFUDC)	Projected Capital Expenditures Allocated to PSE	Projected Capital Expenditures Allocated to Puget LNG
Liquefaction	10%	90%	\$ 88,546,234	\$ 8,854,623	\$ 79,691,611
Storage	70%	21%	\$ 96,237,245	\$ 76,027,424	\$ 20,209,821
Bunkering	0%	100%	\$ 29,671,922	\$ 0	\$ 29,671,922
Truck Loading	5%	95%	\$ 6,229,252	\$ 311,463	\$ 5,917,789
Vaporization	100%	0%	\$ 17,135,822	\$ 17,135,822	\$ 0
Common	43%	57%	\$ 72,884,330	\$ 31,340,262	\$ 41,544,068
TOTAL	43%	57%	\$310,704,805	\$133,669,593	\$177,035,212

15
 16 Order 10 results in roughly 43% of the LNG plant being allocated to PSE’s regulated business and
 17 57% being allocated to the unregulated business. Under the cost causation principle, this result
 18 infers that 43% of the LNG plant will be used for peaking and the remaining 57% will be used for
 19 vessel fuel.

20
 21 In Dr. Sahu’s pre-filed direct testimony at page 12, he analyzed the Supplemental Environmental
 22 Impact Statement (SEIS) which states that 1.1% to 2.2% of the LNG plant will be used for peaking
 23 purposes. According to the SEIS, the peaking function will be utilized for only 10 years out of the
 24 LNG plant’s useful life of 40 years. This peaking function of the LNG plant will only be used for

1 ¼ of its useful life or .55% of the time over the facility’s useful life (2.2% x .25). The total capital
2 cost of the LNG plant is \$239 million⁹ in total plant costs plus \$46.6 million¹⁰ in AFUDC for a
3 total cost of \$285.6 million. If cost causation principles are followed to facilitate the proper
4 allocation of costs, this analysis would result in PSE rate basing to its regulated business roughly
5 \$2M of the total LNG plant costs (\$285.6 x .55%).

6
7 While PSE contests the issue concerning the SEIS’ statement that Tacoma LNG will only provide
8 LNG to ratepayers for 10 years, PSE notably did nothing to address this alleged “error” in the SEIS
9 despite ample opportunity to do so. Further, as a practical matter, the Commission should question
10 PSE’s attempt to explain away its decision to not correct the SEIS’ statement that Tacoma LNG
11 will only provide LNG to ratepayers for ten years because it was incumbent on PSE to make sure
12 that agencies are operating with the correct information, particularly when PSE was the project
13 proponent.

14
15 Further, PSE has not contested the fact that the SEIS indicates that no more than 2.2% of Tacoma
16 LNG’s end-product will go towards the peaking function. In my opinion, making ratepayers pay
17 43% when the benefit to them is 2.2% (at best) does not comport with cost causation principles.

18
19 In my opinion, making ratepayers pay 43% when the benefit to them is 2.2% (at best) does not
20 comport with cost causation principles or generally accepted regulatory precedents.

21
22 E. SUMMARY OF TESTIMONY

23
24 **Q. Will you please summarize your rebuttal testimony?**

25
26 A. Yes. As noted above, PSE has not established a need for the LNG plant, has not adequately
27 addressed the disproportionate adverse impacts of the LNG plant on the Tribe, has not adequately
28 considered equity in its deliberations, and has allocated too much of the LNG costs to the regulated

⁹ Roberts, Exh. RJR – 1CT @ 51:5.

¹⁰ Bamba, Exh. RBB – 1J @ 22:15-16.

1 side of PSE's business. Based upon these findings, the Commission should not deem the decision
2 to construct the Tacoma LNG facility on the Tribe's border to be prudent.

3
4 Alternatively, the Commission should abstain from making a prudence determination until such
5 time as PSE mitigates the LNG plant's impacts on the Tribe (and the rest of the affected local
6 community). As discussed above in my testimony, the LNG plant presents serious inequities to
7 the Tribe. PSE was aware of the equity issues that Tacoma LNG presents no later than 2015
8 (through the Final Environmental Impact Statement prepared by the City of Tacoma) and
9 presumably long before, given that (1) it has been known for decades that air pollution causes
10 adverse health impacts to nearby communities and (2) there have been catastrophic accidents at
11 LNG facilities prior to 2015, including the 2014 explosion at the Plymouth LNG facility located
12 along the same (Williams) pipeline as Tacoma LNG.

13
14 Health impacts cannot be mitigated without first being properly assessed. The Commission should
15 seek to determine a means to mitigate the concerns identified above by requiring, prior to any
16 prudency determination, that PSE complete a Health Impact Assessment (HIA). The health and
17 safety burdens presented by Tacoma LNG should have been factored into PSE's decision-making.
18 It should be incumbent on PSE to show that it has appropriately mitigated the LNG plant's impacts
19 on the Tribe before the WUTC determines that construction of the LNG plant is prudent.

20
21 As Dr Sahu points out in his rebuttal testimony,¹¹ a HIA is a tool that is utilized in Washington to
22 analyze a project's potential health effects, with a goal of providing recommendations that may
23 increase positive health outcomes and minimize adverse health outcomes.¹² HIAs typically
24 identify both health impacts and related mitigation. In this instance, a HIA could be a useful tool
25 to identify how PSE can mitigate the negative impacts and externalities created by Tacoma LNG's
26 presence and operation. Similarly, additional analysis of the actual risks presented by a
27 catastrophic event at Tacoma LNG, and the measures that can be taken to mitigate that risk, is
28 necessary to inform the WUTC's prudence determination.

¹¹ See Exh. RXS-30T.

¹² Some governments in the state even have webpages devoted to HIAs. See, e.g.,
<https://kingcounty.gov/depts/health/environmental-health/healthy-communities/health-impact-assessment.aspx>

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Q. Does this conclude your testimony?

A. Yes, it does.