

**BEFORE THE WASHINGTON
UTILITIES & TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY

Respondent.

DOCKETS UE-220066, UG-220067, and UG-210918 (*Consolidated*)

**CROSS-EXAMINATION EXHIBIT OF KEVIN C. HIGGINS
ON BEHALF OF THE
WASHINGTON STATE OFFICE OF THE ATTORNEY GENERAL
PUBLIC COUNSEL UNIT**

EXHIBIT KCH-__X

Nucor Steel Seattle's Response to Public Counsel Data Request Nos. 3 and 4

September 26, 2022

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION
Docket Nos. UE-220066 & UG-220067 (Consolidated)
(PSE General Rate Case)

Topic: Tacoma LNG

NUCOR RESPONSE TO PUBLIC COUNSEL DATA REQUEST NO. 3:

PC-3 Re: Tacoma LNG. Settlement Stipulation and Agreement on Tacoma LNG.

Background: The Settlement Agreement states (at 4, § III.B), “The Settling Parties accept a determination that the decision to build the regulated portion of the Tacoma LNG Facility was prudent, thus PSE has met its threshold prudence requirement to demonstrate that the investment can be provisionally included in rates in a tracker.”

Concerning the phrase “the decision to build the regulated portion of the Tacoma LNG Facility was prudent ...”

- a) Please explain Nucor’s understanding of the use of the word “prudent” in the quoted phrase.
- b) Please answer yes or no. Does prudent in this context mean that as configured currently with injection volumes limited to 50 million cubic feet per day (MMCFD) the decision build the Tacoma Plant was prudent?
- c) If the answer to sub-part ‘b’ is yes, does Nucor agree that spending to achieve 66,000 MMCFD of injection capability above the 50 MMCFD was not prudent? Please explain your answer.
- d) If the answer to sub-part ‘b’ is no, please explain your answer with respect to your answer to sub-part ‘a’.
- e) Please answer yes or no. Has Nucor conducted any analyses concerning whether the facility was prudent within Nucor’s understanding of the meaning of the quoted section.
- f) If the answer to sub-part ‘e’ is yes, please provide all supporting data, analysis, and workpapers developed by Nucor concerning prudence of the Tacoma LNG project.
- g) If a facility (not just the Tacoma LNG facility, but in general) was prudent for a utility to build at the time the decision to build it was made, but never became used and useful, is it Nucor’s view that prudently incurred costs to build the facility should be recovered by a utility? Please explain your answer.
- h) Please answer yes or no. If the Tacoma LNG facility does not become used and useful, does the Settlement Agreement preserve parties’ rights to challenge the inclusion of Tacoma LNG project costs in rates?
- i) If the answer to sub-part ‘h’ is yes, do parties’ rights to challenge the inclusion of Tacoma LNG project costs extend beyond the year 2023?
- j) If the answer to sub-part ‘i’ is no, please explain where in the Settlement Agreement this is stated.

Dated: September 8, 2022
Respondent: Kevin C. Higgins

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Docket Nos. UE-220066 & UG-220067 (Consolidated)

(PSE General Rate Case)

- k) If the answer to sub-part 'h' is no, please explain where in the Settlement Agreement this is stated.
- l) Please answer yes or no. Is it Nucor's understanding that the Settlement Agreement preserves the parties' rights determine whether any or all of the LNG facility costs are prudent?
- m) If the answer to sub-part 'l' is yes, does the Settlement Agreement preserve the parties' rights to challenge the prudence of all of the LNG facility costs? Please explain your answer.
- n) If the answer to subpart 'l' is no, please explain which costs a party can no longer challenge as prudent as a result of the Settlement Agreement.
- o) Please answer yes or no. Does the Settlement Agreement preserve the parties' rights to determine what LNG distribution costs are prudent?
- p) If the answer to subpart 'o' is yes, please explain the proceeding where the opportunity for parties to challenge the prudence of LNG distribution costs will occur.
- q) If the answer to sub-part 'o' is no, please explain where in the Settlement Agreement this is stated other than referring to paragraph 18, section A.4 which refers to how distribution costs are recovered.
- r) If a facility was prudent for a utility to build at the time the decision to build it was made but never became used and useful, does it provide any benefits to ratepayers.

Response to PC-3

- a) A prudent decision is one that a reasonable management would make in light of what they knew, or reasonably should have known, at the time they made the decision, taking into account both need and the appropriateness of expenditures.
- b) Nucor objects to this request as it mischaracterizes testimony and evidence in the record of this proceeding. Subject to and without waiving its objection, Nucor states as follows: Please refer to the Prefiled Testimony (Nonconfidential) of Ronald J. Roberts in Support of Multiparty Settlement, Exh. RJR-30T at 35:20 to 37:5, in which Mr. Roberts explains that injection volumes are not limited to 50 MMcf/d.
- c) Nucor interprets the reference to "66,000 MMCFD" to mean "66 MMCFD." Nucor objects to this request as it mischaracterizes testimony and evidence in the record of this proceeding. Subject to and without waiving its objection, Nucor states as follows: Please refer to the Prefiled Testimony (Nonconfidential) of Ronald J. Roberts in Support of Multiparty Settlement, Exh. RJR-30T at 33:11 to 34:11, in which Mr. Roberts explains that sizing the facility to handle injection volumes of 66 MMcf/d did not add incremental costs to the project relative to sizing it to handle injection volumes of 50 MMcf/d.
- d) N/A

Dated: September 8, 2022

Respondent: Kevin C. Higgins

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- e) No.
- f) N/A
- g) Nucor objects to this request as it calls for speculation and is based on facts that are not at issue in this proceeding. Subject to and without waiving its objections, Nucor states as follows: Likely not. It would depend on the circumstances.
- h) It is Nucor's understanding that the Tacoma LNG facility is in service at this time and that PSE has testified that it is used and useful. Please refer to the Prefiled Testimony (Nonconfidential) of Ronald J. Roberts in Support of Multiparty Settlement, Exh. RJR-30T at 36:13 to 37:8. Yes, the settlement allows parties to challenge recovery of Tacoma LNG Facility costs after PSE files for recovery through a tracker.
- i) Yes.
- j) N/A
- k) N/A
- l) Yes.
- m) The LNG Settlement Agreement preserves the parties' rights to challenge the prudence of all costs related to the Tacoma LNG Facility that PSE proposed to include in its revenue requirement in the general rate case in this docket.
- n) N/A
- o) No.
- p) N/A
- q) The Tacoma LNG Settlement Agreement states that LNG distribution costs will be recovered in base rates, and the Revenue Requirement Settlement Agreement states that parties do not object to prudence for plant investment through 2021. The LNG distribution costs were in service by 2019.
- r) Nucor objects to this request as it calls for speculation and is based on facts that are not at issue in this proceeding. Subject to and without waiving its objections, Nucor states as follows: Not likely. It would depend on the circumstances.

Dated: September 8, 2022

Respondent: Kevin C. Higgins

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Docket Nos. UE-220066 & UG-220067 (Consolidated)

(PSE General Rate Case)

Topic: Tacoma LNG**NUCOR RESPONSE TO PUBLIC COUNSEL DATA REQUEST NO. 4:****PC-4 Re: Tacoma LNG. Settlement Stipulation and Agreement on Tacoma LNG.**

Background: The Settlement Agreement states (at 4, § III.B), “The Settling Parties accept a determination that the decision to build the regulated portion of the Tacoma LNG Facility was prudent, thus PSE has met its threshold prudence requirement to demonstrate that the investment can be provisionally included in rates in a tracker.”

- a) Please explain Nucor’s understanding of the use of the word “threshold prudence” in the quoted section.
- b) How does “threshold prudence” differ from “the decision to build the regulated portion of the Tacoma LNG Facility was prudent”?
- c) If PSE has met threshold prudence, has it met the prudence of its design, location, and sizing of the facility?
- d) Does “The Settling Parties accept a determination that the decision to build the regulated portion of the Tacoma LNG Facility was prudent ...” mean that Nucor agrees that PSE’s decision to build the regulated portion of the Tacoma LNG Facility was prudent? Or, does it mean that Nucor merely accepts the determination neither agreeing nor disagreeing that the decision was prudent?

Response to PC-4

- a) Nucor understands the term “threshold prudence” in this context to mean that PSE’s decision to build the regulated portion of the Tacoma LNG Facility was prudent in accordance with the WUTC’s prudency standard and therefore (i) the costs PSE incurred to build the regulated portion of the Tacoma LNG Facility can be provisionally recovered in rates through a tracker, and (ii) the costs in the LNG tracker can be challenged when PSE files tariff revisions for the LNG tracker.
- b) See Response to PC-4 (a).
- c) Yes
- d) Nucor accepts the determination.

Dated: September 8, 2022

Respondent: Kevin C. Higgins