

**Docket Nos. UE-220066, UG-22067 and UG-210918
(Consolidated) - Vol IV**

**WUTC v. Puget Sound Energy / In the Matter of the
Petition of Puget Sound Energy**

October 3, 2022



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BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND)	DOCKETS UE-220066,
TRANSPORTATION COMMISSION,)	UG-220067, and
)	UG-210918
Complainant,)	(Consolidated)
)	
vs.)	
)	
PUGET SOUND ENERGY,)	
)	
Respondent.)	

VIRTUAL SETTLEMENT HEARING

VOLUME IV

Pages 241 - 500

ADMINISTRATIVE LAW JUDGE MICHAEL HOWARD

(All participants appeared via videoconference.)

DATE TAKEN: OCTOBER 3, 2022

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1 LACEY, WASHINGTON; OCTOBER 3, 2022

2 9:00 a.m.

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4 JUDGE HOWARD: Good morning. Today is
5 Monday, October 3rd, and the time is 9 a.m. We're here
6 today for a settlement hearing in consolidated Dockets
7 UG-220066, UG-220067, and UG-210918.

8 These dockets are captioned, respectively,
9 Washington Utilities and Transportation Commission
10 versus Puget Sound Energy, and in the matter of the
11 Petition of Puget Sound Energy for an order authorizing
12 deferred accounting treatment.

13 This is a general right case filed by Puget
14 Sound Energy, or "PSE," consolidated with an accounting
15 petition.

16 The Commission is here today for purposes of
17 considering three multi-party settlements that together
18 dispose of all issues of the case if they are accepted.

19 We will be referring to these as the Green
20 Direct settlement, the revenue requirement settlement,
21 and the Tacoma LNG settlement.

22 My name is Michael Howard. I'm an
23 Administrative Law Judge with the Commission. We'll be
24 joined shortly by the Commissioners themselves, Chair
25 Danner, Commissioner Rendahl, and Commissioner Doumit.

1 We are proceeding with this as a virtual
2 hearing over the Zoom platform. We ask that you please
3 keep yourself on mute unless it is your turn to speak
4 and that witnesses only turn their cameras on when they
5 are testifying. Similar rules would apply for
6 representatives.

7 I'm also going to expect that any observers
8 please keep their microphones muted and cameras off.

9 Let's start by taking appearances beginning
10 with PSE. If there is more than one representative for
11 a party, feel free to give each of your names.

12 MS. CARSON: Good morning, Your Honor.

13 I'm Sheree Strom Carson with Perkins Coie
14 representing PSE.

15 And also here with me representing PSE is
16 David Steele.

17 JUDGE HOWARD: Thank you.

18 Do we have an appearance for staff?

19 MR. ROBERSON: Good morning, Judge Howard.

20 Jeff Roberts, AAG on behalf of staff.

21 Appearing with me this morning is Nash
22 Callahan.

23 JUDGE HOWARD: Thank you.

24 Could we hear from Public Counsel?

25 MS. GAFKEN: Good morning. This is Lisa

1 Gafken, Assistant Attorney General, appearing on behalf
2 of Public Counsel.

3 And also here with me this morning Ann
4 Paisner, Assistant Attorney General.

5 JUDGE HOWARD: Thank you.

6 Could we hear from Alliance of Western
7 Energy Consumers or "AWEC"?

8 MS. MOSER: Good morning, your Honor.

9 Sommer Moser with Davison Van Cleve on
10 behalf of AWEC.

11 JUDGE HOWARD: Thank you.

12 Could we hear from The Energy Project?

13 MR. ZAKAI: Good morning, you Honor.

14 Yochi Zakai with Shute, Mihaly & Weinberger
15 on behalf of The Energy Project.

16 And here with me today is Simon ffitch as
17 well.

18 JUDGE HOWARD: Could we have an appearance
19 with the Federal Executive Agencies?

20 MS. LIOTTA: Good morning.

21 Rita Liotta with the Federal Executive
22 Agencies.

23 JUDGE HOWARD: Thank you.

24 How about Nucor Steel Seattle?

25 MR. XENOPOULOS: Good morning, Your Honor.

1 This is Damon Xenopoulos of Stone Mattheis
2 Xenopoulos & Brew appearing for Nucor Steel Seattle Inc.
3 and accompany by Laura Wynn Baker of same.

4 Thank you, Your Honor.

5 JUDGE HOWARD: Thank you.

6 Could we hear from Walmart?

7 MS. BALDWIN: Good morning, Your Honor, this
8 is Vicki Baldwin with firm of Parsons Behle & Latimer on
9 behalf of Walmart.

10 Thank you.

11 JUDGE HOWARD: Thank you.

12 Can we have an appearance for Microsoft?

13 MR. PEPPLER: Good morning, your Honor. This
14 is Tyler Pepple appearing on behalf of Microsoft.

15 JUDGE HOWARD: Thank you.

16 Could we have an appearance for Kroger?

17 MR. BOEHM: Good morning, your Honor.

18 Kurt Boehm appearing on behalf of the Kroger
19 Company.

20 JUDGE HOWARD: Thank you.

21 Could we have an appearance for the joint
22 environmental advocates, which would be Sierra Club,
23 Northwest Energy Coalition and Front and Centered.

24 MS. PAREKH: Good morning, your Honor.

25 Jaimini Parekh with Earth Justice on behalf of Northwest

1 Energy Project -- sorry, Northwest Energy Coalition,
2 Front and Centered, and Sierra Club.

3 JUDGE HOWARD: Thank you.

4 Could we have an appearance for King County?

5 MR. MAYER: Yes. Good morning, Your Honor.

6 This is Ben Mayer of K&L Gates for King County.

7 I'm also joined today by Senior Deputy
8 Prosecuting Attorney, Raul Martinez.

9 JUDGE HOWARD: Thank you. Could we have an
10 appearance for Coalition of Eastside Neighborhoods for
11 Sensible Energy or CENSE.

12 MR. HANSEN: Good morning, Your Honor.

13 Norm Hansen representing CENSE, as I'm the
14 president of CENSE. Thank --

15 JUDGE HOWARD: Thank you, Mr. -- thank you,
16 Mr. Hansen. Sorry. I cut you off a little.

17 Did you want to say anything further?

18 MR. HANSEN: No, that's all right. Thank
19 you.

20 JUDGE HOWARD: All right. Could we have an
21 appearance for the Puyallup Tribe.

22 MR. FULLER: Good morning, your Honor.

23 Andrew Fuller at Ogden Murphy Wallace appearing on
24 behalf of Puyallup Tribe.

25 I also have my colleague, Nicolas Thomas,

1 from Ogden Murphy Wallace.

2 JUDGE HOWARD: All right. Thank you, all.

3 Given the number of the parties in the case,
4 I'm just going to ask.

5 Did I miss anyone?

6 All right. Hearing none. If your number
7 ends in "0656," you may want to mute yourself until you
8 intend to speak.

9 All right. Moving on. I want to give a
10 brief roadmap for today's hearing and how we're going to
11 go about it. We'll begin by addressing the objections
12 from staff and Microsoft to cross-examination by CENSE.

13 We'll also address the first issue raised
14 in PSE's objections where PSE argues that only a party
15 representative should pose questions in
16 cross-examination.

17 I'll also rule on the admissibility of the
18 majority of the pre-filed testimony and exhibits. After
19 the Commissioners join us, we will then call witnesses
20 in the order and in the manner proposed by the parties.

21 This means that we will start our testimony
22 today with a Green Direct panel. No party indicated
23 cross for the Green Direct witnesses, but we may have
24 questions from the bench.

25 After that we will continue calling

1 witnesses in the order proposed by the parties.

2 If I rule that CENSE may cross staff witness
3 Joel Nightingale, I plan to include Nightingale on the
4 Energize Eastside panel.

5 We will address PSE's objections to specific
6 cross-exhibits for PSE witness Dan'l Koch -- and that is
7 spelled K-o-c-h -- at the time when CENSE cross-examines
8 that witness.

9 Time permitting, we will end the hearing by
10 allowing the parties to give oral closing statements.
11 The parties have estimated that they will require about
12 two hours and 35 minutes for cross-examination today.

13 I'm hopeful that we'll be able to conclude
14 this hearing today.

15 If we allow for a short break around the
16 mid-morning time, approximately 10:30 a.m. or
17 11:00 a.m., we may even be able to end by midday without
18 immediately breaking for lunch.

19 But I recognize that this is a very complex
20 case with a large number of issues. We may need to
21 break for lunch to continue in the afternoon. And if we
22 cannot finish today, we will continue tomorrow at
23 9:00 a.m.

24 We will also provide an opportunity
25 for post-hearing briefs due on October 31st.

1 Are there any questions about how we are
2 going to proceed with the hearing today or this -- this
3 roadmap I've given?

4 MR. ROBERSON: I have one, Judge Howard,
5 which is that staff witness Erdahl is going to be
6 adopting the testimony of staff witnesses Ball and
7 Reynolds.

8 Would you prefer that she do that when she
9 sits with the first panel, which I believe is the
10 revenue requirement panel, or do you want to do that at
11 the start?

12 How do you think we should best handle that?

13 JUDGE HOWARD: Well, at this time, I'm not
14 anticipating there will be questions directed
15 specifically at Deb Reynolds' and Jason Ball's testimony
16 at the hearing today.

17 So for our purposes, I believe it will be
18 sufficient if the parties were to just stipulate to the
19 admissibility of that testimony.

20 But if -- if we -- if we would like, that
21 would -- we could also have Ms. Erdahl formally adopt
22 that testimony when she appears on the revenue
23 requirement panel.

24 Mr. Roberson, does stipulating to the
25 testimony sound sufficient to you?

1 MR. ROBERSON: It does, if the other parties
2 will stipulate.

3 JUDGE HOWARD: All right. Again, I don't
4 anticipate there will be detailed questions or questions
5 focused on Reynolds' and Ball's testimony at the hearing
6 today.

7 All right.

8 MS. CARSON: Judge Howard, I did have one
9 question.

10 PSE filed a motion to strike CENSE's public
11 comments that were just filed last week. We filed that
12 motion on Friday.

13 Will you want to hear argument on that?

14 JUDGE HOWARD: Thank you for raising that.

15 Because PSE's motion does not directly deal
16 with how we're conducting the hearing too, I would plan
17 to give CENSE the normal five-business-day timeline for
18 a written response and then I will consider and rule on
19 the motion after that.

20 Mr. Hansen, does that sound -- does that
21 make sense to you?

22 Does that sound appropriate for you?

23 MR. HANSEN: Yes, it is very appropriate.
24 Thank you, Judge.

25 JUDGE HOWARD: Thank you.

1 MS. CARSON: Yes.

2 JUDGE HOWARD: So I believe CENSE's response
3 to that would be due this coming Friday.

4 I see Ms. Parekh has your hand raised.

5 MS. PAREKH: Yes. Good morning, Your Honor.
6 Thank you. I also had a question about it adoption of
7 testimony. We do have Eli Font and Scott Reeves from
8 the Cadeo Group who are on the -- currently on the
9 hearing right now and available to adopt the testimony
10 of Josh Killing. And we're wondering when is the best
11 time for them to do that. And also, would like to know
12 if there are any questions for them to remain in the
13 hearing.

14 JUDGE HOWARD: At this time, I don't believe
15 that there will be questions directed to those
16 witnesses. So I would -- I would plan on -- if the
17 parties are all agreeable and we stipulate to the
18 admission of -- of essentially nearly all the pre-filed
19 testimony and exhibits, then this issue would -- would
20 simply go away.

21 And then we would set aside the issues of
22 the disputed cross-exhibits, and I'll explain that more
23 soon.

24 All right. Thank you. So moving on to
25 continue discussing the evidentiary issues, obviously,

1 Mr. Fuller has his hand raised.

2 MR. FULLER: Yes, Your Honor. I thought
3 this would be a time to inform you. And I apologize
4 that we weren't able to provide this objection to you
5 ahead of time but the Puyallup Tribe of Indians is going
6 to have an objection to one of the PSE exhibits, Exhibit
7 RJR 31, and I just wanted to notify you of that now so
8 that we can address that at the time you feel
9 appropriate.

10 JUDGE HOWARD: Thank you. Just a moment,
11 please.

12 All right. So prior to the hearing today,
13 we received written objections from Microsoft staff to
14 PSE, other parties, such as the Energy Project,
15 indicated that they reserved to object to the cross of
16 their witnesses. We will also address the Tribe's oral
17 objection in a few moments.

18 As I indicated to the parties, I will be
19 allowing CENSE an opportunity to respond to these
20 objections at the hearing today.

21 Mr. Hansen, Microsoft has objected to
22 planned cross of its witness, Irene Plenefisch. How do
23 you respond to this objection?

24 MR. HANSEN: Well, it would be -- judge, it
25 would be a benefit to us, of course, if -- and probably

1 more efficient if we had our expert witness also
2 participate so...

3 (Discussion.)

4 MR HANSEN: Yeah, but he's asking about my
5 position as -- sorry for the pause.

6 We should cross-examine these folks because
7 they were the original folks that signed the -- the
8 agreement.

9 JUDGE HOWARD: If I could turn to
10 Microsoft's counsel for a brief question.

11 Did Microsoft join the Green Direct
12 settlement?

13 MR. PEPPLER: Not the Green
14 Direct Settlement, your Honor. Microsoft joined the
15 revenue requirement settlement.

16 JUDGE HOWARD: Thank you. That is what I
17 thought.

18 Mr. Hansen, I'm going to grant Microsoft's
19 objection to the cross of its witness Irene Plenefisch,
20 in order 03 in this case. We've limited the scope of
21 CENSE's participation to the prudence of the Energize
22 Eastside issue. So I'm not seeing how crossing this
23 witness ties into that.

24 And it is perfectly fine for you to confer
25 on the side with whoever is sitting next to you, but I

1 would advise that you mute yourself if you are having a
2 discussion for the court reporter.

3 MR. HANSEN: I will do that. Thank you,
4 Judge.

5 JUDGE HOWARD: Yes, and just be -- please do
6 be careful about speaking over me, because it is very
7 hard for the court reporter to write down what two
8 people are saying at the same time.

9 And it does tend to irk me as well.

10 All right. So Microsoft's objection is
11 granted.

12 Staff has also objected to CENSE's planned
13 cross of its witness, Joel Nightingale.

14 Mr. Hansen, does CENSE still plan to
15 cross-examine Nightingale? How do you respond to the
16 objection?

17 MR. HANSEN: Yes, we do. They did sign the
18 settlement agreement with respect to Energize Eastside.

19 JUDGE HOWARD: All right.

20 I have considered staff's objection. I've
21 also noted that CENSE proposes a cross-exhibit. I
22 believe it's marked JBN-9X or is it JGN-9X. Let me look
23 that up.

24 One moment.

25 Mr. Pepple, I see your hand is raised, and I

1 will return to you in just a moment here.

2 The Nightingale exhibits are labeled JBN and
3 the proposed cross-exhibit is 9X.

4 After considering staff's written objection
5 and CENSE's response and the proposed cross-exhibit, I'm
6 going to deny staff's objection. I'm going to allow
7 CENSE to cross Mr. Nightingale and we will call
8 Mr. Nightingale on the Energize Eastside panel.

9 Mr. Pepple?

10 MR. PEPPLER: Yeah. Thank you, Your Honor.
11 I just wanted to confirm whether Ms. Plenefisch needs to
12 stay on as a witness for the hearing or whether she can
13 be excused.

14 JUDGE HOWARD: Yes, we would -- the
15 Commission would like Ms. Plenefisch to participate on
16 the revenue requirement panel, if that -- unless she has
17 a pressing commitment to be elsewhere.

18 MR. PEPPLER: I don't -- I won't speak for
19 her necessarily, but I think that is fine. She was
20 planning to attend the panel anyway. So.

21 JUDGE HOWARD: All right. We should be
22 getting to that panel fairly soon this morning, and she
23 can be excused after that.

24 MR. PEPPLER: Thank you. I appreciate it.

25 JUDGE HOWARD: All right. I will address

1 the first argument raised in PSE's objections. PSE
2 argued that only CENSE's representative, Mr. Hansen,
3 should be allowed to cross witnesses.

4 Mr. Pepple, I see your hand is still raised.
5 You may wish to lower it unless you have a further
6 question.

7 Mr. Hansen, will you agree that you will
8 pose any cross-questions on behalf of CENSE rather than
9 Mr. Lauckhart? How would you respond to this?

10 MR. HANSEN: We will plan do that, Judge.

11 JUDGE HOWARD: All right. Thank you. I --
12 I appreciate CENSE indicating that and I do agree with
13 this first line of argument and PSE's objections. It is
14 appropriate for just the representative to cross. And
15 I -- I also expect the party defending the witness to
16 only have one representative give any objections per
17 witness.

18 All right. And the tribe has objected today
19 to the admission of PSE witness Roberts Exhibit RJR 31.

20 MR. FULLER: Yes, Your Honor. RJR 31
21 consists of excerpts of the direct testimony -- written
22 testimony of a PSE witness. It was used as an exhibit
23 in the PCHB hearing regarding the air permit for the
24 Tacoma LNG facility. It's use here as an exhibit to
25 Mr. Roberts's testimony is problematic. It is a

1 textbook example of hearsay.

2 And we feel the exhibit should be ruled
3 inadmissible under the rule of evidence 801.

4 Recently, in the Docket UT 181051 regarding
5 CenturyLink communications, the Commission issued
6 order -- 06 on July 25th, '22 -- 2022, and in that order
7 explained that the Commission rarely, if ever, allows an
8 affidavit to be filed as an exhibit to a witness's
9 testimony, because doing so can deny other parties their
10 rights to due process. And the Commission went on to
11 explain that only if the affidavit provides facts that
12 are or can be generally accepted as true should the
13 Commission accept it as evidence of those facts without
14 making the affiant available for cross-examination.

15 And there, the Commission found that even
16 though the author of that challenged affidavit, quote,
17 may be an expert on what he describes, his statements do
18 not have a sufficient inherent indicium of reliability
19 such that the Commission is willing to accept them
20 without an opportunity for cross-examination.

21 That's basically what's happening here by
22 appending the written direct testimony of a witness who
23 is not attending this hearing and who will not be
24 available for cross-examination, inclusion of that
25 exhibit would be allowing an uncalled witness's

1 testimony to come in without the opportunity for
2 cross-examination.

3 JUDGE HOWARD: All right. Thank you. I may
4 have a question for you in a moment.

5 How would PSE like to respond?

6 MS. CARSON: Well, Your Honor, I would
7 respond first that this objection is new. It was not
8 made by last Wednesday as you requested. I understand,
9 you know, you will still accept objections today, but
10 PSE has not had any notice of this objection and -- and
11 would like time to respond more formally.

12 That said, the relaxed rules of evidence
13 apply to the Commission. The Commission has never, to
14 my knowledge, prohibited or rarely prohibited evidence
15 on the grounds of hearsay.

16 This is a self-authenticating document.
17 It's sworn testimony before the pollution control
18 hearings board. It goes to an issue that has been
19 raised about air quality, which is an issue that's
20 appropriately before the pollution control hearings
21 board. The Commission is not the forum to get into the
22 details of air quality. And so it's appropriate to
23 bring that testimony forward to the commissioner's in
24 this proceeding.

25 JUDGE HOWARD: Thank you.

1 MR. FULLER: May I briefly respond.

2 JUDGE HOWARD: Yes, Mr. Fuller. Go ahead.

3 MR. FULLER: I'd just like to also point out
4 that this is not the complete testimony of that witness.
5 This is excerpts of the direct written testimony. And
6 there's been no attempt to include cross-examination but
7 the transcript of cross-examination that occurred in
8 that hearing. So this -- while this may be appropriate
9 testimony in the right -- it had been presented
10 correctly. We feel that here, without the witness
11 present, is not appropriate.

12 MS. CARSON: And I would just add that we
13 have no objection to supplementing her testimony with
14 whatever might be appropriate.

15 But, again, in terms of the case law that's
16 cited, you know, we didn't have an opportunity to look
17 at that in advance.

18 So this is -- this is a bit of a surprise.

19 JUDGE HOWARD: Thank you, both. I -- I
20 would ask that -- I would ask that PSE file the -- the
21 full version of this testimony in RJR-31 within seven
22 days. So that would be my next Monday.

23 You know -- the Commission does not strictly
24 follow the rules of evidence. And I would also observe
25 that this objection could apply with equal force to some

1 of the exhibits submitted by the Tribe, particularly
2 RXS-24 and RXS-26. And I have not heard any objection
3 yet to the admission of these exhibits and I'm not
4 convinced at this point, having reviewed RJR-31, that
5 there is prejudice resulting from letting in the full
6 version of this.

7 So I -- I am going to deem R -- I'm going to
8 deem that objection denied at this point.

9 MR. FULLER: Thank you, Your Honor.

10 JUDGE HOWARD: All right. I will now turn
11 to the admission of the pretrial testimony of exhibits.
12 Before the hearing, I circulated an exhibit list which
13 included all the pre-filed testimony exhibits in this
14 proceeding. This includes the three multi-party
15 settlements and most recently, the cross-examination
16 exhibits filed by September 26th.

17 I have made corrections as requested by the
18 parties.

19 Mr. ffitich?

20 MR. FFITCH: Your Honor, I apologize. I was
21 going to ask if we could return to the cross-examination
22 issues, briefly, before getting to the exhibit
23 stipulation.

24 JUDGE HOWARD: Go ahead, yes.

25 MR. FFITCH: Just requesting some additional

1 guidance, Your Honor, on the scope of cross-examination
2 in light of your rulings. As you know, The Energy
3 Project -- and I believe some other parties indicated
4 the intention to object to a cross-examination of their
5 panel witnesses who had not provided any testimony on
6 the CENSE issue in connection with the revenue
7 requirement settlement. The witness for The Energy
8 Project in support of the settlement has not provided
9 any testimony on the Energize Eastside issue. And no
10 cross-exhibits have been identified for Mr. Cebulko on
11 that topic.

12 So it would be our intention to object to
13 cross-examination of -- Mr. Cebulko on that topic.

14 If I might make a proposal, Your Honor. If
15 CENSE does wish to cross-examine the revenue requirement
16 panel on that question, I would propose that the bench
17 limit their cross-examination to those witnesses on the
18 panel who have provided testimony on the Energize
19 Eastside issue. And I believe that includes the company
20 and staff and perhaps one or two additional parties.

21 JUDGE HOWARD: Thank you, Mr. ffitch. I am
22 going to consider -- I'm aware that the -- that there
23 are other parties who CENSE plans to cross on the
24 revenue requirement panel who have indicated they may
25 object to the cross.

1 I'm going to consider all these objections
2 as we go through the cross and we see where the
3 questions lead.

4 I do know that the energy project has not
5 joined -- has not given testimony, excuse me, with --
6 specifically on that aspect of the settlement. But the
7 Energy Project has indicated will oppose -- I'm sorry.
8 I'm getting my issues confused.

9 The Energy Project has joined the revenue
10 requirement settlement. I will allow brief questioning
11 and we will see where it goes, and I will consider the
12 objections at that time.

13 MR. FFITCH: Thank you, Your Honor.

14 JUDGE HOWARD: So as I was indicating, I
15 have circulated an exhibit list. I'm going set aside
16 the issue of admitting CENSE's cross exhibits for Dan'l
17 Koch. And these were filed as cross-exhibits DRK-28X
18 through DRK-34X. And the Commission has re-labeled
19 those -- these exhibits and posted them again to our
20 cases application. And they are now re-labeled as
21 DRK-29X through DRK-35X.

22 And we also have a CENSE cross-exhibit,
23 JBN-9X.

24 Aside from these CENSE cross-exhibits I have
25 just mentioned, are the parties willing to stipulate to

1 the admissibility of all the pre-file testimony and
2 exhibits as I have described?

3 I turn first to the company.

4 MS. CARSON: Yes, Your Honor, PSE is willing
5 to stipulate to those exhibits being admitted into the
6 record.

7 JUDGE HOWARD: Can I -- would any other
8 party raise any concerns or objections to that proposal?
9 To my proposal?

10 All right. Hearing -- hearing none. All
11 the pre-filed testimony and exhibits are admitted as
12 shown on the exhibit list with the exception of JBN-9X
13 and DRK-29X through DRK-35X. And as I've already
14 indicated the Tribe's objection to RJR-31 is denied.

15 I will provide a copy of the exhibit list to
16 the court reporter so it may be made part of the record.

17 I'd also like to speak to Public Counsel
18 about the public comment exhibit. We had the public
19 comment hearing on September 28th. Would one week from
20 today be sufficient to compile and submit the public
21 comment exhibit, or would we require a bit more time
22 given the nature of this case?

23 MS. GAFKEN: I believe the standard one week
24 should be sufficient. We will get in contact with the
25 Commission representatives and gather those comments up.

1 I'm not anticipating any problems at this time, but, you
2 know, if we do run into problems we will contact the
3 Commission and figure a solution. But at this time I
4 think the one week should be just fine.

5 JUDGE HOWARD: All right. Thank you. And
6 Ms. Gafken, there is -- I am able to hear you, but there
7 is a slight lag between -- I'm -- your video and your
8 audio. So I would just -- we'll just be aware of that.
9 You might -- you may need to call in for the audio
10 portion of your -- of any remarks.

11 MS. GAFKEN: Okay. I'll keep an eye on
12 that.

13 JUDGE HOWARD: All right. Let's -- please
14 give me one moment. I'm asking the Commissioners to
15 join us in our virtual hearing space.

16 MS. CARSON: And, Your Honor, I'll be off
17 for just a minute as I get the panel ready to start.

18 JUDGE HOWARD: Certainly.
19 I see we have Commissioner Doumit.

20 Commissioner Doumit, can you hear and see
21 everyone?

22 COMMISSIONER DOUMIT: Sure.

23 JUDGE HOWARD: I'm sorry. I spoke over you
24 there.

25 COMMISSIONER DOUMIT: No. I didn't let you

1 finish your question. I apologize for that.

2 JUDGE HOWARD: All right. I see we have
3 Commissioner Rendahl.

4 Commissioner Rendahl, can you hear me?

5 COMMISSIONER RENDAHL: Yes, I can. Can you
6 hear me?

7 JUDGE HOWARD: Yes.

8 COMMISSIONER RENDAHL: Thank you, Judge.

9 JUDGE HOWARD: And I see we have Chair
10 Danner.

11 CHAIR DANNER: Good morning.

12 JUDGE HOWARD: Good morning.

13 All right. Ms. Carson for PSE has indicated
14 she's going to be off camera for a moment readying some
15 witnesses for the Green Direct panel.

16 Could one of the co-representatives for PSE
17 give a brief appearance for the Commissioners, and then
18 we will go down and have one representative from each
19 party give an appearance.

20 Sorry. I didn't catch -- I didn't catch who
21 was speaking there.

22 MS. CARSON: Good morning, Your Honor. This
23 is Sheree Carson. Can you hear me?

24 JUDGE HOWARD: Yes.

25 MS. CARSON: Okay. Sheree Carson with

1 Perkins Coie representing Puget Sound Energy. And I
2 have with me the Green Direct panelists for PSE.

3 JUDGE HOWARD: Great. Thank you.

4 Could we have appearance for staff.

5 MR. ROBERSON: Good morning, Judge Howard,
6 Chair Danner, Commissioners Rendahl and Doumit, Jeff
7 Roberson, AAG for staff. Appearing with me in this
8 matter is Nash Callahan.

9 JUDGE HOWARD: Thank you.

10 Could we hear from Public Counsel?

11 MS. GAFKEN: Good morning, Chair Danner,
12 Commissioners Doumit and Rendahl. This is Lisa Gafken,
13 Assistant Attorney General appearing on behalf of Public
14 Counsel. And also appearing with me is Ann Paisner,
15 Assistant Attorney General.

16 JUDGE HOWARD: Thank you. Could we hear
17 from AWEC.

18 MS. MOSER: Good morning, Chair Danner,
19 Commissioners Rendahl and Doumit.

20 My name is Sommer Moser and I'm appearing on
21 behalf of the Alliance of Western Energy Consumers this
22 morning.

23 JUDGE HOWARD: The Energy Project.

24 MR. ZAKAI: Good morning, Your Honor,
25 commissioners. My name is Yochi Zakai with Shute,

1 Mihaly & Weinberger appearing today on behalf of The
2 Energy Project. Also with me today appearing on behalf
3 of The Energy Project is Simon ffitch.

4 JUDGE HOWARD: Thank you. Federal Executive
5 Agencies.

6 MS. LIOTTA: Good morning, Commissioners. I
7 am Rita Liotta representing the Federal Executive
8 Agencies.

9 JUDGE HOWARD: Thank you.

10 Nucor Steel Seattle.

11 MR. XENOPOULOS: Good morning, Commissions.
12 This is Damon Xenopoulos of Stone Mattheis Xenopoulos &
13 Brew appearing for Nucor Steel Seattle, accompanied by
14 Laura Wynn Baker of same.

15 JUDGE HOWARD: Mr. Xenopoulos, your phone
16 and your computer may be having some feedback right now.
17 I believe if you mute the audio on one of them. That --
18 could you -- could you please repeat your appearance.

19 Mr. Xenopoulos, could you please repeat your
20 appearance for the record just using one of your
21 connections?

22 We can -- we will return to Nucor.

23 Could we have an appearance for Walmart.

24 BALDWIN: Good morning, Your Honor, and
25 Commissioners. This is Vicki Baldwin from Parsons Behle

1 and Latimer on behalf of Walmart.

2 JUDGE HOWARD: Thank you. Microsoft.

3 MR. PEPPLER: Good morning, Your Honor. Good
4 morning, Commissioners. This is Tyler Pepple on behalf
5 of Microsoft.

6 JUDGE HOWARD: Thank you. Kroger.

7 MR. BOEHM: Good morning, Your Honor, and
8 Commissioners. Curt Boehm appearing on behalf of the
9 Kroger Company.

10 JUDGE HOWARD: Thank you. Could we hear
11 from the joint environmental advocates, that is Sierra
12 Club, NWECA, and Front and Centered.

13 MS. PAREKH: Good morning, Your Honor,
14 Commissioners. Jaimini Parekh with Earth Justice
15 representing Northwest Energy Coalition, Front &
16 Centered, and Sierra Club, the joint environmental
17 advocates.

18 JUDGE HOWARD: Thank you. Could we hear
19 from King County.

20 MR. MAYER: Thank you, Your Honor. Good
21 morning, Commissioners. This is Ben Mayer of K&L Gates
22 for King County. Also appearing with me is
23 senior deputy prosecuting attorney Raul Martinez.

24 JUDGE HOWARD: Thank you. Could we have an
25 appearance for CENSE?

1 MR. HANSEN: Yes. Norm Hansen appearing for
2 CENSE.

3 JUDGE HOWARD: Thank you, Mr. Hansen.
4 Could we have an appearance for the Puyallup
5 Tribe.

6 MR. FULLER: Good morning, Your Honor. Good
7 morning, Commissioners. This is Andrew Fuller at Odgen
8 Murphy Wallace appearing on behalf of the Puyallup Tribe
9 of Indians. My colleague, Nicolas Thomas, is also here.

10 JUDGE HOWARD: Thank you.
11 And I would just inform the Commissioners
12 before we begin calling witnesses that all the pre-filed
13 testimony and exhibits have been admitted into the
14 record with the exception of cross-exhibits JBN-9X and
15 PRK-29X through DRK-35X.

16 COMMISSIONER RENDAHL: I'm sorry. Could you
17 repeat that last? I got JBN-9X and what is the other
18 set?

19 JUDGE HOWARD: Yes, the CENSE cross-exhibits
20 for Dan'l Koch. And they are DRK-29X through DRK-35X,
21 and that is using the updated numbering.

22 All right. We will I begin calling
23 witnesses starting with the Green Direct panel.

24 MR. XENOPOULOS: Your Honor, this is Damon
25 Xenopoulos. Would you like me to repeat my appearance?

1 JUDGE HOWARD: Yes, please. Thank you.

2 MR. XENOPOULOS: Okay. Thank you very much.
3 I apologize for the technical issue we were just having.
4 So that is Damon Xenopoulos with Stone Mattheis
5 Xenopoulos & Brew here representing Nucor Steel Seattle
6 Inc., and accompanied by Laura Wynn Baker of our firm.
7 Thank you, your Honor.

8 JUDGE HOWARD: Thank you, Mr. Xenopoulos.
9 Thank you for reminding me.

10 So we will now call witnesses on Green
11 Direct panel. Instead of having an attorney formally
12 tender the witness for examination, I am simply going to
13 ask that each witness identify themselves and the party
14 they are appearing for, beginning with the settlement
15 witnesses for PSE.

16 Let's also have each of the witnesses on
17 this panel turn on their cameras and then I will swear
18 in the witnesses at the same time and we will hear
19 testimony from the witnesses together as a panel.

20 Could we hear for the witnesses from PSE.

21 MR. PILIARIS: Good morning, Your Honor, and
22 Commissioners. This is Jon Piliaris, Director of
23 Regulatory Affairs for Puget Sound Energy.

24 MR. JHAVERI: Good morning, your Honor and
25 Commissioners. This is Birud Jhaveri, Manager for

1 Pricing and Costs of Service for PSE.

2 JUDGE HOWARD: Thank you.

3 Could we hear from staff's witness?

4 MR. MCGUIRE: Yes. Good morning, Your
5 Honor. Good morning, Commissioners. This is Chris
6 McGuire, regulatory analyst with Commission staff.

7 JUDGE HOWARD: Thank you.

8 Could we hear from public counsel's witness?

9 MR. EARLE: Good morning, Your Honor. This
10 is Robert Earle appearing on behalf of Public Counsel.

11 JUDGE HOWARD: Thank you.

12 And King County's witness?

13 MS. BRUMBAUGH: Good morning, Your Honor.
14 This is Rachel Brumbaugh from King County.

15 JUDGE HOWARD: Thank you.

16 And could we hear from Walmart's witness?

17 MR. KRONAUER: Good morning. This is Alex
18 Kronauer. I'm a Senior Manager on the Energies Services
19 Team at Walmart.

20 JUDGE HOWARD: Thank you. One moment.

21 COMMISSIONER DOUMIT: Your Honor?

22 JUDGE HOWARD: Yes. Commissioner Doumit.

23 COMMISSIONER DOUMIT: Yes, Your Honor.

24 Thank you.

25 Just to interject something. I didn't

1 realize that counsel for the Puyallup Tribe was a member
2 of the firm of Odgen Murphy Wallace.

3 I just raise for the record that I was an
4 associate in that firm. I think I last practiced there
5 in the neighborhood of 29 -- 28 or 29 years ago. Never
6 on a matter related to this. Totally unrelated but I
7 just wanted to raise it for the record. Thank you.

8 JUDGE HOWARD: Thank you, Commissioner
9 Doumit.

10 As the assigned ALJ to this case, it is my
11 understanding that these were unrelated matters, as
12 you've just indicated.

13 Did any of the parties wish to raise any
14 concerns or objections to that? And this is -- this,
15 again, is related to the Puyallup Tribe's participation
16 in the case, rather than Green Direct.

17 MR. THOMAS: Your Honor, Nick Thomas for the
18 Tribe. We see no issue here.

19 JUDGE HOWARD: Thank you, Mr. Thomas.

20 All right. Hearing no further concerns, we
21 will swear in the witnesses for the Green Direct panel.
22 The witnesses I just had identify themselves, would you
23 all please raise your right hand.

24 Do you swear or affirm that the testimony
25 you will give today will be the truth -- the truth and

1 nothing but the truth?

2 (Affirmative answers.)

3 JUDGE HOWARD: Thank you. No party
4 indicated -- I'm sorry. Was someone speaking?

5 Okay. I'm not hearing anyone. No party
6 indicated that plan to cross the Green Direct --

7 COMMISSIONER RENDAHL: Judge Howard, you are
8 cutting in and out for me. I don't know if it's for
9 others as well. You might want to repeat that.

10 JUDGE HOWARD: Am I cutting in and out for
11 other people attending the call?

12 (Affirmative responses.)

13 JUDGE HOWARD: Okay. Hopefully that goes
14 away. I will call in on a cell phone if I need to for
15 my audio.

16 I will just read what I said, which is that
17 no party indicated that plan to cross the Green Direct
18 settlement panel, and I've just sworn in all the
19 witnesses and I've heard their affirmative responses.

20 Do we have any questions from the bench for
21 this panel of witnesses?

22 COMMISSIONER RENDAHL: Yes, I do, Your
23 Honor.

24 JUDGE HOWARD: Commissioner Rendahl, feel
25 free.

1 COMMISSIONER RENDAHL: Good morning,
2 everyone. I have a few clarifying questions for the
3 Green Direct settlement parties.

4 The first one in paragraph 17 of the Green
5 Direct settlement, it updates the resource option energy
6 charge and the energy charge credit, quote: For Green
7 Direct customers currently taking service under schedule
8 139.

9 And because the settlement provisions appear
10 to be limited to customers currently taking service,
11 does this mean that future Green Direct customers could
12 be subject to different resource option charges and
13 energy charge credits; is that a correct understanding
14 of the settlement?

15 MR. PILIARIS: This is Jon Piliaris for PSE.
16 That would be my interpretation as well.

17 COMMISSIONER RENDAHL: I'm seeing head nods,
18 but if any of the witnesses could verify if they are
19 indicating that, that would be helpful for the record.

20 MR. EARLE: This is Robert Earle, I agree.

21 MR. MCGUIRE: And this is Chris McGuire with
22 Commission Staff and I agree as well.

23 COMMISSIONER RENDAHL: Okay. Thank you very
24 much. Appreciate that.

25 The question relates to the proposed energy

1 charge credit which the settling parties have stated is
2 \$47.8 per megawatt hour, and that it is \$2 per megawatt
3 hour higher than the variable portion of Puget Sound
4 Energy's power cost adjustment rate, which the
5 Commission approved as the basis for the energy charge
6 credit and the 2020 power cost only rate case.

7 And so I'm going to ask a question about
8 this -- this amount that was agreed to in the 2020 PCORC
9 settlement.

10 Does anyone -- do people have access to that
11 or do I need to ask this question subject to check?

12 I have a docket number, if that would help.

13 MR. EARLE: Thank you, Your Honor.

14 COMMISSIONER RENDAHL: And that docket
15 number is 200980.

16 And I can give folks a minute to find that,
17 if you would like.

18 And my question relates to that amount that
19 was agreed to in the 2020 PCORC settlement.

20 So if you let me know when you might have
21 found that. If not, I can ask the question subject to
22 check.

23 MR. PILLARIS: This is Jon Piliaris. I
24 would recommend just asking the question to see. It's
25 hard to anticipate whether we will need it subject to

1 check or not until we hear it.

2 COMMISSIONER RENDAHL: Okay. So I will ask
3 it subject to check.

4 Would you accept, subject to check, that
5 paragraph 11(A)(1)(b) -- that's paragraph 11(A)(1)(b) of
6 the 2020 PCORC settlement states that the variable power
7 cost adjustment baseline rate is \$39.346 per megawatt
8 hour.

9 So can the settling parties explain the
10 basis for this statement and the settlements in this
11 case that the proposed energy charge credit in this
12 settlement is only \$2 per megawatt hour higher than the
13 rate approved in the 2020 PCORC.

14 MR. MCGUIRE: Commissioner Rendahl, this is
15 Chris McGuire.

16 First, I can verify -- I do have the
17 settlement agreement up from the -- the PCORC, and I can
18 confirm that the -- the amount you cited is accurate.

19 I think the -- the variable rate cited in
20 the PCORC is different than the variable rate if you
21 would calculate it today.

22 So the rate -- the Green Direct credit rate
23 that is identified in the current settlement isn't
24 necessarily \$2 higher than the PCORC variable rate. It
25 is higher than the current variable rate.

1 COMMISSIONER RENDAHL: Okay. So maybe to
2 clarify, the basis for the power cost adjustment that
3 was in the PCORC settlement hasn't necessarily changed,
4 but the calculation of it might have changed based on
5 how the power cost adjustment was agreed to end the
6 PCORC settlement.

7 Is that a better way of describing it?

8 MR. McGUIRE: Well, the methodology for
9 calculating the rate has actually changed.

10 The rate that was agreed to in the PCORC was
11 a result of a settlement and is -- represents only the
12 variable rate, whereas the Green Direct credit in the
13 current settlement reflects -- well, it uses a proxy for
14 calculating the avoided cost that should reflect both
15 the variable -- the variable cost of power as well as
16 some additional benefits that are experienced by PSE as
17 a result of Green Direct resources being on the
18 company's system.

19 So it's not going to be precisely the
20 variable rate. It's going to be the variable rate plus
21 some amount of additional costs that PSE is avoiding.

22 COMMISSIONER RENDAHL: Okay. So does any
23 other witness wish to respond in addition to
24 Mr. McGuire?

25 MR. EARLE: I would like to, Your Honor,

1 just as a clarifying point. I think staff and Public
2 Counsel have a different perspective on what the rate in
3 the settlement is.

4 From -- from the point of view of Public
5 Counsel, the point of the Green Direct credit is to
6 compensate Green Direct customers for the value that the
7 Green Direct TPAs provide the system.

8 And so -- Public Counsel believes that the
9 rate that is in the settlement is a reasonable
10 approximation of that and is a rate that the parties are
11 able to agree on.

12 From public counsel's point of view, the
13 right way to understand what's happening with the Green
14 Direct program is essentially -- the legislature said,
15 well, we want to provide consumers with the ability to
16 have more green power.

17 PSE went out and purchased PPAs on Green
18 Direct customers' behalf. Those PPAs are paid by Green
19 Direct customers.

20 In order to make the Green Direct customers
21 whole, they should be compensated for the value of those
22 contracts.

23 Likewise, other -- all customers should pay
24 for the value that those PPAs have brought to the
25 system.

1 So it's -- it's a different take than --
2 than staff.

3 And I emphasize it because I think that it's
4 important -- if there is a successor to this first Green
5 Direct program, it's important to have the principles
6 in -- in place and on the record for the Commission.

7 Thank you.

8 COMMISSIONER RENDAHL: Thank you.

9 Does any other witness wish to respond?

10 Okay. Well, I appreciate that
11 clarification. It helps me in looking at the -- the
12 joint testimony where it's referenced on page 19 about
13 basing it on the method used in the PCORC settlement, so
14 I appreciate that clarification.

15 My last question relates to the statement in
16 the Green Direct settlement at paragraph 20 which states
17 that the settling parties agree that the settlement is
18 intended to establish a durable methodology for
19 calculating the energy credit for Green Direct customers
20 and is intended to be used in future cases.

21 So if -- if one of the settling parties
22 determines in the future that the adjusted value of the
23 Green Direct PPAs is no longer serves as a reasonable
24 proxy for the company's avoided cost, did the settlement
25 prohibit that settling party from raising this issue

1 before the Commission? Or is this a -- a hope and
2 aspiration that this method will hold and will be
3 durable in future cases?

4 MR. PILLARIS: As with any settlement,
5 Commissioner Rendahl, there's -- there's an expectation
6 that the parties -- the signatories of the party to the
7 agreement will abide by that. However, circumstances
8 sometimes change beyond everybody's comprehension, at
9 least at the time.

10 And so the -- there's always the possibility
11 that it could be re-opened. But I think from at least
12 the company's perspective, the hope is that this will be
13 durable for at least the foreseeable future.

14 COMMISSIONER RENDAHL: I see Rachel
15 Brombaugh on the screen.

16 Did you wish to respond?

17 MS. BROMBAUGH: Thank you, Commissioner.

18 One of the aspects of the settlement that
19 was so attractive to the County was the -- the
20 consistency and durability of the proposed mechanism.

21 And we certainly do not anticipate
22 intervening in future cases because of this -- we have
23 neither the skill nor generally the capacity -- our --
24 our time is better spent governing the residents of King
25 County. I just wanted to add that.

1 COMMISSIONER RENDAHL: Thank you. I
2 appreciate that.

3 Does any other settling party witness wish
4 to comment?

5 Okay. I'm not hearing anything. I
6 appreciate you all being available and answering the
7 questions I had this morning. I don't have any further.
8 I don't know if my colleagues do.

9 CHAIR DANNER: Yes. Good morning. Thank
10 you.

11 I just want to clarify. What I'm hearing is
12 nobody expects to re-open this, but it's possible that
13 they're not prohibited from doing so. But just some
14 clarification.

15 Are they prohibited for doing so for the
16 duration of the rate plan?

17 MR. PILIARIS: Again, "prohibited" is
18 probably fairly strong black and white.

19 But I think there is a very strong
20 expectation, I would say, over this only two-year period
21 that this should not be re-opened during that point in
22 time. And, in fact, it is not likely that there will be
23 a venue for this issue to be re-opened.

24 So at the earliest, it could be re-opened
25 most likely the next rate case. But, again, the

1 expectation is that would not occur either.

2 CHAIR DANNER: All right. Thank you.

3 Anyone else wish to offer an opinion?

4 All right. Thank you.

5 JUDGE HOWARD: All right. Do we have any

6 further questions from the bench for this panel?

7 COMMISSIONER DOUMIT: I don't have any, Your
8 Honor. Thank you.

9 JUDGE HOWARD: All right. Thank you.

10 Then, in that case, I would like to thank
11 the witnesses for their testimony.

12 I'd also like to remind the witnesses that
13 the earlier question asked by Commissioner Rendahl
14 subject to check under the Commission rules, the
15 witnesses would have -- and the parties sponsoring them
16 would have five days following the receipt of the
17 hearing transcript from this proceeding to make any
18 corrections to their testimony.

19 So I would encourage you to check your
20 testimony when you receive that transcript and make any
21 corrections if you need to.

22 Thank you, again, for your testimony. You
23 may turn off your cameras.

24 We will now call the witnesses on the
25 revenue requirement and policy panel.

1 Just as with the Green Direct panel, let's
2 have the witnesses identify themselves and the party
3 they are appearing --

4 CHAIR DANNER: Your Honor. I'm sorry. I
5 see Ben Mayer has his hand up.

6 JUDGE HOWARD: Mr. Mayer.

7 MR. MAYER: Yes. Thank you, Chair Danner.

8 And, Judge, if I could just make one
9 request. As I think I said before, Rachel Brombaugh has
10 limited availability today. If she could be excused now
11 that the Green Direct panel is over, I would make that
12 request.

13 JUDGE HOWARD: Are there any objections from
14 any of the parties?

15 Hearing none, I would consider that witness
16 excused.

17 MR. MAYER: Thank you, Judge Howard.

18 MS. BROMBAUGH: Thank you, Your Honor.

19 JUDGE HOWARD: Thank you.

20 All right. So with the revenue requirement
21 policy panel, let's have the witnesses for this panel
22 identify themselves and the party they are appearing
23 for.

24 Let's begin with the witnesses for PSE. And
25 we'll have everyone turn on their cameras, and I'll

1 swear you in and hear testimony from the witnesses as a
2 panel.

3 So could we have the PSE witnesses identify
4 themselves.

5 MS. FREE: Good morning, Your Honor, and
6 Commissioners, this is Susan Free. I'm the Director of
7 Revenue Requirements and Regulatory Compliance for PSE.

8 MR. PILIARIS: And again, for the record,
9 Your Honor, Commissioners, this is Jon Piliaris,
10 Director of Regulatory Affairs for PSE.

11 MR. JHAVERI: Your Honor, this is Birud
12 Jhaveri, Manager for Pricing and Cost of Service for
13 PSE.

14 MR. JACOB: Good morning. I'm Josh Jacob,
15 Vice President Clean Energy Strategy for Puget Sound
16 Energy.

17 JUDGE HOWARD: All right. Thank you.

18 I believe that was all the PSE witnesses for
19 this panel.

20 Could we have -- could we hear from Staff's
21 witnesses.

22 MS. ERDAHL: Good morning, Commission. This
23 is Betty Erdahl from Commission Staff.

24 JUDGE HOWARD: Thank you.

25 Could we hear from AWEC?

1 MR. MULLINS: Good morning. Brad Mullins
2 with AWEC.

3 JUDGE HOWARD: Thank you.
4 Could we hear from NWECC's witness?

5 MS. MCCLOY: Good morning, Your Honor. This
6 is Lauren McCloy with Northwest Energy Coalition.

7 JUDGE HOWARD: Thank you.
8 And Sierra Club.

9 MS. SMITH: Good morning. Gloria Smith for
10 Sierra Club.

11 JUDGE HOWARD: Thank you.
12 The Energy Project.

13 MR. CEBULKO: Good morning. Brad Cebulko
14 with The Energy Project.

15 JUDGE HOWARD: Thank you.
16 Federal Executive Agencies.

17 MR. AL-JABIR: Good morning, Your Honor,
18 Commissions. This is Ali Al-Jabir. I'm an energy
19 consultant with the firm of Brubaker and Associates
20 appearing on behalf of the Federal Executive Agencies.

21 JUDGE HOWARD: Thank you.
22 Could we hear from Walmart's witness?

23 MR. KRONAUER: Good morning. This is Alex
24 Kronauer. I'm a senior manager on the energy services
25 team at Walmart.

1 JUDGE HOWARD: Thank you.

2 And Kroger.

3 MR. BIEBER: Good morning. This is Justin
4 Bieber with the Kroger Company.

5 JUDGE HOWARD: Thank you.

6 And could we hear fro Nucor's witness?

7 MR. HIGGINS: Good morning, Your Honor.
8 This is Kevin Higgins appearing on behalf of Nucor Steel
9 in Seattle.

10 JUDGE HOWARD: Thank you.

11 And Microsoft's witness.

12 MS. PLENEFISCH: Good morning. Irene
13 Plenefisch. Senior Director of Government Affairs for
14 Microsoft here in Washington State.

15 JUDGE HOWARD: Thank you.

16 So I will swear in each of you here at the
17 same time.

18 MS. CARSON: Your Honor -- Your Honor, if I
19 could interrupt for just a minute.

20 I believe that John Taylor, another PSE
21 witness, is available online.

22 John, if you are there and could turn your
23 camera on.

24 JUDGE HOWARD: Mr. Taylor, can you hear us?

25 Mr. Taylor, are you able to hear me?

1 MR. TAYLOR: Yes, I can. Can you able to
2 hear me?

3 JUDGE HOWARD: Yes.

4 MR. TAYLOR: All right. Sorry about that.
5 Good morning, Your Honor, Commissioners. John Taylor, a
6 managing partner with Atrium Economics on behalf of
7 Puget Sound Energy.

8 JUDGE HOWARD: Great. Thank you. And thank
9 you, Ms. Carson, for bringing that up.

10 So I will swear in each of these witnesses
11 at the same time. For the witnesses Piliaris, Jhaveri,
12 and Kronauer, I would consider you still under oath from
13 your earlier affirmation.

14 So I'll swear in each of you here at the
15 same time. Please raise your right hand.

16 (Affirmative responses.)

17 JUDGE HOWARD: All right. Thank you, all.
18 I see that CENSE plans five minutes of cross-examination
19 for each of the following witnesses on this panel.

20 Bieber, Kronauer, Higgins, Mullins, Cebulko,
21 Al-Jabir, McCloy, and Plenefisch. And I've already
22 granted Microsoft's objection to the cross-examination
23 of Plenefisch.

24 Although the other parties have reserved or
25 have not indicated objections to -- yet to CENSE's cross

1 of their settlement panel witnesses, I am going to
2 remind CENSE that its participation in this proceeding
3 is specifically limited to the prudence of the Energize
4 Eastside project. This was set out in order 03 in this
5 proceeding. So I'm going to expect that CENSE's
6 questioning of these panel witnesses ties back to the
7 prudence of Energize Eastside.

8 With that, Mr. Hansen, you may proceed.

9 Which witness do you intend to direct your
10 questions to first?

11 MR. HANSEN: Justin Bieber, I believe.

12 JUDGE HOWARD: Okay. You may proceed.

13 C R O S S - E X A M I N A T I O N

14 BY MR. HANSEN:

15 Q. Okay. Well, just to summarize a little bit.
16 They all signed the original agreement and they agreed
17 to the threshold prudence. And we're trying to
18 understand what that threshold prudence actually means.

19 So I have some questions here.

20 Please turn to Mr. Lauckhart's testimony for
21 CENSE, Exhibits RL-1T, page 17.

22 A. Give me a moment while I pull that up.

23 Q. Okay. Thank you.

24 A. Could you repeat the page and section number?

25 Q. Yes, it's RL-1T, page 17.

1 A. Okay.

2 Q. Here, Mr. Lauckhart identifies the four factors
3 that the -- that the WUTC looks for in a prudency
4 review.

5 Do you disagree with this testimony on the four
6 factors that WUTC looks for in a prudence review?

7 A. Give me a chance to -- to read the four factors.

8 JUDGE HOWARD: While Mr. Bieber is reviewing
9 that, is the court reporter able to capture what
10 Mr. Bieber is saying?

11 It does sound a little bit -- like the audio
12 is a little diminished to me.

13 MR. HANSEN: It's a little muffled, true.

14 COURT REPORTER: Yes, it's the same for me.

15 JUDGE HOWARD: Yeah. Mr. Bieber, if there's
16 a way -- to sit a little closer to the microphone or
17 something, and I'm not sure if it is a receiving of the
18 sound or if it's an internet issue.

19 MR. BIEBER: Okay. Can you hear me better
20 now?

21 JUDGE HOWARD: Slightly.

22 Let's proceed with this for the moment.

23 MR. BIEBER: Okay. So in response to the
24 question regarding the criteria for prudency review, I
25 don't disagree that those are reasonable criteria to

1 consider, although they may not be the only criteria.

2 BY MR. HANSEN:

3 Q. Can you repeat that? I was having a problem
4 with the transmission here.

5 I'll repeat the question.

6 Do you disagree with his testimony on the four
7 factors that WUTC looks for in a prudence review?

8 A. So without speaking to the criteria that the
9 WUTC would look at, these do not appear to be
10 unreasonable criteria to consider, although they may not
11 be the only criteria.

12 Q. Okay. What, in your mind, is the difference
13 between a threshold prudence demonstration and a full
14 prudency review conducted by Mr. Lauckhart?

15 A. Are you asking me about the difference between
16 those two types of reviews?

17 Q. Yeah. I'm asking -- we're trying to understand
18 what a -- a threshold prudence is.

19 And so in trying to understand that, we're --
20 the question is what is the difference between a
21 threshold prudence and a -- and a full prudency review.

22 A. I would expect a prudency review to determine
23 whether a decision meets the threshold prudence
24 criteria. So I'm not aware of a distinction,
25 necessarily, between the two types of reviews that you

1 are referring to.

2 Q. So what -- we're just trying to understand
3 what -- the threshold prudency review.

4 Is there some documentation that refers to that
5 particular term?

6 It seems to be new to us.

7 JUDGE HOWARD: Mr. Hansen, I would -- I
8 would caution you to -- to try to limit what you're
9 saying to questions.

10 MR. HANSEN: Oh, okay.

11 JUDGE HOWARD: That last sentence there
12 was -- was more of a statement.

13 MR. HANSEN: All right. Okay. I have
14 another question.

15 BY MR. HANSEN:

16 Q. The first factor requires a demonstration of
17 need.

18 Are you aware that the need for a transmission
19 line is demonstrated through a load flow, also known as
20 a Power Flow Study?

21 A. Are you asking if I'm generally aware how
22 transmission needs are identified?

23 Q. Are you an expert in load flow studies?

24 A. I review and participate in quite a number of
25 transmission and technical studies. And, yes, looking

1 at power flow is certainly one component of when you
2 determine the need for a new transmission line.

3 Q. Please refer to Mr. Lauckhart's Exhibit RL-4,
4 looking at pages 20 through 37.

5 A. Looking up pages 20 to 27 --

6 Q. Yeah, 20 --

7 A. Okay. The title on page 20, if I'm looking at
8 the correct document, is the seven fatal flaws found so
9 far.

10 Q. Right. Yeah, here Mr. Lauckhart testifies to
11 seven fatal flaws in the PSE/Quanta load flow studies.

12 Do you have any reason to disagree with
13 Mr. Lauckhart's identification of these seven fatal
14 flaws?

15 Somebody is running a vacuum cleaner or
16 something.

17 Okay. I will repeat the question.

18 Please turn to -- do you have any reason to
19 disagree with Mr. Lauckhart's identification of the
20 seven fatal flaws?

21 A. I have not reviewed the validity of his claims.

22 Q. Okay. You have not provided any testimony in
23 this proceeding on the prudence of Energize Eastside;
24 correct?

25 A. Yes, that is -- well -- yes, that is correct.

1 MR. HANSEN: Okay. Thank you very much.
2 That ends my questions. Thank you very
3 much.

4 MR. BIEBER: Thank you.

5 JUDGE HOWARD: All right. Thank you.

6 Mr. Hansen, do you intend to turn to another
7 witness on this panel?

8 MR. HANSEN: Yes, we do. To Alex Kronauer.

9 JUDGE HOWARD: Okay. You may proceed.

10 Well, I'm sorry. I'm sorry. Before you
11 proceed with that, do we have any redirect for
12 Mr. Bieber?

13 MR. BOEHM: No, Your Honor.

14 JUDGE HOWARD: Thank you. Sorry about that,
15 Mr. Hansen. You may proceed with questioning Kronauer.

16 C R O S S - E X A M I N A T I O N

17 BY MR. HANSEN:

18 Q. Okay. Here, again, please turn to
19 Mr. Lauckhart's testimony for CENSE. Exhibit RL-1T,
20 page 17.

21 MR. KRONAUER: So I apologize. I don't have
22 that testimony in front of me.

23 Would somebody be able to send me that
24 testimony so I can take a look at it?

25 MS. BALDWIN: Alex, this is Vicki Baldwin.

1 I just sent that to you.

2 MR. KRONAUER: Okay.

3 JUDGE HOWARD: Thank you, Ms. Baldwin.

4 MR. HANSEN: So do you have that, Alex?

5 MR. KRONAUER: I am opening it. Yes, I have
6 this document.

7 MR. HANSEN: Okay. Thank you.

8 BY MR. HANSEN:

9 Q. Here, Mr. Lauckhart identifies the four factors
10 that WUTC looks for in prudency review.

11 Do you disagree with his testimony on the four
12 factors the WUTC looks for in a prudency review?

13 A. I do not disagree, no.

14 Q. Okay. What in your mind is the difference
15 between a threshold prudence demonstration and a full
16 prudency review conducted by Mr. Lauckhart?

17 A. Well, I haven't really had much of a chance to
18 review his testimony. So I mean, I wouldn't really have
19 an opinion on the difference between the two.

20 Q. Okay. The first factor requires a demonstration
21 of need.

22 Are you aware that the need for a transmission
23 line is demonstrated through a load flow, also known as
24 Power Flow Study?

25 A. I am not. I am certainly not an expert in that

1 field.

2 Q. Okay. Please turn to Mr. Lauckhart's Exhibit
3 RL-4, looking at pages 20 to 37.

4 MS. BALDWIN: And if I may, Alex, I also
5 sent that to you.

6 MR. KRONAUER: Okay. Yes.

7 MS. BALDWIN: This is Vicki Baldwin for the
8 record.

9 MR. KRONAUER: Yeah. Okay. Fatal flaws in
10 PSE attempts justify Energize Eastside. Okay. I have
11 this in front of me.

12 BY MR. HANSEN:

13 Q. Yeah. Here Mr. Lauckhart testifies to seven
14 fatal flaws in the PSE/Quanta load flow studies?

15 Do you have any reason to disagree with
16 Mr. Lauckhart's identification of these seven fatal
17 flaws?

18 MS. BALDWIN: Objection. My -- my witness
19 has just testified that he has no experience with this
20 type of -- he's not an expert on these types of things.

21 JUDGE HOWARD: I'm going to grant that --
22 I'm going to grant that objection.

23 Mr. Hansen, you may ask if Mr. Kronauer has
24 any firsthand knowledge of this document, but I don't
25 believe we've laid that first step.

1 MR. HANSEN: Okay. I'll reiterate that
2 question, then.

3 BY MR. HANSEN:

4 Q. Do you have any firsthand knowledge of this
5 testimony?

6 A. I do not, no.

7 Q. Okay. You have not provided testimony in this
8 proceeding on the prudence of Energize Eastside;
9 correct?

10 MR. KRONAUER: That's correct.

11 MR. HANSEN: Thank you.

12 The next -- that completes my question.

13 JUDGE HOWARD: All right. Any redirect for
14 Mr. Kronauer?

15 MS. BALDWIN: No. No redirect.

16 JUDGE HOWARD: Thank you.

17 Mr. Hansen, you may proceed with your next
18 witness.

19 Do you intend to call Higgins?

20 MR. HANSEN: Yes.

21 THE COURT: All right.

22 MR. HIGGINS: I am here.

23 C R O S S - E X A M I N A T I O N

24 BY MR. HANSEN:

25 Q. Okay. Please turn to Mr. Lauckhart's testimony

1 for CENSE, Exhibit RL-1T page 17.

2 Do you have that available?

3 A. I do have it available if you will give me just
4 a moment, please.

5 Q. Okay. Thank you.

6 A. Yes, I have it. Thank you.

7 Q. Okay. Thank you.

8 Here, Mr. Lauckhart identifies the four factors
9 for -- the WUTC looks for in a prudency review.

10 Do you disagree with his testimony on the four
11 factors the WUTC looks for in a prudency review?

12 A. I don't have a reason to disagree with the four
13 factors listed in his testimony.

14 Q. Okay. Thank you.

15 What, in your mind, is the difference between a
16 threshold prudence demonstration and a full prudency
17 review conducted by Mr. Lauckhart?

18 A. Well, let me say at the outset that I am not an
19 attorney, so I will not attempt to differentiate between
20 a threshold prudence or another type of prudence.

21 Also add that I simply participated in this case
22 only on the gas docket, not the electric docket, which
23 this Energize Eastside Project is concerned with.

24 But my understanding in the context of the
25 settlement agreement is that a threshold prudence

1 determination allows cost to be provisionally recovering
2 in rates through a tracker. But those costs can
3 ultimately be challenged.

4 So I believe that that -- you know, in my
5 understanding -- in my nonlegal understanding is that a
6 threshold prudence allows for a tracker to be
7 established and provisional recovery.

8 Q. I'll repeat the question.

9 What, in your mind, is the difference between a
10 threshold prudence demonstration and a full prudency
11 review conducted by Mr. Lauckhart?

12 JUDGE HOWARD: Mr. Hansen?

13 MR. HANSEN: Yes.

14 JUDGE HOWARD: Mr. Hansen, I believe the
15 witness did answer your question. It does sound like
16 counsel was about to jump in with an asked-and-answered
17 objection, which I would grant.

18 So I suggest you move to your next line --
19 your next question.

20 MR. HANSEN: Okay. All right.

21 BY MR. HANSEN:

22 Q. The first factor requires a demonstration of
23 need.

24 Are you aware that the need for a transmission
25 line is demonstrated through a load flow, also known as

1 Power Flow Study?

2 MR. XENOPOULOS: Your Honor, this is Damon
3 Xenopoulos on behalf of Nucor.

4 Mr. Higgins, as he indicated, testified to
5 natural gas issues only.

6 Mr. Hansen is asking him about electric
7 transmission issues, and I don't believe that is
8 appropriate.

9 Thank you.

10 BY MR. HANSEN:

11 Q. Just to confirm that, I say that you have not
12 provided any testimony in this proceeding on the
13 prudence of Energize Eastside; correct?

14 JUDGE HOWARD: Mr. Hansen, I'm going to kind
15 of awkwardly and abruptly jump in, again, over your
16 question.

17 If there is an objection, we do need to wait
18 for me to make a ruling on it.

19 I -- I will -- I will allow -- I just wanted
20 to make that -- emphasize that point.

21 But I will allow you to ask the question you
22 just asked, but will you please restate it to the
23 witness.

24 MR. HANSEN: So, Judge, you want me to
25 repeat the question?

1 JUDGE HOWARD: Will you -- you may repeat
2 your last question.

3 MR. HANSEN: Okay. Thank you.

4 BY MR. HANSEN:

5 Q. You had not provided any testimony in this
6 proceeding on the prudence of Energize Eastside;
7 correct?

8 A. Correct.

9 MR. HANSEN: Okay. That completes my
10 questions. Thank you.

11 JUDGE HOWARD: Thank you.

12 Any redirect for Mr. Higgins?

13 MR. XENOPOULOS: No redirect, Your Honor.
14 Thank you.

15 JUDGE HOWARD: Mr. Hansen, you may proceed
16 to your next witness.

17 Is that Bradley Mullins?

18 MR. HANSEN: Yes, Your Honor.

19 JUDGE HOWARD: All right. You may proceed.

20 C R O S S - E X A M I N A T I O N

21 BY MR. HANSEN:

22 Q. Okay. My first question is please turn to
23 Mr. Lauckhart's testimony for CENSE, Exhibit RL-1T, page
24 17.

25 A. Okay.

1 Q. Here, Mr. Lauckhart identifies the four factors
2 that WUTC looks for in a prudency review.

3 Do you disagree with his testimony on the four
4 factors the WUTC looks for in a prudency review?

5 A. Well, I don't think these are unreasonable
6 factors. I don't think that they are, you know,
7 comprehensive necessarily.

8 Q. What -- what, in your mind, is the difference
9 between a threshold prudence demonstration and a full
10 prudency review conducted by Mr. Lauckhart?

11 A. Well, in this case where we're dealing with
12 provisional capital additions, the -- the threshold
13 prudence decision is just an agreement with the parties
14 that the -- that the amount -- the decision was prudent
15 and that it can be included in -- provisionally in
16 revenue requirement, subject to the sort of true-up
17 process that was agreed to.

18 Q. The next question.

19 The first factor requires a demonstration of
20 need, are you aware that the need for a transmission
21 line is demonstrated through a load flow, also known as
22 Power Flow Study?

23 A. A Power Flow Study is potentially one of the
24 analyses that might be considered when evaluating the
25 need for a new transmission line, but not necessarily

1 the only -- the only factor.

2 Q. Are you an expert in load flow studies?

3 A. I have reviewed similar studies in the past.

4 Q. Please turn to Mr. Lauckhart's Exhibit RL-4,
5 looking at pages 20 to 37.

6 A. Okay.

7 Q. Here Mr. Lauckhart testifies to seven fatal
8 flaws in the PSE/Quanta load flow studies.

9 Do you have any reason to disagree with
10 Mr. Lauckhart's identification of these seven fatal
11 flaws?

12 A. You know, reviewing the testimony of Dan'l Koch,
13 I do believe that these are not, you know, necessarily
14 accurate. I think they have -- that Puget has presented
15 their load flow study and the other reasons why they
16 need to replace this line in their testimony. And I --
17 I found that information to be more -- more compelling
18 than this.

19 Q. Okay. Thank you. Last question.

20 You have not provided any testimony in this
21 proceeding on the prudence of Energize Eastside;
22 correct?

23 A. Not -- not specific to -- to the prudence, no.

24 MR. HANSEN: Okay. That completes my
25 questions, Your Honor.

1 JUDGE HOWARD: Any redirect of Mr. Mullins?

2 MS. MOSER: No, thank you, Your Honor.

3 JUDGE HOWARD: Thank you.

4 Mr. Hansen, you may proceed with your next
5 witness.

6 Is that Bradley Cebulko?

7 MR. HANSEN: Yes, it is, Your Honor.

8 JUDGE HOWARD: Okay. Go ahead.

9 C R O S S - E X A M I N A T I O N

10 BY MR. HANSEN:

11 Q. Please turn to Mr. Lauckhart's testimony for
12 CENSE, Exhibit RL-1T, page 17.

13 A. Yes, I'm there.

14 Q. Okay. Thank you.

15 Here, Mr. Lauckhart identifies the four factors
16 that WUTC looks for in a prudency review.

17 Do you disagree with his testimony of the four
18 factors the WUTC looks for in a prudency review?

19 MR. FFITCH: Your Honor, I'm going to object
20 to this question.

21 Mr. Hansen hasn't established that
22 Mr. Cebulko has firsthand knowledge of this testimony.

23 We are willing to stipulate that Mr. Cebulko
24 has not provided testimony with regard to the prudence
25 of the Energize Eastside Project.

1 I would also object to the basis that these
2 questions go beyond the scope of Mr. Cebulko's filed
3 testimony in this case.

4 JUDGE HOWARD: Thank you.

5 I am sharing some of the concerns noted by
6 Mr. ffitch.

7 Mr. Hansen, if we are going to be asking
8 Mr. Cebulko questions about this testimony, could you --
9 could you first ask if he is familiar with -- with the
10 testimony and then proceed from there.

11 If he is familiar.

12 MR. HANSEN: Okay.

13 BY MR. HANSEN:

14 Q. Are you familiar with the testimony?

15 A. No, I am not. I first pulled it up when you
16 started asking this line of questions to the other
17 panelists.

18 Q. Just the last question to be complete.

19 You have not provided any testimony in this
20 proceeding on the prudence of Energize Eastside;
21 correct?

22 A. That's correct.

23 MR. HANSEN: That completes my questions.
24 Thank you.

25 JUDGE HOWARD: All right. Thank you,

1 Mr. Hansen.

2 Any redirect for Mr. Cebulko?

3 MR. FFITCH: No, Your Honor. Thank you.

4 JUDGE HOWARD: All right.

5 Mr. Hansen, you may proceed with your next
6 witness.

7 I believe that is Ali Al-Jabir.

8 MR. HANSEN: Yes, it is. Thank you.

9 C R O S S - E X A M I N A T I O N

10 BY MR. HANSEN:

11 Q. I guess the first question on that, have you
12 reviewed the testimony?

13 A. I'm sorry. Could you clarify which testimony
14 you are referring to?

15 Q. Well, please turn to Mr. Lauckhart's testimony
16 for CENSE, Exhibit RL-1T, page 17.

17 A. Yes, sir. If you are referring to his pre-filed
18 initial testimony, I have not reviewed that. I did
19 obtain a copy of it as you were questioning some of the
20 other witnesses, but I have not reviewed it myself.

21 Q. Okay. Our last question here, then, is -- you
22 have not provided any testimony in this proceeding on
23 the prudence of Energize Eastside; correct?

24 A. That is correct.

25 MR. HANSEN: That completes my questions.

1 JUDGE HOWARD: All right. Any redirect for
2 Al-Jabir?

3 MS. LIOTTA: No, Your Honor. Thank you.

4 JUDGE HOWARD: Thank you.

5 Mr. Hansen, I believe your last witness on
6 this panel was Ms. McCloy.

7 MR. HANSEN: Yes, Your Honor.

8 C R O S S - E X A M I N A T I O N

9 BY MR. HANSEN:

10 Q. There again, have you had a chance to review the
11 testimony on this issue?

12 A. Yes, I have reviewed Mr. Lauckhart's testimony.

13 Q. Okay. Please turn to Mr. Lauckhart's testimony
14 for CENSE, Exhibit RL-1T, page 17.

15 A. Yes, I have it pulled up.

16 Q. Okay. Thank you.

17 Here, Mr. Lauckhart identifies the four factors
18 that WUTC looks for in a prudency review.

19 Do you disagree with his testimony on the four
20 factors the WUTC looks for in a prudency review?

21 MS. PAREKH: Objection, Your Honor. Calls
22 for a legal opinion.

23 Mr. Hansen is asking Ms. McCloy to testify
24 regarding the legal factors required when evaluating
25 prudency. It is an inappropriate question for a

1 witness, Your Honor.

2 JUDGE HOWARD: Thank you.

3 I am going to deny the objection. While --
4 the way I explained this in -- when I deny objections
5 like this in my cases is that frequently policy
6 questions in our context are in this gray area between a
7 purely policy question and purely legal question.

8 So this does not strike me as a purely legal
9 question, so I'm allowing Mr. Hansen to ask this
10 question.

11 And, Mr. Hansen, you may repeat the question
12 for clarity.

13 BY MR. HANSEN:

14 Q. Okay. Do you disagree with his testimony on the
15 four factors that WUTC looks for in a prudency review?

16 A. I agree that the four factors are part of what
17 the UTC considers in a prudency review. I can't make
18 any judgment of his testimony on the four factors
19 because I am not familiar with the project and I did not
20 conduct a prudency evaluation on the project.

21 Q. Okay. Question.

22 You have not provided any testimony in this
23 proceeding on the prudency of Energize Eastside;
24 correct?

25 A. Yes.

1 MR. HANSEN: That completes my questions,
2 Your Honor.

3 JUDGE HOWARD: All right. Thank you.
4 Any redirect for McCloy?

5 MS. PAREKH: No, Your Honor.

6 JUDGE HOWARD: All right. I believe this
7 would be a good time to take a mid-morning break. Let's
8 take a break until -- a short break until 10:40 a.m. We
9 will go back on the record at 10:40 a.m.

10 All right. We are off the record. Thank
11 you.

12 (A break was taken from
13 10:32 a.m. to 10:40 a.m.)

14 JUDGE HOWARD: It is 10:40 a.m.

15 I'm not planning on doing any full roll
16 call. I'm going to look and see -- well, I'm just going
17 to ask, are the witnesses on this panel back on the
18 call?

19 MR. AL-JABIR: Yes, I am. This is Ali
20 Al-Jabir on behalf of FEA.

21 JUDGE HOWARD: Okay. Thank you.

22 I see we have the PSE witnesses.

23 Do we have Ms. Erdahl?

24 MS. ERDAHL: I'm here.

25 JUDGE HOWARD: All right. Great. Thank

1 you.

2 We have Mr. Mullins, Ms. McCloy, Ms. Smith.

3 MS. SMITH: Yes, Your Honor.

4 MR. MULLINS: I'm here as well as. Thanks.

5 MR. HIGGINS: Your Honor, Mr. Higgins is
6 here as well.

7 JUDGE HOWARD: Great.

8 MR. BIEBER: And Justin Bieber as well.

9 JUDGE HOWARD: Great.

10 Do I have the Commissioners with us?

11 I see Chair Danner.

12 CHAIR DANNER: I'm here.

13 JUDGE HOWARD: All right. And we have
14 Commissioner Doumit. And we have Commissioner Rendahl.

15 All right. Let's be back on the record.

16 The time is 10:42 a.m. We're returning
17 after a short break. We are currently on the revenue
18 requirement and policy panel.

19 We have just finished the planned cross from
20 CENSE, which the only party that indicated cross for
21 this panel.

22 We have now turned to any bench questions
23 for this panel.

24 Do we have any bench questions for this
25 panel?

1 COMMISSIONER RENDAHL: Yes, we do.

2 Your Honor, I guess I will start. And I
3 will start with a bench request for the parties. And
4 maybe this is for PSE, but if other parties need to
5 cooperate in that, please go ahead.

6 In Exhibit A to the settlement stipulation
7 and agreement on revenue requirement and all other
8 issues except Tacoma LNG and Green Direct, on page 5 on
9 line 5 it says that a full set of revenue requirement
10 workpapers has also been provided to parties and which
11 can be provided in whole or in part in response to a
12 bench request.

13 So I'm going to make a bench request right
14 now for the full set of the revenue requirement
15 workpapers supporting settlement.

16 (Bench request.)

17 COMMISSIONER RENDAHL: And we will be --
18 understand, Judge Howard, we will be sending any bench
19 requests that come out of this hearing after the hearing
20 for all the parties to respond to; correct?

21 JUDGE HOWARD: Yes, I -- I will make note of
22 any bench requests we put into the record today, and
23 we'll issue those in writing as well.

24 Would a seven-day turnaround be sufficient
25 for the company?

1 MS. CARSON: Yes, we can do it in seven days
2 or shorter than that. Five days.

3 JUDGE HOWARD: Okay. Great. Thank you.
4 I am going to -- to note seven days for now.
5 In the event we have other bench requests,
6 that deadline would likely apply to all of them, just
7 for simplicity.

8 COMMISSIONER RENDAHL: Okay. Thank you.
9 And so for the settling parties, also
10 referring to Exhibit A to the settlement stipulation and
11 agreement and turning to pages 7 and 8 of that
12 Exhibit A, it lists a number of items or adjustments
13 starting with "CEIP" and ending with "delay and
14 reliability spending."

15 And so I guess, first, I'd like to confirm
16 that these items or adjustments are excluded from the
17 revenue requirement in this case and that cost recovery
18 will be considered in future trackers.

19 Is that something that the parties can
20 confirm --

21 Ryan, Ryan, you are not muted. Thank you.

22 Okay. So do I need to repeat the question
23 to the parties?

24 MS. FREE: Commissioner Rendahl, this
25 is Susan Free, Director of Revenue Requirements and

1 Regulatory Compliance for PSE. I can take a first stab
2 at that.

3 I can confirm that the items listed here on
4 the referenced pages are not included in the settlement
5 revenue requirement.

6 Some of them will be in future filings.
7 Some of them will not be requested in the future.

8 COMMISSIONER RENDAHL: Okay. So could you
9 identify which of these in the list are identified in a
10 separate tracker.

11 MS. FREE: Certainly. The CEIP, which is
12 the -- the Clean Energy Implementation Plan, and the
13 TEP, which is the Transportation Electrification Plan,
14 those are the first two bullets listed and they will be
15 in a separate tracker under the settlement. That it's
16 not included in the current record requirement for the
17 settlement.

18 The Dry Ash is the third bullet. For
19 Colstrip, that will not be brought forward again for
20 rate recovery.

21 The fourth bullet, Tacoma LNG Facility will
22 also be in a separate tracker but is not included in the
23 revenue requirement for the settlement.

24 The fifth bullet, the general reduction in
25 gas rate base is included in the -- actually, is

1 included in the settlement revenue requirement.

2 We've made that adjustment and it's included
3 in the calculation of what's presented in the revenue
4 requirement for the settlement.

5 The same with the second-to-the-last bullet
6 on page 8. Renewable natural gas has been removed and
7 it is not included in the settlement revenue
8 requirement.

9 And the -- the delay in reliability
10 spending -- that delay has been incorporated into the
11 revenue requirement settlement.

12 COMMISSIONER RENDAHL: Okay. Well, starting
13 with that last one, can you explain how the delay has
14 been reflected?

15 It says here, shifted from 2023 to 2024.

16 And I'm assuming that means that those costs
17 would not be reflected until the 2024 provisional
18 capital adjustment period.

19 MS. FREE: That is correct.

20 In our original filing there were
21 investments that had appeared in 2023. And in an effort
22 to reduce the impacts of the rate increase in 2023,
23 we've shifted those programs -- those -- some of those
24 expenditures to 2024.

25 COMMISSIONER RENDAHL: Okay. And

1 specifically for -- for that one, is there a common
2 understanding of the revenue requirement associated with
3 that shift in spending or is that amount not -- not
4 agreed to and not known at this time.

5 MS. FREE: I think that -- it has been
6 incorporated into the calculations. And this Exhibit A
7 explains how the revenue requirement of the settlement
8 has been determined.

9 And the workpapers that will be part of the
10 bench request will show the final capital that is
11 included and how it was actually included in the
12 settlement versus -- which could be compared to the
13 original filing and you could see the differences.

14 COMMISSIONER RENDAHL: Okay. And with your
15 answer to that question, is -- is the same -- did those
16 workpapers then -- will those explain what is in the
17 settlement; what is out of the settlement; what might
18 come in a -- in a later provisional request for capital
19 recovery?

20 MS. FREE: So --

21 COMMISSIONER RENDAHL: For each of these --
22 for each of these that we're talking about on pages 7
23 and 8.

24 MS. FREE: So for what's included in the
25 filing, as far as capital, I would point you to

1 Exhibit I to the settlement. The exhibit -- I'll give
2 you a moment to pull that up.

3 COMMISSIONER RENDAHL: That's okay. I'm
4 going to take your word on that.

5 MS. FREE: Okay. So Exhibit I is a list --
6 all of the capital that's included since the end of the
7 test year in this case through the end of the second
8 rate year, 2024.

9 And so that is -- that is an affirmative
10 document that will show what's included.

11 In the workpapers that you will get in the
12 bench request, we provide a step by step, sort of a
13 reconciliation between what was in our original filing
14 and the different adjustments that we make. And -- you
15 can see the value for each of those steps.

16 So you can see certain things that are
17 removed that that impacts the revenue required by a
18 certain amount and we show that in the workpapers.

19 COMMISSIONER RENDAHL: Okay. So to
20 clarify -- so you said certain things will not be
21 included going forward. I assumed that is in reference
22 to the Colstrip Dry Ash expenses?

23 MS. FREE: Yes. That is an example.

24 COMMISSIONER RENDAHL: Are there other, of
25 these items, that are removed from the revenue

1 requirement that will not be brought forward similar to
2 the Dry Ash expenses?

3 MS. FREE: I think -- the Dry Ash is really
4 the one thing that will not ever be brought forward
5 again.

6 I -- I think the general reduction to gas
7 rate base at the bottom of page 7 is -- it's a general
8 kind of reduction, so that -- it's hard to answer the
9 stipulation to that.

10 Eventually, we'll have a different budget
11 and a different rate plan that will have gas rate based
12 in it. But I think to directly answer your question,
13 it's just to Colstrip Dry Ash.

14 COMMISSIONER RENDAHL: So then the renewable
15 natural gas would be -- it is not included in this
16 multiyear rate plan but may come forward with a
17 multiyear rate plan?

18 MS. FREE: Yes; that's correct.

19 COMMISSIONER RENDAHL: All right. Let me
20 look at my questions here.

21 So does the -- will the workpapers that
22 we've requested also indicate for Tacoma LNG costs --
23 what the company will seek -- will include in its
24 request for recovery -- for recovery in the next PGA
25 year or will that be the separate document?

1 MS. FREE: So the actual settlement
2 agreement for LNG provides an estimate of that.

3 And if you'll give me a minute, I can give
4 you the page number.

5 COMMISSIONER RENDAHL: I think, because
6 there is the settlement on LNG and we have a panel for
7 that later, I will defer those questions until later.

8 MS. FREE: Okay.

9 COMMISSIONER RENDAHL: So at this point, I
10 don't have any further questions related to the general
11 revenue requirement overall.

12 And so I would defer to my colleagues if
13 they have other questions on the revenue requirement
14 topics.

15 CHAIR DANNER: This is Dave Danner. I'm
16 sorry. I was trying to find my mute button to turn it
17 off.

18 I had some questions I wanted to ask about
19 performance metrics.

20 So we have an RCW, and that's 80.28.425.
21 And in paragraph 7 it says, "The Commission must in
22 approving the multiyear rate plan approve a set of
23 performance measures that will be used to assess a gas
24 or electric company operating under a multiyear rate
25 plan."

1 Are the settling parties proposing that the
2 Commission assess PSE's multiyear rate plan using any or
3 all of the 71 proposed metrics. Let me just put that
4 out there.

5 I mean, we have five SQI measures, 17
6 measures on various topics; and then the revenue
7 requirement settlement, 49 measures.

8 So, again, are we proposing that these --
9 that -- are you proposing that the Commission assess the
10 multiyear rate plan using these metrics?

11 MR. PILIARIS: So I can start with the
12 response to that question, Chair Danner.

13 The settlement clearly has a lot of metrics.
14 And most of those metrics are intended primarily to set
15 a foundation for what you are just talking about, which
16 is determining measures -- determining targets for those
17 measures and potentially even incentive of mechanisms.

18 You might recall in testimony Dr. Lowry
19 proposed a scorecard, and the scorecard that the company
20 put forward was intended for exactly what you were
21 talking about.

22 What is -- what is -- what is the card --
23 the scorecard that the Commission will use to judge the
24 performance of the utility under the multiyear rate
25 plan?

1 The metrics in the scorecard -- and, in
2 fact, there are targets in that scorecard -- are
3 included -- they are inclusive of what's in the
4 settlement. So the settlement only added to the
5 scorecard.

6 So I guess from the company's standpoint, if
7 the Commission were to use -- or were to look to
8 measures to evaluate the performance of the company
9 under the multiyear rate plan, I would -- I would advise
10 the Commission look to the scorecard for that and then
11 rely on the metrics as additional information that could
12 color its judgment of the performance and probably
13 inform discussions in later multiyear rate plan
14 proceedings.

15 CHAIR DANNER: All right. So -- but that
16 gets to my question, though. There's nothing here that,
17 you know, we would be providing an incentive or a
18 detriment to the utility based on any of these metrics
19 in this multiyear rate plan; is that correct?

20 MR. PILIARIS: Well, there's actually --
21 there's one new incentive mechanism that is proposed in
22 the settlement related to demand response.

23 So there is one incentive mechanism.

24 I will also note that embedded within the
25 scorecard are the company's existing SQIs which include

1 predominantly penalty mechanisms for failure to meet
2 the -- the prescribed measures.

3 CHAIR DANNER: Okay --

4 MR. PILIARIS: So embedded, again, within
5 the set of metrics that are agreed upon within the
6 settlement are those measures that include incentives
7 and penalties that the Commission can rely upon, I
8 think, in conformance with the statute.

9 CHAIR DANNER: All right. So it would be
10 your view, then, that this combination of the SQIs and
11 DR would be, themselves, a set of performance measures
12 that will be used to assess the electrical company
13 operating under a multiyear rate plan as required by the
14 RCW?

15 MR. PILIARIS: Well, not alone.

16 As I said, the scorecard includes more than
17 just those that include incentive mechanisms and
18 penalties. There are other measures on that scorecard.

19 For example, related to energy efficiency
20 related to ED performance and whatnot; so those would be
21 inclusive of that.

22 I guess I would -- my interpretation of the
23 statute is that the statute requires that there be
24 measures. It really actually doesn't require that there
25 be incentives or penalty mechanisms. That's the --

1 those are additional features that could be added. At
2 least that's my reading of the statute, as I can recall
3 it off the top of my head.

4 CHAIR DANNER: All right. Thank you.

5 And I see Brad Cebulko has his hand up.

6 MR. CEBULKO: Thank you, Chair Danner.

7 Brad Cebulko of The Energy Project.

8 A couple pieces here. First, I wasn't sure
9 if I clearly heard Mr. Piliaris, but in the settlement
10 stipulation, paragraph -- I think it's 60, on page 36,
11 is except for the DR PIM, the main response, there will
12 be no targets or benchmarks at this time.

13 I am not an attorney but my understanding
14 and the reading of the statute is that it's not required
15 to have benchmarks, targets, incentives, or penalties
16 associated with measures. I think just simply starting
17 to build a baseline in this multiyear rate plan
18 identifying what you want to track and what you want to
19 measure and then being able to evaluate and see that as
20 you evaluate the multiyear rate plan satisfies the
21 requirement.

22 As -- as you're well aware, there's the
23 Commission's generic PPR proceeding in Docket
24 U-210590 where the Commission is building a record to
25 build, you know, the metrics and then target some

1 benchmarks and incentive mechanism. I think that's a
2 great program. Great work plan. And this is
3 complimenting this, but it stands alone on its own that
4 you have an array of measures -- or metrics that are
5 measuring across the Commission's regulatory outcomes
6 and goals in this case that you can use to evaluate the
7 success of the multiyear rate plan.

8 CHAIR DANNER: All right. Thank you.
9 Lauren McCloy.

10 MS. MCCLOY: Thank you, Chair Danner. I was
11 just going to echo the comments of Mr. Cebulko and WECC
12 agrees that really -- what's established in this
13 settlement is the foundation for what we hope will be,
14 you know, a more robust policy framework adopted through
15 Docket U-210590 to define how the Commission wants to
16 use these performance measures going forward as they
17 relate to multiyear rate plans.

18 So we support what's in the settlement as a
19 first step towards a broader movement to perform its
20 base regulation.

21 CHAIR DANNER: All right. Thank you.

22 And my concern, though, is to make sure that
23 we are in compliance with RCW 80.28.425, and so I -- I
24 may recommend to parties that in the post-hearing briefs
25 that you address the -- the performance measures here do

1 conform in the statute.

2 And let me ask, is there an agreement among
3 the settling parties on how to calculate all the
4 proposed measures?

5 MR. PILIARIS: I guess I'll start.

6 As you'll note there's a laundry list of
7 metrics. And, generally speaking, the intention was to
8 use as many as possible that could be essentially pulled
9 off the shelf.

10 In other words, things the company already
11 reports on in various forms and bringing it into one --
12 into one -- one unit.

13 There are new ones, the -- many of the newer
14 ones in the settlement were actually proposed in various
15 pieces of testimony by the various parties. And so I --
16 I believe that the parties had in their mind or in their
17 testimony what the -- how those would be calculated.
18 There may be some that have a little bit -- there may be
19 some that are a little less clear.

20 And it would be the company's intention to
21 the extent that there seem to be some ambiguity that the
22 company would work with, particularly the stakeholders
23 that were proponents of the particular metrics to ensure
24 that there was some agreement going in that we were
25 calculating it as -- as expected.

1 CHAIR DANNER: All right. Thank you.

2 And then let me ask in witness Lowry's
3 testimony, and this is in MNL-IT on page 29, line 17 and
4 19.

5 Ms. Lowry describes the DR PIM incentive,
6 and it's based on a percentage of the, quote, estimated
7 lifetime costs of developing and administering the DR
8 program, inclusive of the DER and DR request for
9 proposal.

10 What are the estimated lifetime costs of
11 developing and administering the program?

12 MR. PILIARIS: I believe those would be
13 determined at the time the programs were developed.

14 So I can't say with any specificity what
15 those are right now, because those are yet to be fully
16 defined or scoped.

17 CHAIR DANNER: Okay. I assume that those,
18 once they are determined, they would be updated over
19 time; is that the way you envision this?

20 MR. PILIARIS: Well, no. I believe, there
21 is a fair amount of discourse around this issue as to
22 whether the incentive should be based on actual results
23 or anticipated results.

24 And my understanding of Dr. Lowry's view of
25 the matter was that the look back would be -- the

1 approach where you are looking back would require -- it
2 would drive quite a bit of probably disagreement over
3 the calculations themselves and the assumptions that
4 were borne in.

5 Rather, his position was it would be easier
6 to implement, administratively anyway, to agree up-front
7 what a reasonable assumption -- not unlike the way we
8 agree up-front as to the costs going into -- into rates
9 prospectively subject to refund.

10 I think his position was that if we just
11 used estimates, it would be easier to implement this --
12 this particular PIM. I'd also note that given some
13 degree, I think, of discomfort generally around this
14 PIM, the company agreed to limit the
15 financial benefits -- potential benefits that could be
16 derived from the PIM, the performance incentive
17 mechanism, to assuage any concerns in that regard.

18 CHAIR DANNER: Okay. And is there -- is
19 there any risk that we're going to have duplicative
20 recovery of the administrative costs or the development
21 costs, or do you think that that is not an issue?

22 MR. PILIARIS: I don't believe it is. I
23 mean, what we're talking about here is an incentive.
24 Essentially, an incentive payment for performance. And
25 so the recovery of the actual costs of the actual

1 programs is independent of the incentive that's put on
2 top of that. Or the financial incentive is put on top
3 of that. So there should not be a double accounting or
4 double recovery of those costs.

5 CHAIR DANNER: All right. Thank you.

6 And then going back to that one page in
7 MNL-1T. And, again, your witness Lowry defines what is
8 meant by incremental DR capacity. And I want to make
9 sure I got my -- I have my arms around this.

10 In 2023 -- and this is -- up on line 5 of
11 page 29, the target is 5 megawatts and the company only
12 achieves 3 megawatts in DR program reduction of
13 coincident peak demand.

14 PSE's incremental DR capacity for 2023 is
15 three megawatts and there would be no incentive.

16 In 2024, the target is six megawatts and the
17 company, again, only achieves three megawatts of
18 reduction. So PSE's incremental DR capacity for 2024 is
19 3 megawatts and there would be no incentive.

20 Am I reading that right?

21 MR. PILIARIS: The mechanics are correct. I
22 would note, however, that the numbers, the targets
23 themselves have grown substantially in the settlement,
24 whereas now we're committing to 40 megawatts of demand
25 response capacity by the end of 2024.

1 But I think the mechanics are correct. If
2 the company falls short there is no incentive.

3 CHAIR DANNER: Okay. And just to clarify,
4 the settling parties are adopting PSE's proposed
5 incremental calculation that's provided in -- by witness
6 Lowry; is that correct?

7 MR. PILIARIS: Well, I think with one
8 clarification around what you say, calculation. There
9 is -- there is still some uncertainty as to how the
10 capacity reduction will be calculated.

11 And so what we agreed to was that it would
12 be consistent with the way it would be calculated in
13 compliance with the company's clean energy
14 implementation plan requirements. The Commission
15 notes -- the response is one element of its required
16 element of its clean energy implementation plan. And
17 so, therefore, there will be some kind of compliance
18 calculation.

19 And so what we're proposing here in the
20 settlement is that they be calculated consistently.

21 So once that's, I guess, fully vetted within
22 the CEIP docket, that would be where we will have our
23 answer.

24 CHAIR DANNER: All right. Thank you.

25 Lauren McCloy.

1 MS. MCCLOY: Thank you.

2 I agree with Mr. Piliaris' explanation. As
3 you see in section -- in sub (d), this was a critical
4 piece of making this PIM work for NWECC is we do think
5 the methodologies should be consistent with the way it
6 is calculated in the CEIP.

7 CHAIR DANNER: And so we're looking at 40
8 megawatts by 2024, but the target for 2023 is still
9 five; is that correct?

10 MR. PILIARIS: I don't believe there is a
11 target for 2023. I think it is essentially a two-year
12 target.

13 CHAIR DANNER: Okay. Thank you.

14 And are the settling parties proposing
15 peak reductions for both winter and summer, or is it
16 just winter as proposed by PSE?

17 MR. PILIARIS: Again, speaking for the
18 company, I would say that we would look to the CEIP
19 docket as the basis for how that will be determined.

20 CHAIR DANNER: All right. Thank you.

21 And then, again, going back to Lowry's
22 testimony, PSE proposed not to include the EV load --
23 the electric vehicle load in the DR PIM to avoid double
24 counting load related to the EV PIM.

25 Since the EV PIM is not part of the

1 settlement, will PSE include reductions in winter
2 coincident peak demand relating to vehicles?

3 MR. PILIARIS: Again, I would answer the
4 same way, which is, I would point to the CEIP is the
5 basis for how it will be calculated.

6 (Discussion on audio.)

7 COMMISSIONER RENDAHL: Judge Howard, I'm
8 also having some difficulty -- it's somewhat muffled
9 coming from the PSE witnesses.

10 JUDGE HOWARD: All right. Can PSE -- is the
11 reception better after having muted that line?

12 MS. CARSON: Can you hear me clearly?

13 JUDGE HOWARD: I can hear you fairly clear.

14 MR. PILIARIS: Can you hear me now?

15 JUDGE HOWARD: Yes, I think that might be a
16 bit better.

17 Maybe, Mr. Piliaris, would you mind
18 repeating your -- your answer to that last question, if
19 you can recall it.

20 MR. PILIARIS: I believe it's the same as
21 the prior three, which was the -- the answer will be
22 found in the CEIP docket.

23 CHAIR DANNER: All right. I think that's an
24 accurate recollection of what I heard him say.

25 So -- may I continue, Judge?

1 JUDGE HOWARD: Yes, of course.

2 CHAIR DANNER: All right. Thank you.

3 And, Mr. Piliaris, in your own testimony
4 specific to the DR PIM and all the other proposed
5 metrics, I wanted to talk about the annual reporting.

6 Will the performance metrics in SQI annual
7 reporting include all 71 metrics provided in the
8 settlement?

9 MR. PILIARIS: Yes.

10 CHAIR DANNER: Okay. All right. That's all
11 I wanted to get clarification on.

12 And that's all the questions I have related
13 to performance-based.

14 Commissioner Rendahl, do you have more
15 questions?

16 COMMISSIONER RENDAHL: Just a follow-up on
17 that question.

18 So is it the intent of the settlement that
19 settling and non-settling parties would have an
20 opportunity to review and provide feedback on the metric
21 and the PIM calculations prior to the proposed annual
22 report or would that happened after the report to the
23 Commission?

24 MR. PILIARIS: I believe the settlement is
25 silent on that particular issue.

1 The company is open to some review of that
2 information to the extent that it can be provided.
3 There will be a fairly short turnaround, particularly in
4 the first year, so that might limit the amount of review
5 time.

6 But the company is open to -- as I said
7 earlier, some are going to be more clear-cut than
8 others.

9 Some -- where we think there's going to be
10 some ambiguity, we'll try to reach out very early to
11 make sure we're calculating in a way that's consistent
12 with party's expectations, which should hopefully limit
13 the need necessarily for a lengthy -- pre-review
14 process.

15 COMMISSIONER RENDAHL: Okay. And is that
16 something that would also happen in the context of the
17 CEIP, or is that separate just to this multiyear rate
18 plan settlement?

19 MR. PILIARIS: I'm not sure that I'm
20 following the question as it relates to the CEIP.

21 COMMISSIONER RENDAHL: Just in terms of the
22 performance measures and clearly the DR PIM is something
23 that is going to be evaluated in the CEIP.

24 You answered for a lot of those questions
25 that that discussion would happen and we would have more

1 on that during the CEIP. I'm just wondering if there's
2 any discussion about other performance measures on how
3 they would be reported and analyzed in the CEIP or is
4 that solely within this settlement.

5 MR. PILIARIS: My interpretation is it is
6 solely within the settlement.

7 COMMISSIONER RENDAHL: Okay. I just wanted
8 to clarify that. Okay. Thanks. I have nothing
9 further.

10 CHAIR DANNER: And I have no other questions
11 on that. I do have some questions regarding the
12 Colstrip tracker, if I may.

13 In the revenue requirement settlement, PSE
14 agrees to exclude all -- the capital investments
15 associated with the Colstrip Dry Ash disposal system.
16 And that's in the settlement, paragraph 23(j).

17 Can you confirm that the Dry Ash system
18 discussed in the settlement refers to the dry waste
19 disposal system discussed by PSE witness Ron Roberts in
20 his Exhibit RJR-1CT. Just want to make sure that we're
21 talking about the same things.

22 MS. FREE: Great. This is Susan Free for
23 PSE and I can confirm that those are the same thing.

24 CHAIR DANNER: Yes. Thank you.

25 And the revenue requirement settlement does

1 not include transmission-related costs in the proposed
2 Colstrip tracker.

3 Could the settling parties explain how
4 transmission lines that are related to the Colstrip
5 facility would remain used and useful for Washington
6 customers even after the retirement of Colstrip Units 3
7 and 4?

8 MS. FREE: I'm not intimately familiar with
9 that, but I would say that I am generally aware that
10 there's -- there's -- there's potential uses for that
11 line other than Colstrip, and so I'm anticipating that
12 that will be what keeps those lines used and useful.

13 CHAIR DANNER: So it's the potential.
14 There's nothing that would currently be serving
15 customers, but it would be -- it would be infrastructure
16 that would be used in the future.

17 MS. FREE: Correct.

18 CHAIR DANNER: Okay. Thank you.

19 Another question. In the discussion of the
20 Colstrip tracker, the settlement provides the, quote:
21 "Costs amortized after 2025 would not be recovered in
22 rates."

23 Can you confirm that the settlement removes
24 Colstrip costs other than decommissioning and
25 remediation costs from PSE's rates by December 31, 2025?

1 MS. FREE: Yes, that is how the tracker is
2 designed.

3 Any -- any cost related to the plant,
4 Units 3 and 4 that still remain at December 2025 will be
5 offset against production tax credits, and so,
6 therefore, won't need to be in rates after 2025.

7 And the agreement also provides that any
8 major maintenance events that are amortizing beyond
9 2025, that portion -- that amortizes beyond 2025 will
10 not be recovered.

11 CHAIR DANNER: Okay. And one last question
12 on this. The revenue requirement settlement, it states
13 that PSE will -- will move Colstrip rate base and
14 expense into a separate tracker.

15 Can you confirm that the proposed tracker
16 will include all rate base and operating expenses for
17 Colstrip?

18 MS. FREE: It will include all rate base for
19 Colstrip except for the transmission lines.

20 CHAIR DANNER: Okay. Thank you.

21 So those are my questions on Colstrip.

22 I do have one more question on low income.

23 In paragraph 38 of the settlement, the
24 parties state that the funding increase for help will be
25 consistent with RCW 80.28.425(2).

1 What is the amount of the funding increase
2 for help?

3 MR. JHAVERI: I can take that Chairman
4 Danner, if you can give me just a minute.

5 CHAIR DANNER: Sure.

6 MR. JHAVERI: So if you would turn to
7 Exhibit BDJ-JDT-9.

8 CHAIR DANNER: I'm sorry. Give that to me
9 again.

10 MR. JHAVERI: Sure. Exhibit BDJ-JDT. And
11 I'm sorry -- for the record I'm Birud Jhaveri.

12 So -- so the proposed total increase for the
13 2023/2024 low income program year would be \$6.3 million.
14 And for the 2024 program year, it would be just shy of
15 \$1 million additional incremental.

16 CHAIR DANNER: Okay. So the funding -- so
17 funding increase is -- is exactly a million.

18 MR. JHAVERI: Correct. In '24.

19 CHAIR DANNER: All right. All right. Thank
20 you. That's all I have.

21 So thank you very much.

22 COMMISSIONER RENDAHL: Okay. And I have
23 some questions about power costs for the settlement
24 panel.

25 The revenue requirement settlement provides

1 that PSE will update its power costs for recovery in
2 2023 as a part of its compliance filing at the
3 conclusion of this case. It also provides that PSE will
4 include a list of bulleted items in its power cost
5 update, which may include new and updated resources.

6 Does PSE intend to submit any new power
7 purchase agreements in its compliance filing for 2023
8 power cost that were not already described in the
9 company's initial testimony?

10 MS. FREE: This is Susan Free for PSE. And
11 we are aware of one new contract that would be included
12 in the compliance filing.

13 The settlement provides that the prudence
14 for that will be in the following years' PCA annual
15 compliance filing.

16 COMMISSIONER RENDAHL: So in the 2024 power
17 cost compliance filing or the 2023 filing?

18 MS. FREE: 2023.

19 COMMISSIONER RENDAHL: Okay. So you would
20 be identifying that with specifics in that filing?

21 MS. FREE: Correct.

22 COMMISSIONER RENDAHL: Okay. So that filing
23 provides a pretty -- the plan under the settlement is to
24 make that filing in the April 2023 power cost adjustment
25 filing and this is a pretty short time frame for

1 reviewing the resources.

2 Has PSE already provided information about
3 these new resources to the other parties in its
4 discovery responses? Is this something that the parties
5 have already been made aware of?

6 MS. FREE: So this is a -- this contract is
7 very recently entered into. So it has not been provided
8 to parties.

9 I will say that the length of time for a PC
10 annual compliance filing mirrors that of our
11 power-cost-only rate cases.

12 And so I think there is sufficient time
13 within those proceedings to look at new contracts.

14 COMMISSIONER RENDAHL: Okay. So all of this
15 information would be included in the PCA filing?

16 MS. FREE: Correct.

17 COMMISSIONER RENDAHL: Okay. And PSE is
18 planning to work with interested parties to address
19 public counsel's concerns about the timing.

20 MS. FREE: I'm not aware of the concerns
21 that Public Counsel has about the timing.

22 COMMISSIONER RENDAHL: I think they
23 expressed in their testimony concern about the short
24 time frame, but --

25 MS. FREE: In the annual compliance filing?

1 COMMISSIONER RENDAHL: Yes.

2 MS. FREE: The company is definitely
3 committed to do walk-throughs with parties and answer
4 any questions that they have in -- in the PCA compliance
5 filing. It is a, roughly, I think, five- or six-month
6 time frame that that -- it doesn't have to be finalized,
7 that filing, until September of the same year.

8 COMMISSIONER RENDAHL: Okay. Thank you.

9 And continuing on related to power purchase
10 agreements.

11 The settlement provides that the costs of
12 any PPAs -- which I'll use for short -- for distributed
13 energy resources, battery resources, and demand response
14 costs are eligible for potential earnings on PPAs
15 pursuant to statute RCW 80.28.410.

16 Do the settling parties take any position on
17 whether the costs of other PPAs aside from those listed
18 in the settlement are eligible for potential earnings
19 under the statute.

20 MR. PILIARIS: I guess -- this is Jon
21 Piliaris -- I'll start.

22 The intention of this -- at least from the
23 company's standpoint, this particular provision is that
24 it's fairly clear in the statute that --

25 COMMISSIONER RENDAHL: Mr. Piliaris, can I

1 ask you to just slow down a bit, given that it is still
2 a little bit garbled.

3 MR. PILIARIS: My apologies.

4 So the company's understanding of the intent
5 behind this particular provision in the settlement is
6 that the statute is fairly clear as to the fact that
7 utility scales power purchase agreements can be eligible
8 for earnings.

9 The statute is less clear about non-utility
10 scale, so things like demand response, distributed
11 solar, and the like.

12 And the settlement here essentially signals
13 an agreement among the parties that, in fact, they are
14 in agreement that they too should be eligible for
15 earnings opportunities.

16 And I guess, in fact, speaking only for the
17 company, it would seem like these particular types of
18 resources would be the ones that you would want to
19 incent through some sort of intensive -- like an earning
20 opportunity.

21 So that was -- that was essentially the
22 background at least from the company's standpoint in
23 this area of the settlement.

24 COMMISSIONER RENDAHL: Thank you.

25 Are there any other settling parties who

1 wish to comment on that? I'm not seeing any hands --
2 oh, Ms. McCloy, please go ahead.

3 MS. MCCLOY: Thank you, Commissioner
4 Rendahl.

5 I would agree with Mr. Piliaris' statement,
6 although I would add that the Commission certainly
7 retains the flexibility to decide whether it's
8 reasonable and appropriate to authorize the incentive
9 rate of return. It wasn't the intent of the settling
10 parties to remove the Commission's discretion.

11 COMMISSIONER RENDAHL: Thank you. I
12 appreciate that.

13 Any other -- any other comments?

14 Okay. And this is my last question about
15 the power cost issue.

16 Just to go back to -- my understanding of
17 public counsel's concerns about the revenue requirement
18 settlement that -- they argue, to my understanding, is
19 that the Commission should require that the prudence of
20 power cost be reviewed in the next general rate case as
21 opposed to through this power cost adjustment process.

22 So how did the settling parties respond to
23 public counsel's concern that the settlement does not
24 provide sufficient process for reviewing the prudence of
25 power costs?

1 I've heard the statement that six months is
2 a sufficient time, just like the peak work.

3 Is there anything else anyone wishes to add
4 want on that?

5 MR. PILIARIS: If I might -- I would at
6 least note that what -- what the settlement entails is
7 not a change to the status quo. There is already a
8 prudence review that occurs each year through that
9 annual PCA review process.

10 So a prudence review actually does occur on
11 a regular basis in that proceeding.

12 The only thing that is being added are new
13 resource -- some additional resources, but I would
14 submit that the settlement is actually not changing much
15 in this particular regard in terms of the amount of time
16 afforded to parties to review new power purchases.

17 COMMISSIONER RENDAHL: I appreciate that.
18 Thank you.

19 I have no other questions on this topic.
20 My colleagues may have questions on other
21 topics.

22 COMMISSIONER DOUMIT: Yes, Your Honor.
23 Commission Doumit here. I have a few questions on the
24 distributional equity analysis, if I might, please.

25 JUDGE HOWARD: Please go ahead.

1 COMMISSIONER DOUMIT: In the revenue
2 requirement settlement in paragraph 51, the settling
3 parties refer to a "staff-led process."

4 Why is the Commission staff the best party
5 to direct this process?

6 Anyone on the panel can answer.

7 MR. PILIARIS: This is Jon Piliaris again.
8 I'll certainly defer to Commission Staff and not push
9 them out into this. But I think it's normally and
10 orderly the case that staff -- or not -- at least not
11 uncommon that staff would open up a docket and lead a
12 process -- or some kind of an investigation. And so
13 this is really just a continuation of that -- of that
14 historical practice.

15 Of course, the Commission itself could do so
16 as well.

17 And I don't think the parties -- and again,
18 I'm -- I'll speak only for the company, but the company
19 would not object to the Commission itself actually
20 leading such a process, but I don't know that the
21 settling parties wanted to presume or direct the
22 Commission to take -- undertake such an effort. So the
23 fallback was that the Commission Staff agreed that they
24 would, at least, lead that effort.

25 COMMISSIONER DOUMIT: Okay. Thank you.

1 Staff, any comments?

2 MS. ERDAHL: Yes, this is Betty Erdahl.

3 I agree with Mr. Piliaris that Staff did not
4 want to commit the Commission to something in
5 particular.

6 We support a Commission-led process and
7 we're -- we think that all utilities should be involved
8 and stakeholders so that it encompasses everybody not
9 just a company-by-company process.

10 COMMISSIONER DOUMIT: Thank you.

11 And that sort of goes to my last question
12 here which is how are the voices and the concerns of low
13 income and disadvantaged customers be included in the
14 development of the plan?

15 MR. PILIARIS: And, again, this is Jon
16 Piliaris. They would be invited, absolutely, to
17 participate in such a proceeding so that their voices
18 could be heard.

19 COMMISSIONER DOUMIT: Nothing more from me
20 on that topic, Your Honor. Unless the other
21 Commissioners have a question.

22 COMMISSIONER RENDAHL: Not on this topic,
23 but I do have some questions about the -- the -- excuse
24 me, electric vehicle supply equipment. Let's just say
25 that. Electric vehicle supply equipment plan payment

1 provisions.

2 And the revenue requirement settlement in
3 paragraph 57 says that PSE shall make minimum payment
4 methods available at all publicly available electric
5 vehicle supply equipment-owned or supported by the
6 utility to increase access to all customers.

7 I would just like a little clarification
8 from the settling parties what it means to be supported
9 by the utilities so it could be clear as to what this is
10 focused on.

11 Lauren McCloy.

12 MS. MCCLOY: Thanks, Commissioner Rendahl.
13 I'm happy to speak first on that.

14 The intent of this was that if there are
15 electric vehicle charging stations or EVSE that is
16 supported by PSE dollars, whether that's, you know,
17 through an incentive or through direct capital
18 investment in the equipment, that those would need to
19 comply with the minimum payment methods that are
20 established under the California standards.

21 I would also add that the Washington State
22 Department of Agriculture is currently in a rulemaking
23 on this issue and has released draft rules which are
24 consistent with those standards.

25 And so all that is to say that we believe

1 the settlement requirement here is consistent with the
2 draft rule issued by the Department of Ag.

3 COMMISSIONER RENDAHL: Okay. And you
4 anticipated my next question, which was, given that the
5 settlement refers to -- refers to California EVSE
6 standards, I just wanted to make sure that the standard
7 in the -- the California standard that's adopted in the
8 settlement is not going to conflict with the Washington
9 State Department of Agriculture's rulemaking. And I
10 think you added that it is not in conflict.

11 MS. MCCLOY: It is not in conflict with --
12 they have not adopted the final rule. But it is not in
13 conflict with the current rule that is under
14 consideration.

15 COMMISSIONER RENDAHL: Okay. Thank you.
16 And I believe I don't have any more
17 questions on the EVSE topic, but any other settling
18 parties wishes to chime in and have comments, please go
19 ahead.

20 Okay. I have no further questions on the
21 EVSE topic.

22 COMMISSIONER DOUMIT: Your Honor, I have a
23 question. A general question on the inflation reduction
24 act, if I might, please.

25 JUDGE HOWARD: Certainly.

1 COMMISSIONER DOUMIT: On August 16, 2022,
2 the President signed the Inflation Reduction Act into
3 law. I hope Your Honor can take judicial notice of that
4 fact.

5 The law includes items including incentives
6 attached to clean energy tax credits and some other
7 measures.

8 How do you parties think the benefits of the
9 IRA could go to customers during the pendency of this
10 multiyear rate plan?

11 Has anybody thought about that one?

12 Please proceed.

13 MR. PILIARIS: I guess -- this is Jon
14 Piliaris for PSE.

15 The company is currently very deep in
16 evaluating the opportunities that the IRA presents for
17 customers and is working on proposals to secure funding.

18 It's likely that this will take some time to
19 secure the funding and get the programs rolling to the
20 extent that we're successful in securing those funds.

21 To the extent that they would displace
22 projected costs within the filing, that would obviously
23 be accounted for in the annual review process.

24 It's more likely the case, however, that
25 these will be more additive, basically more benefits

1 to -- to customers with essentially free money from
2 the -- from the federal government.

3 So they will be taken into account. The
4 company is going after as many funds as it can get, but
5 as you know, there are a lot of others going after these
6 same funds.

7 COMMISSIONER DOUMIT: Thank you.

8 MR. MULLINS: This is Brad with AWEC and
9 I'll quickly comment. That those -- the benefits of the
10 Inflation Reduction Act were, due to its timing, not
11 considered in the settlement. And given the sort of
12 broad range of incentives and things that might be
13 available, I think those would need to be sort of dealt
14 with on a case-by-case basis. But just understanding
15 they weren't included in the settlement.

16 COMMISSIONER DOUMIT: Thank you.

17 Nothing further on that line, Your Honor,
18 unless Commissioners have questions. I have questions
19 on other sections of the settlement if I might, Your
20 Honor.

21 JUDGE HOWARD: Certainly.

22 COMMISSIONER DOUMIT: That's on the time
23 variant rate to pilot settlement paragraph No. 41 --
24 revenue requirement settlement paragraph 41.

25 The settlement requires PSE to provide

1 enabling methodology to half of low income participants
2 in the time-bearing rate pilots that it also requires
3 PSE to provide bill protection to half of the low income
4 participants.

5 First question, I guess, I have is in
6 looking at Mr. Cebulko's initial testimony, BTC-IT at
7 page 61, he had included four sort of observation
8 groups. And it looks like this pilot was, perhaps,
9 developed from those -- from that testimony. Those
10 groups included low income customers who would have both
11 the equipment and the bill protection and those who
12 would have none, neither.

13 I just wondered why those last two
14 categories fell out of the pilot.

15 MR. CEBULKO: Did I hear PSE correctly that
16 they said Mr. Cebulko should take that?

17 MALE SPEAKER: Yeah.

18 MR. CEBULKO: Hello, Commissioners. Brad
19 Cebulko from The Energy Project.

20 It was perhaps a -- I don't -- I'm not sure
21 we actually discuss that specific piece of that. It was
22 my understanding that's how Puget was going to structure
23 this program. Consistent with that recommendation, it
24 seems to make the most sense if you are trying to use
25 this as a pilot.

1 But I would say that wasn't -- I'm not -- I
2 don't recall if that was an explicit conversation with
3 Puget.

4 COMMISSIONER DOUMIT: So do you believe,
5 Mr. Cebulko, that this will be a robust pilot with the
6 observation groups that are agreed upon?

7 MR. CEBULKO: Depends on the number of
8 participants that Puget can sign up, but yes, that would
9 be my expectation.

10 COMMISSIONER DOUMIT: And I guess that was
11 another question perhaps for you then as well. I think
12 in your initial testimony you assumed it was 500 or a
13 thousand customers. There's no mechanism to recruit low
14 income customers to the pilot that I saw; is that
15 correct?

16 MR. CEBULKO: Sorry, Commissioner. Is this
17 question directed to me?

18 COMMISSIONER DOUMIT: Yes, please. I'm
19 sorry. Yeah.

20 MR. CEBULKO: That's correct. It's an
21 opt-in program. So Puget is going to have to go out and
22 solicit participation into this program.

23 COMMISSIONER DOUMIT: And some -- another
24 question, maybe for you or more for Puget.

25 How will PSE ascertain the income level of a

1 customer recruited for the DVR pilot?

2 MR. CEBULKO: I deferred to --

3 MR. PILIARIS: Commissioner Doumit, our
4 intention is that when we recruit customers, we will
5 specifically ask for their income levels. And based on
6 their income levels, they will either be added to the
7 residential pilot or the low income pilot on a basis of
8 the varying levels of income that there may be.

9 COMMISSIONER DOUMIT: And, again, thanks for
10 going into some detail on this.

11 I have another sort of detailed question.

12 Will the same low income customers receive
13 both enabling technology and bill protection?

14 It appears that that won't be the case, but
15 half will receive technology and half will receive bill
16 protection, but maybe just a little more specificity on
17 that.

18 MR. PILIARIS: That's right. The intention
19 is to provide bill protection and technology to half --
20 half of the low income customers and that will be done
21 on a randomized selection basis.

22 COMMISSIONER DOUMIT: And lastly, will the
23 company provide the results of how the TVR pilot
24 impacted low income populations in their pilot results?

25 MR. JHAVERI: Yes, we will.

1 COMMISSIONER DOUMIT: Nothing further, Your
2 Honor. Thank you.

3 COMMISSIONER RENDAHL: Your Honor, may I
4 follow up just slightly on that line of questions?

5 JUDGE HOWARD: Yes.

6 COMMISSIONER RENDAHL: And I think Brad
7 spoke -- I think you addressed this, but I would
8 appreciate maybe PSE responding.

9 So in your testimony, you had suggested a
10 process for evaluating the various groups. You had
11 proposed the half low income customers getting the
12 tech -- enabling technology benefit and half including
13 the bill reduction.

14 And so -- and you had proposed a way to --
15 to measure that in the evaluation of the results.

16 And so I think I understand your response to
17 Commissioner Doumit is that that did not -- that
18 evaluation didn't enter into the settlement; is that
19 correct?

20 MR. PILIARIS: That question is for the
21 company?

22 COMMISSIONER RENDAHL: That question was for
23 Mr. Cebulko first, and then I was going to follow up
24 with the company.

25 MR. CEBULKO: I'm sorry. Commissioner

1 Rendahl, can you speak to the evaluation requirement you
2 are speaking of in my testimony?

3 Do you have a reference?

4 COMMISSIONER RENDAHL: On page 62 of your
5 testimony you identified sort of the way you would
6 evaluate -- or you would have different ways of
7 evaluating the impacts on four different -- you know,
8 looking at the groups in four different ways.

9 And so that did not appear to be included in
10 the settlement. And so just inquiring whether this
11 method of evaluating and grouping different folks
12 impacted by -- by this pilot, whether that was included
13 in the settlement or it intended to be included in the
14 settlement.

15 MR. CEBULKO: Yes, it was my intention.
16 Although, I now see that there might be some ambiguity
17 in the settlement.

18 COMMISSIONER RENDAHL: Okay. And so now
19 turning to PSE, was it PSE's understanding in developing
20 this pilot that it would follow the recommendations in
21 Brad Cebulko's testimony on this evaluation technique?

22 MR. PILIARIS: So we would certainly be open
23 to -- to various evaluation techniques. The company's
24 intention is that when -- once we start the process of
25 assessing appropriate EMV measures and processees that

1 we would include stakeholders before we finalize the EMV
2 process. And so in -- through that method, we would
3 certainly take into consideration any -- any proposals
4 that -- that were provided to us, including the one in
5 Mr. Cebulko's testimony.

6 COMMISSIONER RENDAHL: Okay. Thank you,
7 that's helpful.

8 I have no other questions. Thank you.

9 JUDGE HOWARD: Do we have any further
10 questions from the bench?

11 CHAIR DANNER: I have no questions.

12 COMMISSIONER RENDAHL: No more questions.

13 COMMISSIONER DOUMIT: No, Your Honor.

14 JUDGE HOWARD: All right. I'd like to thank
15 the witnesses on this panel for their testimony. You
16 may turn off your cameras.

17 And I understand that Irene Plenefisch,
18 Microsoft's witness, had limited availability today, so
19 I was planning on excusing Irene Plenefisch from the
20 remainder of the hearing, unless any of the
21 Commissioners had concerns with that.

22 COMMISSIONER RENDAHL: No concerns.

23 CHAIR DANNER: No concerns.

24 COMMISSIONER DOUMIT: No.

25 JUDGE HOWARD: Hearing none, that witness is

1 excused.

2 I'm not sure who raised their hand first.

3 Ms. Liotta.

4 MS. LIOTTA: Yes, Your Honor. Rita Liotta
5 with FEA.

6 I was hoping to have Mr. Al-Jabir excused.
7 He is not on any other settlement panel.

8 JUDGE HOWARD: I think that would be
9 perfectly fine.

10 MS. LIOTTA: Thank you, Your Honor.

11 MR. AL-JABIR: Thank you, Your Honor.

12 JUDGE HOWARD: Ms. Parekh.

13 MS. PAREKH: Thank you, Your Honor.

14 Same questions for Ms. McCloy and Ms. Smith.

15 If they could please be excused as they're
16 not on any other panel.

17 JUDGE HOWARD: Was your witnesses McCloy and
18 what was the second one?

19 MS. PAREKH: Gloria Smith.

20 JUDGE HOWARD: Okay. Yes, I think -- I
21 think that is fine. All right.

22 Counsel for Kroger.

23 MR. BOEHM: Thank you, Your Honor.

24 Same question for our witness, Mr. Bieber.

25 JUDGE HOWARD: Yes, Mr. Bieber may be

1 excused for the remainder of the hearing.

2 MR. BOEHM: Thank you, Your Honor.

3 THE COURT: So I see that we are approaching
4 the lunch hour here.

5 The next panel of witnesses we would have
6 would be the cost of capital panel.

7 And no party planned to cross the cost of
8 capital panel.

9 Do we -- before I swear in the panel, do we
10 have any bench questions for this panel?

11 COMMISSIONER RENDAHL: I have no --

12 JUDGE HOWARD: I'm sorry, Commissioner
13 Rendahl. I spoke over you.

14 COMMISSIONER RENDAHL: I have no questions.

15 JUDGE HOWARD: All right.

16 CHAIR DANNER: I have no questions, Your
17 Honor.

18 COMMISSIONER DOUMIT: Nor I do, Your Honor.

19 JUDGE HOWARD: All right. Thank you.

20 The cost of capital panel, we will -- we
21 will skip over the cost of capital panel.

22 The witnesses on that panel, just to have a
23 bit of foresight here, I will say that those witnesses
24 are excused from the remainder of the hearing, if you
25 are on that panel. I will double-check.

1 With the exception of -- of Betty Erdahl and
2 Bradley Mullins who were on that panel, but we would
3 like to remain available for the remainder of the
4 hearing.

5 So the next panel after that would be the
6 Energize Eastside panel.

7 And, of course, we are coming up on the
8 lunch hour, so I would like to check in with CENSE who
9 is a party who indicated that they plan to cross
10 witnesses on the Energize Eastside panel.

11 I see you had -- I believe it was 60 minutes
12 for PSE's witness Koch, 10 minutes for Nightingale, and
13 10 minutes for Erdahl.

14 Mr. Hansen, would you be amenable to -- to
15 doing one of your ten-minute cross-examinations before
16 we break for the lunch hour or would you prefer to
17 resume and pick up all these crosses after -- after a
18 45-minute lunch break?

19 MR. HANSEN: We're not going to do Betty
20 Erdahl.

21 JUDGE HOWARD: All right.

22 MR. HANSEN: We can do Joel Nightingale.
23 Except we have quite a few questions for
24 him.

25 JUDGE HOWARD: All right. Do you think that

1 will take more than 10 minutes?

2 MR. HANSEN: I believe it will.

3 JUDGE HOWARD: All right. I think in that
4 case, I think it would be awkward to stop halfway
5 through your examination. So let's leave off here for
6 45-minute lunch break. We will resume at 12:35 p.m.

7 And we are off the record.

8 (A break was taken from
9 11:51 a.m. to 12:36 p.m.)

10 JUDGE HOWARD: Let's be back on the record.
11 The time is 12:39 p.m.

12 We're going to resume calling witnesses with
13 the Energize Eastside panel. And these are the
14 witnesses: Dan Koch, Betty Erdahl, and Joel
15 Nightingale.

16 Let's have the witnesses identify themselves
17 and the party they are appearing for beginning with
18 Mr. Koch for PSE. And let's have the witnesses turn on
19 their cameras if they have not already.

20 MR. KOCH: Good afternoon. I'm Dan Koch,
21 Vice President of Operations at Puget Sound Energy.

22 JUDGE HOWARD: Thank you.

23 And do we have the witnesses for Staff?

24 MS. ERDAHL: This is Betty Erdahl on behalf
25 of Staff.

1 JUDGE HOWARD: Thank you.

2 MR. NIGHTINGALE: This is Joel Nightingale
3 on behalf of Commission Staff.

4 JUDGE HOWARD: Thank you.

5 Ms. Erdahl, I believe I swore you in earlier
6 and consider yourself under oath.

7 Mr. Koch and Mr. Nightingale, would you
8 please raise your right hand and I will swear you in
9 together.

10 Do you swear or affirm that the testimony
11 you will give today is the truth, the whole truth, and
12 nothing but the truth?

13 MR. KOCH: I do.

14 MR. NIGHTINGALE: Yes.

15 JUDGE HOWARD: Thank you.

16 CENSE plans to cross-examine Mr. Koch for 60
17 minutes and Mr. Nightingale for, I'll say, approximately
18 15 minutes. And they indicated that they wish to
19 proceed with Mr. Nightingale first.

20 So, Mr. Hansen, please proceed.

21 MR. HANSEN: Okay. Thank you very much,
22 Judge.

23 C R O S S - E X A M I N A T I O N

24 BY MR. HANSEN:

25 Q. The first question we have is please turn to

1 Mr. Lauckhart's testimony for CENSE. It's Exhibit
2 RL-1T, page 17.

3 A. I'm there.

4 Q. Okay. Thank you.

5 Here Mr. Lauckhart identifies the four factors
6 that WUTC looks for in a prudency review.

7 Do you disagree with his testimony on the four
8 factors that UTC looks for in a prudency review?

9 A. I think these factors are relevant to prudency
10 reviews. I outline in my testimony the approach that
11 Staff took, which differs slightly.

12 Q. Thank you.

13 The first factor requires a demonstration of
14 need.

15 Are you aware that the need for a transmission
16 line is demonstrated through a load flow or alternately
17 a power flow study?

18 A. I understand that that's -- that's how -- how
19 that can be done, yes.

20 Q. Next question.

21 Are you an expert in load flow studies?

22 A. I am not. Credentials for the review have --
23 have been my testimony.

24 Q. Okay. Please turn to Mr. Lauckhart's Exhibit
25 RL-4. Looking at pages 20 up to 37. Here Mr. Lauckhart

1 testifies to seven fatal flaws in the PSE/Quanta load
2 flow studies.

3 Do you have any reason to disagree with
4 Mr. Lauckhart's identification of these seven fatal
5 flaws?

6 MR. ROBERSON: Objection. There's no
7 foundation laid for the witness to see this testimony.
8 Also, it's beyond the scope of his testimony. He
9 doesn't testify about what Mr. Lauckhart testified to.
10 He testifies about what he testified to.

11 JUDGE HOWARD: I am going to grant the
12 objection.

13 Mr. Hansen, would you -- would you -- I
14 think we need to back up.

15 And I recognize you're not an attorney so
16 that's why I'm explaining this a little differently.

17 Would you ask the witness if he's familiar
18 with this exhibit?

19 MR. HANSEN: I will do that.

20 BY MR. HANSEN:

21 Q. Are you familiar with the Exhibit RL-4?

22 A. I believe I've taken a look at it, yeah.

23 Q. Specifically, pages 20 to 37?

24 A. This is the PowerPoint; is that correct?

25 Q. Yes.

1 A. And the pages again?

2 Q. Pages 20 through 27.

3 MALE SPEAKER: Thirty-seven.

4 BY MR. HANSEN:

5 Q. Thirty-seven.

6 A. Twenty through 37?

7 Q. Correct.

8 A. Okay. And I'm sorry, what was the question
9 again?

10 Q. Okay. Here Mr. Lauckhart testifies to seven
11 fatal flaws in the PSE/Quanta load flow studies, do you
12 have any reason to disagree with Mr. Lauckhart's
13 identification of these seven fatal flaws?

14 MR. ROBERSON: Again, I object. This is
15 beyond the scope of Mr. Nightingale's testimony.

16 MR. HANSEN: Okay. Next --

17 JUDGE HOWARD: Wait. Wait. Wait,
18 Mr. Hansen.

19 Mr. Roberson, did -- did Mr. Nightingale --
20 I'm not recalling all his testimony at this moment.

21 Did he discuss the Energize Eastside
22 projects?

23 MR. ROBERSON: He did, but he submitted
24 testimony on the same day, I believe, as Mr. Lauckhart.
25 He did not testify about Mr. Lauckhart's testimony,

1 which is what he's being asked about.

2 JUDGE HOWARD: Mr. Hansen, I think -- I
3 think the trouble here is that we're asking the witness
4 to give his opinion on several pages that he might not
5 have seen before.

6 Could you consider re-wording your question
7 so we're asking about -- about the underlying
8 substantive issue and CENSE's position on that and what
9 the witness thinks of that, perhaps?

10 MR. HANSEN: Okay. I'll take a moment here
11 if you don't mind.

12 JUDGE HOWARD: That's perfectly fine.

13 You may want to mute yourself.

14 MR. HANSEN: Okay. I'll mute it.

15 (Pause in the proceeding.)

16 MR. HANSEN: Okay. I'm back. We're --
17 we're trying to understand what Mr. Nightingale thinks
18 is prudency and how that relates to the seven fatal
19 flaws.

20 MR. ROBERSON: Objection. I don't believe
21 Mr. Nightingale testifies about the seven flaws that
22 CENSE is identifying. A sensible flaws.

23 He can ask him about prudency. He testifies
24 to that. But he doesn't testify to the matters that
25 Mr. Lauckhart testifies to.

1 JUDGE HOWARD: I'm going to grant the
2 objection.

3 And I'll explain, Mr. Hansen, that we
4 can't -- we can't have the witness be crossed on
5 something that he hasn't -- he doesn't already have
6 firsthand knowledge of. And this is not his testimony.

7 MR. HANSEN: I understand.

8 JUDGE HOWARD: So I would encourage you to
9 pose your questions in terms of -- in terms of his
10 testimony or establish that he's familiar with something
11 and then ask him --

12 MR. HANSEN: Thank you very much. I will do
13 that.

14 BY MR. HANSEN:

15 Q. Next question here.

16 Neither you nor anyone testifying through Staff
17 have performed a load flow study to determine if there
18 is a need for Energize Eastside.

19 Why has Staff not performed a load flow study?

20 A. I don't believe we have the -- the -- the
21 correct software to perform something like that.

22 And I guess I would also say that the -- the
23 testimony provided by the company, you know, in our eyes
24 did -- did speak to need to -- or a deficiency that was
25 there.

1 Q. Next question here.

2 When did you join the UTC staff?

3 A. September of 2021.

4 Q. Okay. Is Energize Eastside your only project?

5 MR. ROBERSON: Objection. I'm not sure
6 that's relevant.

7 JUDGE HOWARD: Well, I'll allow it. Let's
8 see where it's going.

9 MR. NIGHTINGALE: No. I work on a wide
10 variety of things at the Commission. This is the -- the
11 Energize Eastside was the scope of my testimony that I
12 gave in this case.

13 BY MR. HANSEN:

14 Q. Okay. Next question. Turning back to -- well,
15 here again, we've got a question regarding our expert's
16 testimony. So -- so I request a moment here also.

17 JUDGE HOWARD: Please mute yourself. Thank
18 you.

19 BY MR. HANSEN:

20 Q. Okay. I'm just going to ask the question.

21 Turning back to page 17 of Exhibit RL-1, one of
22 the four factors for the prudency review deals with the
23 need to identify and study alternatives to Energize
24 Eastside.

25 At page 27 of the Exhibit RL-1, Mr. Lauckhart

1 identifies three alternatives to Energize Eastside that
2 were not studied by PSE.

3 Number one: A peaker plant at the load center;
4 number two, Seattle City Light alternative; and number
5 three, Lake Tradition alternative.

6 Do you have any documentation that PSE studied
7 any of these three alternatives?

8 A. It might take me a minute to find the exact
9 citation, but I do recall that they explored the Seattle
10 City Light option as well as generation closer to the
11 load center, the Lake Tradition alternative. I would
12 have to look back at -- at some of the exhibits from
13 witness Koch.

14 Q. It would be helpful if you could take a minute
15 to pull up that documentation.

16 MS. CARSON: Your Honor, in the interest of
17 time, we're willing to point to an exhibit that may be
18 relevant.

19 JUDGE HOWARD: Let's -- let's -- let's come
20 back to that when -- when -- when we're cross-examining
21 Koch.

22 BY MR. HANSEN:

23 Q. Okay. Next question.

24 The fourth alternative is demand site
25 alternatives the MaxETA/Synapse Draft Report showed

1 serious shortcomings in PSE's analysis.

2 Do we have any documentation that shows the
3 MaxETA/Synapse Draft Report findings were incorrect?

4 MR. ROBERSON: So I'm not sure that he's
5 laid a foundation to ask this witness this question.

6 JUDGE HOWARD: I'm -- I'm going to allow the
7 question.

8 Mr. Nightingale, you may answer.

9 MR. NIGHTINGALE: I believe this study
10 you're referring to is DRK-12; is that right?

11 JUDGE HOWARD: Mr. Nightingale, Mr. Hansen
12 can't agree with you and answer your questions.

13 MR. NIGHTINGALE: Oh, I'm sorry.

14 JUDGE HOWARD: Just for the sake of clarity.

15 You can -- you could indicate that you are
16 saying something "subject to check" and you can correct
17 your statement if it is mistaken within five days of
18 receiving the transcript.

19 MR. NIGHTINGALE: Okay. Thank you.

20 Norm, could you repeat the question, please?

21 BY MR. HANSEN:

22 Q. Yes. The fourth alternative is Demand Side
23 alternatives, the MaxETA/Synapse Draft Report showed
24 serious shortcomings in PSE's analysis.

25 Do you have any documentation that shows the

1 MaxETA/Synapse Draft Report findings were incorrect?

2 A. I'm sorry. I was on mute.

3 I think the answer to that question is: No, I
4 don't have documents that show that that study was
5 incorrect.

6 Q. Okay. Next question.

7 Under the settlement agreement on the prudence
8 of Energize Eastside that Staff signed, Staff accepts
9 and will not challenge that PSE has met its threshold
10 prudence requirement to demonstrate that the investment
11 should be provisionally included in the rate?

12 Is this correct?

13 MR. ROBERSON: Objection. Mr. Nightingale
14 is not the settlement witness for Staff. He was a
15 litigation witness. This is the subject of a motion in
16 limine.

17 JUDGE HOWARD: I'm going to allow the
18 question. Mr. Nightingale testified regarding this
19 investment and his -- as I recall, his recommendations
20 and his testimony are very similar to what the
21 settlement eventually adopted, so I will allow it.

22 Mr. Hansen, you may repeat the question, if
23 you may.

24 BY MR. HANSEN:

25 Q. Okay. I'll -- under the settlement agreement on

1 the prudence of Energize Eastside that Staff signed,
2 Staff accepts and will not challenge that PSE has made
3 its threshold prudence requirement to demonstrate that
4 the investment should be provisionally included in
5 rates; correct?

6 A. I guess that's my understanding without
7 having -- without that being my testimony. I think
8 that's correct.

9 Q. What information or data did PSE provide you to
10 prove they met threshold prudence?

11 A. Maybe to clarify, my testimony -- the
12 recommendation of my testimony left the prudence
13 determination for a later date. If -- if there's a
14 difference between that and the settlement testimony, I
15 think I was not -- I did not testify in support of
16 settlement, and I don't know if I'm able to answer that.

17 Q. You've already stated that you aren't an expert
18 in transmission planning or load flow studies.

19 Are you qualified to evaluate the reports PSE
20 provided?

21 A. I think so.

22 Q. Have you -- have you or anyone on staff defined
23 what is threshold prudence requirement?

24 A. The citations in my testimony call to -- to the
25 use -- the Commission's "used and useful" policy

1 statement, that's where we drew from for most of that
2 language.

3 Q. What are the criteria for threshold prudence?

4 A. I'll refer you to the "used and useful" policy
5 statement which outlines it in more depth than I
6 probably can right here.

7 JUDGE HOWARD: Mr. Hansen, it may be more
8 helpful if we pose the last two questions you were
9 asking to Ms. Erdahl as I think that that would be a --
10 a topic properly within the scope of testimony she has
11 offered on behalf of the Staff.

12 MR. HANSEN: Okay.

13 BY MR. HANSEN:

14 Q. I have one more question, I don't know if
15 it's -- but I'll ask it anyway.

16 Has there been rulemaking on the procedure
17 regarding threshold prudence?

18 MR. ROBERSON: Objection. This seems like
19 it is beyond the scope of his testimony.

20 MR. HANSEN: Okay. Thank you.

21 Next question.

22 JUDGE HOWARD: Wait.

23 MR. HANSEN: Sorry.

24 JUDGE HOWARD: It's okay. I know it is not
25 something you do every day; this type of procedure.

1 I'm going to allow the question. He's
2 simply asking about whether there is a rulemaking about
3 the issue.

4 MR. NIGHTINGALE: I don't know.

5 MR. HANSEN: I'm sorry. I didn't hear that.

6 MR. NIGHTINGALE: I don't know.

7 BY MR. HANSEN:

8 Q. Okay. Thank you.

9 Next question. The settlement agreement
10 recommends that the WUTC Staff agreed that Energize
11 Eastside be put in rates starting now with the refund to
12 be made if a future proper prudency hearing at the WUTC
13 finds that some or all of Energize Eastside is not
14 prudent and that a refund can then be made to customers
15 to remedy the problem.

16 Is this correct?

17 MR. ROBERSON: Objection. This is beyond
18 the scope of his testimony.

19 JUDGE HOWARD: I am going to grant the
20 objection. It does seem that Mr. Nightingale is -- is
21 not closely familiar with the settlement details.

22 I think, Mr. Hansen, if we revisit whether
23 CENSE wishes to cross Ms. Erdahl and pose some of these
24 questions to Ms. Erdahl, that might be more clear.

25 MR. HANSEN: Okay. Let me take a moment

1 here, please.

2 We can take questions, Your Honor, from
3 Betty Erdahl. We do have some questions.

4 JUDGE HOWARD: All right. Before we move on
5 from Mr. Nightingale -- before we move on from your
6 questioning of Mr. Nightingale, I did want to ask, do we
7 have CENSE's proposed cross exhibit JBN-9X, which is the
8 same underlying exhibit as DRK-29X?

9 Did you wish to move JBN-9X into evidence or
10 discuss this with Mr. Nightingale? Or shall I cross
11 this off of Mr. Nightingale's portion of the list?

12 MR. HANSEN: Yes. We do have more questions
13 for Mr. Nightingale right now.

14 And I'll have to take a moment here to
15 decide on the next questions. There's just a few more
16 for Mr. Nightingale.

17 JUDGE HOWARD: All right.

18 MR. HANSEN: Okay. Thank you.

19 BY MR. HANSEN:

20 Q. Next question.

21 Please turn to Mr. Lauckhart's testimony,
22 Exhibit 35T starting at line 9.

23 This testimony refers to data requests that
24 CENSE made to you regarding PSE's annual transmission
25 assessments.

1 Your answer makes it clear that you did not get
2 a full copy of any of the PSE annual transmission
3 assessments.

4 Is this correct?

5 A. The TPL assessment that we -- that we got were
6 excerpts. That's true.

7 Q. Next question.

8 Do you have any -- do you have documentation
9 that PSE's NERC required annual transmission planning
10 assessments examined the need for Energize Eastside?

11 A. Could you repeat that?

12 Q. Yes.

13 Do you have any documentation that PSE's NERC
14 required annual transmission planning assessments
15 examined the need for Energize Eastside?

16 A. Those assessments, as I understand it, are --
17 they do establish that their transmission infrastructure
18 concerns in that area, the Eastside area.

19 Q. Is this something beyond the experts -- excerpts
20 from the TPL that are included in your pre-filed
21 testimony?

22 A. Could you repeat that, sorry?

23 Q. Sure.

24 Is this something beyond the excerpts from the
25 TPL that are included in your pre-filed testimony?

1 A. I'm not sure I understand the question.

2 Q. Okay. I'll re-address the question.

3 Do you have documentation that PSE's NERC
4 required annual transmission planning assessments
5 examine the need for Energize Eastside?

6 A. Yeah, I believe they -- they do speak to the
7 need for -- or a deficiency of the transmission
8 infrastructure in that area, yes.

9 Q. Okay.

10 MR. HANSEN: We would like to have you
11 provide those documents.

12 JUDGE HOWARD: Well, Mr. Hansen, this is --
13 discovery has been closed.

14 MR. HANSEN: Okay.

15 JUDGE HOWARD: And this is just -- just an
16 opportunity to -- to cross-examine.

17 MR. HANSEN: Let me rephrase that question.

18 BY MR. HANSEN:

19 Q. Can you provide the documents?

20 JUDGE HOWARD: That is the same --

21 MR. HANSEN: Same question. Okay.

22 JUDGE HOWARD: Same problem there.

23 MR. HANSEN: All right.

24 JUDGE HOWARD: If -- you know, I would -- I
25 would encourage you -- I think we have been with

1 Mr. Nightingale for a while. I would encourage you to
2 wrap up.

3 And if you do wish to move JBN-9X into
4 evidence with this witness, that we do that before we
5 move on.

6 MR. HANSEN: Okay. I would like to take a
7 moment.

8 Judge Howard, in the interest of time, we
9 won't ask more questions, but we would like to put
10 his -- this into the record.

11 JUDGE HOWARD: All right. Because --
12 because you're not an attorney, I will ask
13 Mr. Nightingale.

14 Mr. Nightingale, do you have JBN-9X
15 available to you?

16 MR. NIGHTINGALE: I believe I have it saved
17 under the "DRK" numbering system. Is that -- I think
18 that's the same document. But what is the DRK number so
19 I can pull it up?

20 JUDGE HOWARD: It's DRK-29X, Staff responses
21 to CENSE data requests. It's the same document.

22 MR. NIGHTINGALE: Yes, I have it.

23 Did you have a question on it or did you
24 just want to verify?

25 JUDGE HOWARD: Yes, because Mr. Hansen is

1 not an attorney, I'm just clarifying and -- and doing
2 this in the interest of clarifying the record.

3 Are you familiar with this document?

4 MR. NIGHTINGALE: Yes.

5 JUDGE HOWARD: What is it?

6 MR. NIGHTINGALE: It's UTC Staffs' response
7 to CENSE's data request.

8 JUDGE HOWARD: Does this appear to be an
9 accurate copy of what you're familiar with?

10 MR. NIGHTINGALE: Yeah, I believe so.

11 JUDGE HOWARD: Are there any objections from
12 the parties to CENSE's request to put Exhibit JBN-9X
13 into evidence?

14 MR. ROBERSON: None from staff.

15 JUDGE HOWARD: All right. Hearing none. It
16 is admitted.

17 (Exhibit JBN-9X was admitted.)

18 JUDGE HOWARD: All right. Mr. Hansen, did
19 that conclude your examination of Mr. Nightingale?

20 MR. HANSEN: Yes. Thank you very much.
21 That concludes our examination of
22 Mr. Nightingale.

23 JUDGE HOWARD: All right. Is there any
24 redirect of Mr. Nightingale?

25 MR. ROBERSON: I don't have any, Judge

1 Howard.

2 JUDGE HOWARD: All right. Mr. Hansen, do
3 you wish to cross -- you do not have to cross
4 Ms. Erdahl. But that was my suggestion to you for the
5 sake of expediency and clarity that we pose those
6 questions to Ms. Erdahl.

7 Would you rather cross her or Mr. Koch at
8 this point?

9 MR. HANSEN: We would like to cross-examine
10 her.

11 JUDGE HOWARD: All right. Ms. Erdahl, would
12 you turn on your camera, if you haven't already.

13 All right. Mr. Hansen, you may proceed.

14 MR. HANSEN: Thank you, Judge.

15 C R O S S - E X A M I N A T I O N

16 BY MR. HANSEN:

17 Q. Have you or anyone on staff defined what is a
18 threshold prudence requirement?

19 A. My understanding is that a threshold prudence --
20 to determine threshold prudence is when you consider
21 allowing costs into rates provisionally subject to
22 refund.

23 And it's when we're looking at the company's
24 decision of whether to incur those costs or not. We're
25 not actually looking at the cost yet. That happens

1 later when we determine the full prudence.

2 Q. Okay. What are the criteria?

3 What are the criteria for the threshold
4 prudence?

5 A. Demonstration of a need, cost benefit analysis,
6 evaluation of alternatives, project risk uncertainty,
7 and the Board of Directors' knowledge and
8 decision-making.

9 However, I just want to put out there that Staff
10 didn't necessarily accept prudence, the threshold
11 prudence determination based on that.

12 The settlement is taken as a whole. There's
13 give and take. And so staff was willing to accept
14 prudence on -- threshold prudence on the decision for
15 Energize Eastside knowing that the cost would go into
16 rates provisionally and at the end of the rate year we
17 would then determine the prudence of costs.

18 So we get another bite out of the apple. We're
19 not done.

20 Q. Okay. Thank you.

21 Has there been rulemaking on the procedure
22 regarding threshold prudence?

23 A. This is coming from "used and useful" policy
24 statement. And that was a process that occurred -- I
25 think it's a 2019 docket. I was not involved in that

1 closely, so.

2 Q. Okay. Thank you.

3 The settlement agreement recommends that the
4 WUTC Staff agreed that Energize Eastside be put in rates
5 starting now with the refund to be made if a future
6 proper prudency hearing at the WUTC finds that some or
7 all of Energize Eastside is not prudent and that a
8 refund can then be made to customers to remedy the
9 problem; correct?

10 A. That is true. Similar to other projects. This
11 is not unique to the settlement.

12 Q. This invented threshold prudency requirement has
13 no plan or mechanism to remedy any safety environmental
14 or other societal costs or impacts created by Energize
15 Eastside; correct?

16 A. I don't -- I don't necessarily agree with that.
17 I think once we -- at the end of the rate year,
18 when we're determining whether the rates are reasonable
19 or not, costs will be looked at. And how those costs
20 are determined or decided to be incurred, I believe that
21 that can be looked at at that point in time.

22 Q. Next question.

23 It is your opinion that the Commissioners should
24 not be concerned about these matters?

25 A. I disagree with that. I believe we will be

1 looking at the prudence of the costs at the end of the
2 first rate year and a determination will be made at that
3 time.

4 Q. Our concern is -- if it's determined it's not
5 prudent, will -- will they require removal of the
6 transmission line?

7 A. I'm not sure if I should speak to that. I
8 don't -- I'm not sure the Commission can do that
9 regardless of what the decision is made.

10 Q. Next question.

11 Please turn to Mr. Lauckhart's testimony,
12 Exhibit 35T starting on line 9.

13 A. It's going take me a minute.

14 JUDGE HOWARD: Mr. Hansen, can I get that
15 page again?

16 MR. HANSEN: It's line 9 of Exhibit 35T.

17 JUDGE HOWARD: Line 9 on which page?

18 MR. HANSEN: It doesn't say the page.

19 One moment, I'll check that.

20 MS. ERDAHL: Could you start with the
21 exhibit number one more time?

22 MR. HANSEN: I'm sorry. I had it on mute.
23 Could you please repeat?

24 MS. ERDAHL: Could you just give the full
25 reference again, please?

1 MR. HANSEN: Yes, Exhibit 35T. And we're
2 looking for the page number, but it starts at line 9.
3 And so we should have that shortly.

4 JUDGE HOWARD: Yes. That's RL -- I
5 understand that to be RL-35T.

6 MR. HANSEN: Correct. I'm sorry. We
7 don't -- we can't find it.

8 Well, that completes our questioning then,
9 Judge Howard. Thank you very much.

10 JUDGE HOWARD: All right. Any redirect for
11 Ms. Erdahl?

12 MR. ROBERSON: Just one kind of brief topic.

13 R E D I R E C T E X A M I N A T I O N

14 BY MR. ROBERSON:

15 Q. So, Ms. Erdahl, does the Commission issue land
16 use permits that would look at the type of environmental
17 safety concerns that CENSE is asking you about?

18 A. No, it does not.

19 MR. ROBERSON: Thank you.

20 JUDGE HOWARD: All right. Mr. Hansen, I
21 believe your next witness would be Dan Koch for PSE.

22 I'm going to note here, before we begin, PSE
23 objected to a majority of CENSE's cross-exhibits for
24 Koch with the exception of what was filed DRK-29X and is
25 now marked as DRK -- 30X related to Lauckhart's CEII

1 requests.

2 So, Mr. Hansen, I would -- we've already
3 touched on this issue in your earlier witness
4 examinations. But as we come to these different
5 exhibits that have been disputed, I would ask that you
6 see if the witness is familiar with the exhibit and has
7 some knowledge of it and then move into evidence and
8 then ask your questions.

9 MR. HANSEN: Thank you. I will do that.

10 JUDGE HOWARD: So with that, you may
11 proceed.

12 MR. HANSEN: Thank you.

13 C R O S S - E X A M I N A T I O N

14 BY MR. HANSEN:

15 Q. The four factors that WUTC will look for in a
16 prudency review of Energize Eastside are: Number one,
17 the demonstration of need; two, the identification and
18 analysis of alternatives; number three, adequate
19 communication with the Board of Directors; four,
20 adequate documentation of decisions.

21 Correct?

22 A. Is that a question for me?

23 Q. Yes. Thank you.

24 A. Well, I think Staff witnessed -- Erdahl and
25 Staff witness Nightingale addressed that in their

1 testimony. I think it's -- those are some of the
2 factors that are used to determine prudence under a
3 multiyear rate plan design. There are other factors
4 such as "used and useful" policy that are used to
5 determine prudence.

6 Q. The first factor requires a demonstration of
7 need.

8 The need for a transmission line is demonstrated
9 through a load flow, also known as Power Flow Study;
10 correct?

11 A. It's one of the tools that is used to determine
12 whether or not a transmission line upgrade is needed.

13 Q. Okay. The next question references Exhibit
14 RL-4, pages 20 through 37.

15 Do you have that available?

16 A. Yes, I have RL-4. It does not have page numbers
17 on it, so could you direct me to the page?

18 Q. Well, this is where -- yeah. This is where
19 Mr. Lauckhart identifies seven fatal flaws in the
20 PSE/Quanta load flow studies.

21 The first --

22 A. What page would that be?

23 Q. It's slide number 20.

24 A. Go ahead. Do you have a question regarding
25 this?

1 Q. We have some more information. The first fatal
2 flaw is the shutting down of six natural gas fire
3 generators.

4 The second fatal flaw was assuming BPA proposed
5 I-5 Corridor Reinforcement Project would be built. That
6 project was canceled in 2017.

7 Not allowing nearby 230/115 transformer --

8 MS. CARSON: Objection, Your Honor. This
9 sounds like testimony --

10 JUDGE HOWARD: I'm -- I'm going to grant
11 that objection.

12 Mr. Hansen, I understand sometimes we have
13 to preface what we're saying with -- with some
14 orientation for the witness, but -- but I am concerned
15 that if we're reading this list of different plans
16 raised by CENSE's own witness that this is not a
17 question; this is testifying into the record.

18 MR. HANSEN: That is.

19 One moment, please.

20 I'll just rephrase that as a question.

21 BY MR. HANSEN:

22 Q. Do you have any documents that -- that shows the
23 results from these fatal flaws?

24 MS. CARSON: I'm going to object to the
25 breadth of that question.

1 JUDGE HOWARD: I think, Mr. Hansen, would it
2 be possible to focus the question?

3 Because in the studies, as far as I'm aware,
4 the present state of the record, we're talking about
5 hundreds and hundreds of pages related to some of these
6 topics of evidence. Perhaps we can narrow --

7 MR. HANSEN: One moment, please.

8 (Reporter noted microphone disruption)

9 JUDGE HOWARD: I do notice that as well.

10 MR. HANSEN: It's not what I'm doing.
11 Anyway.

12 BY MR. HANSEN:

13 Q. I guess the question is, Mr. Koch, is that do
14 you have any documentation -- do you have any reason to
15 disagree with Mr. Lauckhart's identification of these
16 seven fatal flaws?

17 A. Yes, I do. I -- I've seen these presented
18 previously during a CUP hearing for the City of
19 Newcastle, and they were -- they were rejected by the
20 hearing examiner in that case.

21 Furthermore, PSE has provided ample studies and
22 reports demonstrating how the need was determined for
23 Energize Eastside. And those are contained in my
24 pre-filed testimony 1T.

25 So I absolutely take issue with -- with these

1 purported fatal flaws.

2 Q. So this is your documentation; correct?

3 A. I'm not understanding that question.

4 Q. Well, you referenced the Newcastle hearing
5 examiner.

6 So --

7 MS. CARSON: Objection. That misrepresents
8 Mr. Koch's response. It was not just Newcastle Hearing
9 Examiner's decision.

10 JUDGE HOWARD: I will grant it. I did not
11 understand that to be the entirety of -- of what
12 Mr. Koch may have been referring to.

13 BY MR. HANSEN:

14 Q. One moment, please.

15 Okay. Are you aware that Mr. Lauckhart ran load
16 flow studies in 2017?

17 This was the Lauckhart-Schiffman study
18 correcting these fatal flaws or incorrect assumptions
19 and found there was no need for Energize Eastside?

20 A. Are you referring to Mr. Lauckhart's Exhibit
21 RL-5?

22 Q. Yes. Correct.

23 A. Just for the record, you stated that was 2017.
24 I show that as being reported in 2016.

25 What are you referring to?

1 MR. HANSEN: We're going to pull up the
2 date. One moment, please.

3 I think the initial report was probably in
4 2016. But perhaps it wasn't published until 2017.
5 We're checking.

6 (Off-record discussion.)

7 MR. HANSEN: Do you have -- do you have the
8 report there, perhaps you can confirm the date.

9 MR. KOCH: I have a report marked RL-5,
10 which is dated February 18, 2016.

11 JUDGE HOWARD: And, Mr. Hansen, I would be
12 careful that when you do confer with your colleague,
13 that you do mute yourself, because otherwise the court
14 reporter may have to try to listen to that and add it
15 into the record.

16 MR. HANSEN: All right. Okay.

17 So that's what the report said, whether it
18 is 2016 or '17.

19 BY MR. HANSEN:

20 Q. At any time since 2017, did PSE run a load flow
21 study correcting these fatal flaws?

22 A. Okay. PSE runs studies annually. And as I
23 stated earlier, I don't agree with the fatal flaws that
24 have been referenced.

25 But if he has run load flow studies and

1 submitted through our annual transmission planning
2 process with NERC, those -- those studies.

3 Q. Next question.

4 You relied on the studies done by use to
5 establish need for Energize Eastside; correct?

6 A. No, that's incorrect. PSE relied upon, again,
7 all of the exhibits that are in my pre-filed testimony
8 to establish the need for Energize Eastside.

9 The use report that was produced by a consultant
10 hired by the City of Bellevue is included as an exhibit
11 to -- to confirm the analysis and the work that was done
12 by PSE.

13 Q. Next question.

14 Did you rely on the Stantec report to establish
15 need for Energize Eastside in full or in part and
16 Stantec didn't run a load flow study; correct?

17 MS. CARSON: Object to the form of the
18 question. Compound. Ambiguous.

19 JUDGE HOWARD: I'm going to grant that.

20 Maybe, Mr. Hansen, could you -- you had two
21 questions there, essentially. Could you maybe pose the
22 first one and then we'll see what the witness says and
23 then pose the second question?

24 MR. HANSEN: Okay. I will do that, Judge.

25 BY MR. HANSEN:

1 Q. Did you rely on the Stantec report to establish
2 the need for Energize Eastside in full or in part?

3 A. No. PSE relied on the work that PSE performed
4 itself and/or contracted personally.

5 The Stantec analysis and memo provided to the
6 partner cities as part of the EIS was contracted for by
7 the partner cities involved in the Environmental Impact
8 Statement.

9 Q. Next question.

10 MR. HANSEN: Okay. One moment.

11 (Off-record discussion.)

12 BY MR. HANSEN:

13 Q. Did Stantec run a load flow study?

14 A. I don't believe that Stantec ran a load flow
15 study.

16 Q. Thank you. Next question.

17 Did you rely on the MaxETA/Synapse report to
18 establish need for Energize Eastside in full or in part?

19 A. No. My answer is the same as before. The
20 MaxETA/Synapse analysis was contracted for by the City
21 of Newcastle to have an independent analysis of the need
22 for Energize Eastside. And in that process, the City of
23 Newcastle's Hearing Examiner determined that there
24 was -- that PSE had established a need under their code
25 requirements and issued a permit for the project.

1 Q. MaxETA/Synapse didn't run a load flow study that
2 corrected Mr. Lauckhart's seven fatal flaws; correct?

3 A. I can't speak to what MaxETA/Synapse did in
4 their load flow studies.

5 They used the WECC Base Case, as any expert
6 transmission planner would utilize to evaluate the need
7 and incorporated reasonable assumptions and reasonable
8 scenarios and contingencies to come up with their own
9 conclusions.

10 And, again, their conclusion was there was a
11 need for the Energize Eastside Project.

12 Q. Okay. Is it true that the MaxETA/Synapse report
13 found no winter load need for Energize Eastside;
14 correct?

15 A. While it's true that they, in their analysis,
16 could not determine a specific need within the planning
17 horizon based on the -- the load forecast that they were
18 utilizing at that time, they did find that the summer
19 need was present and, in fact, that the forecast for
20 summer had been exceeded in the prior years.

21 At that time, it would have been four out of
22 five years during the summer.

23 Q. Okay. Thank you. It's true that the
24 MaxETA/Synapse report stated that PSE found a summer
25 bulk electrical system vulnerability in King County

1 starting in 2008; correct?

2 A. Could you repeat that question?

3 And what testimony are you referring to?

4 Q. I will.

5 It's true that the MaxETA/Synapse report stated
6 that PSE found a summer bulk electric system
7 vulnerability in King County starting in 2008; correct?

8 A. I can't speak to how they characterized that.

9 What I can speak to is that -- and it's in my
10 pre-filed testimony is that PSE began to identify a
11 transmission deficiency as early as 2008 and confirmed
12 that during our transmission planning assessment
13 beginning in 2009. And that has been confirmed for both
14 summer and winter each of the following years, up until
15 most recently.

16 Furthermore, and what's most important, is that
17 the need for Energize Eastside has been exceeded five
18 out of the six past summers.

19 So this is not a question of whether or not the
20 project was planned appropriately. We -- we're at that
21 point now.

22 Q. Next question.

23 PSE has not reported the summer bulk electrical
24 system vulnerability in King County to NERC; correct?

25 A. All of our transmission planning assessments

1 have been submitted to -- to NERC through -- through
2 the -- through WECC.

3 Q. Do you have any evidence that this documentation
4 is available?

5 A. Could you clarify the question? Available to
6 whom?

7 Q. Available to WECC?

8 A. As I've stated, PSE has submitted our
9 transmission planning assessments annually to WECC.

10 We've also provided excerpts of those
11 transmission planning assessments to a data request by
12 UTC Staff, and they are included in Staff witness Joel
13 Nightingale's testimony as an exhibit.

14 Q. Next question.

15 PSE has not reported the summer bulk electric
16 system vulnerability in King County to FERC; correct?

17 A. Not directly to FERC. We submitted our
18 transmission planning assessments. We produce those and
19 submit those to WECC. And in those, they include any
20 corrective action plans that are necessary to maintain
21 the system integrity.

22 MR. HANSEN: One moment.

23 BY MR. HANSEN:

24 Q. Next question. PSE has not reported the summer
25 bulk electric system vulnerability in King County to

1 NorthernGrid; correct?

2 A. Not that I'm aware of.

3 Q. Next question.

4 PSE has not reported the summer bulk electric
5 system vulnerability in King County to RC West; correct?

6 A. I'm not aware.

7 Q. Next question.

8 A. We do -- we do share our annual transmission
9 assessments with neighboring and regional planning
10 authorities. But I can't speak specifically to whether
11 those have been provided to those entities.

12 Q. Next question.

13 PSE has not reported the summer bulk electric
14 system vulnerability in King County to Bonneville Power
15 Administration; correct?

16 A. I believe as -- as a neighboring utility, we do
17 share our transmission planning assessments with BPA,
18 with Seattle City Light, with Snohomish PUD, and other
19 neighboring entities, because all of the transmission
20 planning assessments that each entity does affects one
21 another, so I believe we do.

22 Q. Page 5.

23 One moment, please.

24 Okay. Next question.

25 PSE has not reported or discussed the summer

1 bulk electric system vulnerability in King County to
2 Seattle City Light; correct?

3 A. I believe I just answered that question.

4 Q. I believe you did.

5 Question. Next question.

6 Condition three and the Newcastle Conditional
7 Use Permit requires PSE to certify to the City of
8 Newcastle that Olympic Pipeline has received the final
9 system design for Energize Eastside; correct?

10 A. That is a condition under the Conditional Use
11 Permit.

12 Q. PSE has not yet certified to the City of
13 Newcastle that OPL has received the final system design
14 for Energize Eastside; correct?

15 A. That's not correct. We certified to the City of
16 Newcastle the week before last that OPL has the final
17 design for Energize Eastside.

18 Q. Thank you.

19 MR. HANSEN: One moment, please.

20 We're trying to pull up the exhibit from
21 Paul White, who was the Newcastle contact.

22 JUDGE HOWARD: Do you know the exhibit
23 number?

24 MR. HANSEN: We're checking.

25 We have the exhibit -- we're looking for the

1 number of the exhibit.

2 JUDGE HOWARD: Mr. Hansen, is this the email
3 from someone named "Paul White"?

4 MR. HANSEN: We found it. It's DRK-35X.

5 MS. CARSON: Your Honor, this is one of the
6 exhibits that PSE objected to.

7 JUDGE HOWARD: Mr. Hansen, I suggest we
8 ask -- we start by asking the witness if he's familiar
9 with this and if he knows what this exhibit is.

10 BY MR. HANSEN:

11 Q. So, Mr. Koch, are you familiar with this? With
12 the exhibit?

13 A. I'm familiar of -- that it is an exhibit. I
14 received the exhibit list on Friday. So I've seen that
15 it is an exhibit. But I'm not personally familiar with
16 the communications between Mr. White and Mr. Lauckhart.

17 JUDGE HOWARD: Mr. Hansen, if the witness is
18 not familiar with these communications and it's between
19 two other individuals, I'm -- I'm hesitant to allow
20 further cross on this exhibit because it is outside his
21 personal knowledge.

22 MR. HANSEN: Okay. I understand that.

23 JUDGE HOWARD: I'm going to grant PSE's
24 objection to DRK-35X and this particular exhibit is
25 rejected.

1 BY MR. HANSEN:

2 Q. Next question.

3 You're aware that PSE provided Mr. Lauckhart the
4 load flow files he requested on Monday, September 26th;
5 correct?

6 A. Yeah, I am generally aware that -- that files
7 were provided to Mr. Lauckhart.

8 Q. You are aware that Mr. Lauckhart reviewed these
9 files per his email of September 27th to the PSE CEII
10 team, describing several problems he found with the
11 PSE/Quanta load flow input data and has not yet received
12 a response; correct?

13 A. I'm not familiar with any communication received
14 by -- or from Mr. Lauckhart.

15 MR. HANSEN: One moment, please.

16 BY MR. HANSEN:

17 Q. Okay. Next question.

18 You are aware that the parties to the settlement
19 agreement on the prudence of Energize Eastside agreed
20 that PSE has met its threshold prudence requirement to
21 demonstrate that the investment should be provisionally
22 included in rates; correct?

23 A. That's my understanding.

24 Q. What are the criteria for threshold prudence
25 requirements?

1 MS. CARSON: Objection. Calls for a legal
2 conclusion.

3 JUDGE HOWARD: I'm going to allow this one,
4 again, under the reason that policy questions in our
5 particular area of practice do tend to verge on legal
6 questions at times. And this does not appear to be a
7 purely legal question.

8 MR. KOCH: I think it's repetitive with a
9 prior question in which I described the four -- or I
10 answered the question around the four prudency tests
11 that Mr. Lauckhart claimed. And I added to that that
12 Staff witness Nightingale and Staff witness Ball used a
13 criteria based on the "used and useful" policy and
14 concluded that the final cost of the project or the only
15 remaining prudency test that had not yet been satisfied.

16 BY MR. HANSEN:

17 Q. Next question.

18 Are these criteria documented anywhere?

19 A. I'm going to refer back to the "used and useful"
20 policy as the basis for the determination of that
21 criteria.

22 Q. Okay. Thank you.

23 Are these criteria part of the record in this
24 rate case?

25 A. It appears so.

1 Q. Do you have any reference to the exhibit?

2 A. It's not a part of my direct testimony.

3 Q. Thank you.

4 Has there been rulemaking on the procedure
5 regarding threshold prudence requirement?

6 A. Again, outside of my direct testimony. I'm not
7 aware of any.

8 Q. What information or data did PSE provide to the
9 settlement agreement signers -- settlement agreement
10 signers to prove they met threshold prudence?

11 A. Could you clarify the question? Do you have a
12 reference to something in my testimony regarding that?

13 Q. We do not.

14 Next question. The settlement agreement
15 recommends -- next question.

16 The settlement agreement recommends and the WUTC
17 staff agreed that Energize Eastside be put in rates
18 starting now with the refund to be made if the future
19 proper prudence hearing that the WUTC finds that some or
20 all of the Energize Eastside is not prudent and that a
21 refund can then be made to customers to remedy the
22 problem; correct?

23 A. Not entirely correct. I would clarify that
24 the -- provisional inclusion in rates is based on the
25 completion schedule of the project. So it's not

1 included in rates now. It is included in rates such
2 that portions of the project are complete and providing
3 benefits to customers.

4 Q. This invented threshold prudency requirement has
5 no plan or mechanism to remedy any safety environmental
6 or other societal costs or impacts created by Energize
7 Eastside; correct?

8 A. That's not -- that's not the scope of a
9 multiyear rate plan or a GRC. The environmental review
10 of this project has been extensive. A two-phased EIS
11 that took nearly three years to identify not only the
12 need for the project, the alternative for the project;
13 and then the second phase evaluated the impacts from the
14 project.

15 These have been subjects of multiple Conditional
16 Use Permit hearings. So it's not the scope of the UTC
17 to determine the environmental impacts of a project of
18 this nature.

19 MR. HANSEN: That completes our questions,
20 Your Honor. Thank you very much.

21 JUDGE HOWARD: All right. Do we have any
22 redirect for this witness?

23 MS. CARSON: Yes, just a couple questions.

24 R E D I R E C T E X A M I N A T I O N

25 BY MS. CARSON:

1 Q. Mr. Koch, can you explain how the TPLs, the
2 transmission planning studies, factor into PSE's
3 determination of need?

4 A. Well, as I stated earlier, they are -- they are
5 done annually and they are done for the entire system.
6 It is not just the Energize Eastside Project, but they
7 include the eastside area and include those deficiencies
8 that were identified within the specific needs
9 assessment provided in my testimony.

10 They are continually assessed annually and
11 continue to show that the results of -- of the load flow
12 analysis produces deficiencies on the eastside area.

13 Q. Earlier you testified about four out of five
14 summers, the need has been present. And then I think
15 you said five out of six summers.

16 Can you just elaborate on what -- what's been
17 going on these past few summers?

18 A. So the needs assessment originally assumed that
19 a deficiency would occur in the summer of 2018.

20 In the 2017 summer, that load level was
21 exceeded.

22 So the deficiency was no longer an issue of
23 planning, it was an issue of actual loads.

24 2018, the same thing occurred. The load was
25 exceeded. 2019 it was not exceeded. But the last three

1 years, including the very hot summer in 2020, the load
2 level has been exceeded by a substantial amount of
3 megawatts.

4 And in 2020, PSE was one event away from needing
5 to load shed as a result of that deficiency.

6 Q. Can you clarify what you mean by "load shed"?

7 A. Yeah. Load shed is intentionally turning off
8 the power to customers.

9 Q. There was a question about the CEII application
10 that Mr. Lauckhart had -- had provided to PSE.

11 Can you just give a little bit of background
12 about the CEII applications PSE filed?

13 A. Yes. This is an independent process. It's not
14 in my area of responsibility. So I'm only familiar with
15 Mr. Lauckhart's request, which was received in July,
16 which I think is roughly six months after PSE filed this
17 case. And PSE processed that -- that request.

18 We had some follow-up questions for
19 Mr. Lauckhart. There was some follow-up meetings that
20 occurred scheduling on both sides that were necessary to
21 achieve that. And the requested data, which also needed
22 to be narrowed, the scope of the request was -- was
23 quite broad.

24 And so my understanding is that the -- the scope
25 of the request was -- was confirmed and that data was

1 provided to Mr. Lauckhart.

2 MS. CARSON: I have no further questions.

3 JUDGE HOWARD: All right. Do we have any
4 questions from the bench for the Energize Eastside
5 panel?

6 COMMISSIONER RENDAHL: Yes. This is
7 Commissioner Rendahl. I just have a few questions.

8 JUDGE HOWARD: Please go ahead.

9 COMMISSIONER RENDAHL: So the revenue
10 requirement settlement -- and that's at page 9 --
11 specifies that the delayed service dates for Energize
12 Eastside are assumed to be incorporated into the
13 agreed-upon revenue requirement.

14 Can the settling parties explain what they
15 mean by "assumed to be incorporated."

16 MS. ERDAHL: Do you want to go ahead?

17 MR. KOCH: No. Go ahead.

18 MS. ERDAHL: Okay. The start dates for
19 Energize Eastside "used and useful" is further out in
20 the first rate year than was filed by PSE. And so in
21 the settlement we included revenue requirement that
22 reflected a later state -- start date and less revenue
23 requirement in that first year.

24 COMMISSIONER RENDAHL: Okay. And were you
25 listening into the hearing when I asked some questions

1 early on about revenue requirement and getting
2 workpapers for the settlement?

3 MS. ERDAHL: Yes.

4 COMMISSIONER RENDAHL: And so would this be
5 identified in those workpapers as well?

6 MS. ERDAHL: Yes. That should be reflected
7 in the workpapers.

8 COMMISSIONER RENDAHL: Okay. Thank you.

9 And so I was going to ask about whether all
10 the estimated costs of the project in their entirety are
11 included in rate year one and rate year two, but maybe
12 that will -- can you answer that? Or is that going to
13 be in the workpapers?

14 MS. ERDAHL: It will be in the workpapers.

15 And, Joel, correct me if I'm wrong, but my
16 understanding is there will be less cost in rate year
17 one than what was originally filed.

18 And the same is true of rate year two, there
19 will be less costs than originally filed.

20 And I believe there's costs that will be in
21 rate year three which is no longer part of the multiyear
22 rate plan. So those costs won't be in rates until
23 another rate case is filed.

24 COMMISSIONER RENDAHL: Okay. But those will
25 be clarified in the -- in the bench request with the

1 workpapers.

2 MS. ERDAHL: Yes.

3 COMMISSIONER RENDAHL: Okay. Well, thank
4 you.

5 I have no further questions, unless
6 Ms. Free, you had something you wanted to say on this.

7 MS. FREE: Thank you, Commissioner Rendahl.
8 I missed part of Betty's question.

9 Sounds to me like she handled it well and we
10 will be sure that is included in the bench press
11 response, that it's clear.

12 COMMISSIONER RENDAHL: Thank you very much.
13 That's all I have.

14 JUDGE HOWARD: Did we have any further
15 questions for the bench for this panel?

16 COMMISSIONER DOUMIT: None here, Your Honor.

17 CHAIR DANNER: No, Your Honor.

18 JUDGE HOWARD: I would like to thank the
19 witnesses for their testimony. You may turn off your
20 cameras.

21 Our next panel is the Tacoma LNG settlement
22 panel. I think before we jump to that panel, let's take
23 a brief break and we will return at 2:10 p.m.

24 That's 2:10 p.m.

25 Mr. Thomas?

1 MR. THOMAS: Thank you, Your Honor.

2 Just very briefly. Had a quick housekeeping
3 matter to put on the record. Probably makes the most
4 sense to do it without the Commissioners on the line,
5 but -- it should be quickly addressed and it can
6 wait until later -- if you want to take it up at an
7 appropriate time.

8 JUDGE HOWARD: Mr. Hansen, you should mute
9 your line so we don't hear your conversation.

10 Sorry, Mr. Thomas.

11 Are you fine with when we come back on after
12 the break and we'll address your logistical issue?

13 MR. THOMAS: Yes. And it needn't be when we
14 come back from the break, just before the end of the
15 day. I just wanted to raise it with Your Honor now and
16 leave it to Your Honor to determine what would be the
17 most appropriate time would be to take it up. But it
18 need not occur before the Tacoma LNG panel.

19 JUDGE HOWARD: Okay. We'll address it then.

20 Ms. Carson?

21 MS. CARSON: Yes, I just wanted to -- before
22 Mr. Koch leaves, there were other cross-exam exhibits
23 that were not used, and I just want to confirm that none
24 of those will be admitted into the record.

25 JUDGE HOWARD: Yes, I have it as -- for the

1 CENSE cross exhibits, JBN-9X was admitted and then
2 DRK-29X through DRK-35X were either explicitly rejected
3 by me, as in the case of DRK-35X, or they were not
4 offered into evidence as in the case of the other ones.

5 MS. CARSON: Thank you.

6 JUDGE HOWARD: All right. So let's --
7 actually, since we had a bit of conversation there, we
8 will return at 2:12 p.m. We are off the record.

9 (A break was taken from
10 2:02 p.m. to 2:12 p.m.)

11 JUDGE HOWARD: Let's be back on the record.
12 The time is 2:13 p.m.

13 We are about to start the Tacoma LNG panel.

14 Before we do, Mr. Thomas, you referred to an
15 administrative matter. I know you said that it does not
16 have to be addressed right now, but I would prefer to
17 just address it now.

18 MR. THOMAS: Okay. Yes, Your Honor. Just
19 very briefly it -- it relates to the Tribe's objection
20 earlier this morning. We understand that Exhibit RJR-31
21 is in.

22 Typically, in this circumstance, what --
23 what would happen is that the -- the Tribe -- given that
24 this involves testimony, the Tribe would be given the
25 opportunity to counter-designate some testimony from

1 Dr. Libicki, who is the person who's testimony is in
2 RJR-31.

3 In the interest of keeping post-hearing
4 submissions clean and to a minimum, I looked at what the
5 Tribe would be interested in counter-designating. And
6 the Tribe would request it have the ability -- it would
7 probably be only five to ten pages of counter-designated
8 testimony.

9 And so the Tribe just wanted to offer to
10 keep the Commission from receiving a bunch of additional
11 testimony, that the Tribe just be given the opportunity
12 to counter-designate those portions of Dr. Libicki's
13 testimony just to address the basis of its objection.

14 JUDGE HOWARD: So the -- the -- PSE has
15 offered and agreed to file the -- the entirety of this
16 particular proceedings testimony for this expert.

17 Are you -- is your counter-designation
18 within what they are going to file?

19 MR. THOMAS: It is. It would be within but
20 also in lieu of that, because submitting everything from
21 this witness would raise some pretty serious ER 403
22 concerns. A lot of it's not going to be relevant to
23 these proceedings. And so PSE has already submitted
24 what it views as being relevant. The Tribe has
25 identified about five to ten pages of counter-designated

1 testimony that it thinks would be relevant, and that
2 would save the Commission from the potential for
3 confusion and the need to wade through a lot of extra
4 testimony that doesn't relate to these issues.

5 JUDGE HOWARD: Well, in the -- and just to
6 be clear, you're -- we're talking about the -- the same
7 testimony from the same expert in this proceeding that
8 PSE wishes to submit the entirety of.

9 I am inclined at this time to stick with
10 our -- my original ruling of asking the company to file
11 the entirety of that witness' testimony in, I believe it
12 was a seven-day period of time.

13 The Tribe -- I would suggest that the Tribe,
14 within seven days, if the Tribe wishes, can submit a
15 letter identifying and explaining those portions in the
16 testimony. I would ask that the letter be under 30
17 pages in length, because it shouldn't have to quote
18 everything.

19 Hopefully that addresses the Tribe's
20 concern. I'm not especially troubled in terms of a 403
21 issue or things along those lines. We don't have a
22 jury. We sort through large amounts of information
23 already. And -- and the Tribe's pre-filed testimony
24 does include testimony in other form.

25 All right. With that, we will now call the

1 witnesses on the Tacoma LNG settlement panel.

2 As before, let's have the witnesses identify
3 themselves and the party that they are appearing for,
4 beginning with the witnesses for PSE.

5 Let's also have witnesses turn on their
6 cameras, if they have not already. I will swear you in
7 as a panel. Actually, for this panel, all the witnesses
8 are repeat appearances from earlier today, with the
9 exception of Ronald Roberts. So I will only be swearing
10 in Mr. Roberts.

11 Could the company witnesses identify
12 themselves for the record?

13 MS. FREE: This is Susan Free for PSE.

14 MR. ROBERTS: Ron Roberts, Vice President of
15 Energy Supply for PSE.

16 MR. PILIARIS: And Jon Piliaris again for
17 PSE.

18 JUDGE HOWARD: Thank you.

19 Can we hear from Staff's witnesses?

20 MS. ERDAHL: This is Betty Erdahl from
21 Staff.

22 JUDGE HOWARD: Thank you.

23 And Nucor?

24 MR. HIGGINS: Kevin Higgins, witness for
25 Nucor Steel.

1 JUDGE HOWARD: And Walmart.

2 MR. KRONAUER: This is Alex Kronauer for
3 Walmart.

4 JUDGE HOWARD: Thank you. And AWEC.

5 MR. MULLINS: Brad Mullins with AWEC.

6 JUDGE HOWARD: Thank you.

7 All right. Mr. Roberts, would you please
8 raise your right hand?

9 Do you swear and affirm that the testimony
10 you'll give today will be the truth, the whole truth,
11 and nothing but the truth?

12 MR. ROBERTS: Yes.

13 JUDGE HOWARD: All right. Thank you.

14 All right. Public Counsel indicated that it
15 had 15 minutes of cross-examination time. The Puyallup
16 Tribe indicated 30 minutes.

17 Have the parties discussed who would proceed
18 first?

19 MS. GAFKEN: Your Honor, we have not
20 discussed that but I think I can shortcut this pretty --
21 pretty quickly.

22 So Public Counsel had three cross exhibits
23 directed to Mr. Bieber for Kroger and Mr. Higgins for
24 Nucor and Mr. Kronauer for Walmart. And those three
25 exhibits have been stipulated into the record. So I can

1 waive my cross at this time and concede my time to the
2 Tribe.

3 JUDGE HOWARD: Okay. Thank you.

4 Well, who will be conducting the cross for
5 the Puyallup Tribe of PSE's witness Roberts?

6 MR. FULLER: Andrew Fuller. Myself, Your
7 Honor, and I don't anticipate that we will be using our
8 entire 30 minutes, so we should be getting through this
9 relatively quickly.

10 C R O S S - E X A M I N A T I O N

11 BY MR. FULLER:

12 Q. Hello, Mr. Roberts. I'll start with just a few
13 questions about your background.

14 The documents you submitted with your testimony
15 indicate that you graduated from the Colorado School of
16 Mines with a Bachelor of Science in mining engineer and
17 a minor in economics; is that correct?

18 A. That is correct.

19 Q. Okay. I took a look at the website for the
20 undergraduate -- mining engineering program at the
21 Colorado School of Mines, and that website stated that
22 the mining engineering students study the principles and
23 techniques of mineral exploration and underground and
24 surface mining operations as well as mineral processing
25 technologies.

1 Is that a fair description of the program that
2 you completed there?

3 A. It's fair but not complete.

4 Q. I understand.

5 Can you describe what specialized education or
6 expertise you have regarding air dispersion modeling?

7 A. Yes. Early in my career, when I worked for
8 Mobil Oil, I was an environmental engineer and I was
9 responsible for air compliance at a large surface mine
10 that had a lot of emissions with it. Therefore, I'm
11 fairly familiar with air dispersion modeling and what
12 goes into it.

13 Later in my career, I was the Associate Vice
14 President of Environmental Health & Safety for a
15 chemical company in Houston which also dealt with a lot
16 of air toxics, air emissions.

17 Q. Thank you, Mr. Roberts.

18 And do you hold any advanced degrees?

19 A. No.

20 Q. Based on your education and your expertise, if I
21 was to ask you whether a molecule of benzene emitted
22 from Tacoma LNG would remain in the air or whether it
23 would be deposited on the ground, would you be able to
24 answer that question?

25 A. No, I would not.

1 Q. Okay. And if I asked you the same question
2 regarding a molecule of formaldehyde released from
3 Tacoma LNG, would you be able to answer that question?

4 A. No.

5 Q. Okay. So is it correct to say that if I asked
6 the same question about any of the carcinogens that are
7 known to be emitted from Tacoma LNG you would be unable
8 to answer that question?

9 MS. CARSON: Object to the question.
10 Assumes facts not in evidence.

11 JUDGE HOWARD: I'm going to allow the
12 question.

13 MR. ROBERTS: Can you repeat the question
14 one more time for me, please?

15 BY MR. FULLER:

16 Q. Yeah, no problem.

17 I'm just wondering if I ask that same question
18 about any of the carcinogens that are known to be
19 emitted from Tacoma LNG, would you be able to -- based
20 on your education and expertise, be able to tell me
21 whether that molecule would remain in the air or be
22 deposited on the ground?

23 A. Personally, I would not be able to.

24 Q. Okay. Thank you.

25 You didn't participate in the PCH proceedings

1 under Docket P-19087 that were related to the challenge
2 of the air permit for Tacoma LNG?

3 A. I was not an active participant in that, but I
4 was engaged and involved in it.

5 Q. Thank you.

6 In your role as Vice President of Energy Supply
7 at PSE, where you were responsible for oversight of
8 Puget LNG, do you -- as part of the role of your job to
9 generally be aware of and stay abreast of information
10 regarding incidents and accidents related to natural gas
11 and LNG facilities?

12 (Off-record discussion.)

13 JUDGE HOWARD: Yes. Mr. Fuller, would you
14 mind repeating your question?

15 MS. GAFKEN: This is Lisa Gafken.

16 I think Stephanie had to step away from
17 her desk for a few minutes, so if maybe Mr. Smith could
18 mute her for her on your end, that would be great.

19 JUDGE HOWARD: He can. I know we have a
20 number of people listening.

21 Mr. Fuller, you may proceed. You may need
22 to repeat your question.

23 BY MR. FULLER:

24 Q. No problem.

25 Mr. Roberts, in your role as vice president at

1 PSE -- Vice President of Energy Supply at PSE, I
2 recognize that you're responsible for oversight of Puget
3 LNG.

4 I'm just wondering, do you generally, as part of
5 your role at PSE, stay aware of and abreast of
6 information regarding incidents and accidents that are
7 related to natural gas facilities and LNG facilities?

8 A. Yes, it is part of my responsibility.

9 Q. And you're aware of the LNG leak in the
10 subsequent explosion that occurred in 2014 at the
11 Plymouth LNG peak shaving plant that was located in
12 Kennewick, Washington?

13 A. I'm aware of the incident but not of the details
14 surrounding what the actual cause was.

15 Q. Okay. Are you aware that the explosion that
16 occurred in that incident threw 250 pound pieces of
17 steel up to 300 yards?

18 A. I did read that.

19 Q. Okay. Thank you.

20 And beyond the Plymouth LNG peak shaving plant
21 here in Washington, there have been significant
22 accidents that have occurred at other LNG facilities
23 around the U.S. as well as outside of the U.S.; correct?

24 A. I don't have knowledge of any of the significant
25 ones beyond Plymouth.

1 Q. Did you review the testimony in this matter that
2 was submitted by Dr. Ranajit Sahu on July 28th, 2022?
3 That was Exhibit RXS-1T.

4 A. Yes.

5 Q. Okay. And you also reviewed Dr. Sahu's
6 September 9th, 2020, testimony which was designated
7 RXS-30T?

8 A. Yes.

9 Q. Okay. Thank you.

10 Are you aware that recently, just in June 2022,
11 an accident occurred at the Freeport LNG facility in
12 Texas that caused a large explosion?

13 A. I'm not aware of the circumstances around that.

14 Q. Okay. Are you aware that an accident occurred
15 in June 2022 at that facility, Freeport LNG?

16 A. Yes.

17 Q. Okay. In your August 26th, 2022 testimony, you
18 testified that, quote: "There is no significant
19 difference between the gas quality needed for TOTE's
20 engines and the gas quality needed for use by PSE's
21 retail gas customers"; is that correct?

22 A. That is a true statement. Both of our customers
23 rely on the same quality of gas.

24 Q. Okay. And the LNG fuel supply agreement between
25 PSE and TOTE contains specifications regarding the

1 quality of the LNG that PSE sells to TOTE; is that
2 correct?

3 A. It does have a quality requirement, yes.

4 Q. And the LNG specifications that are set forth in
5 that PSE/TOTE contract require that the LNG that PSE
6 provides to TOTE must have a minimum methane number of
7 80; correct?

8 A. That is correct.

9 Q. Okay. And also in your August 26th, 2022
10 testimony you testified that, quote: "If left
11 untreated, CO2 and H2O in the feed gas would freeze
12 during the liquefaction process. Therefore,
13 pretreatment is necessary to remove these molecules to
14 avoid riming" -- if I pronounced that wrong, I'm
15 sorry -- "of the platefin heat exchangers. After
16 pretreatment, but prior to liquefaction of the natural
17 gas, heavy hydrocarbons that may freeze at the cryogenic
18 temperatures encountered downstream would be removed by
19 partial refrigeration."

20 Is that a correct representation of your
21 testimony?

22 A. That is a correct representation and that
23 actually impacts all of PSE's customers. It's just not
24 a liquefaction issue at the LNG site; that's something
25 that's being worked on in Canada. It has to do with the

1 elevated levels of ethane and methane in the gas coming
2 from Canada.

3 Q. Thank you.

4 So I'll just repeat the last sentence of that
5 testimony, which was a quote. You stated that "After
6 pretreatment, but prior to liquefaction of the
7 natural gas, heavy hydrocarbons that may freeze at the
8 cryogenic temperatures encountered downstream would be
9 removed by partial refrigeration."

10 So based on that testimony, the removal of heavy
11 hydrocarbons prior to liquefaction that follows
12 pretreatment; therefore, that removal of heavy
13 hydrocarbons is not part of the pretreatment process?
14 Is that properly -- is that correct?

15 A. I would consider it part of the pretreatment
16 because to me pretreatment is treating the gas before
17 liquefaction.

18 So there's actually two stages of pretreatment.
19 There's the removal of water in the initial phase and
20 then the removal of the heavies before it hits the
21 liquefaction.

22 Q. Okay. So that -- that second piece of what
23 you've described as pretreatment, the removal of the
24 heavies.

25 The point of the additional design features at

1 Tacoma LNG that were required to removal of those heavy
2 hydrocarbons from the feed gas prior to the
3 liquefaction, that removal of those heavy hydrocarbons
4 is done to meet the TOTE methane fuel requirement; is
5 that correct?

6 A. No. It is partially to satisfy the liquefaction
7 phase in the fact those particles will freeze before
8 methane will.

9 Second of all, that does apply to all of our
10 customers. High levels of ethane or propane in our
11 natural gas supply are not good for our customers
12 either, not just TOTE.

13 Q. Mr. -- Mr. Roberts, if the Tacoma LNG facility
14 produced LNG with a methane number of 78 that LNG would
15 be of suitable quality to be vaporized and injected
16 into PSE's distribution system for rate payer use;
17 correct?

18 A. It could be. But we start ending up on problems
19 on the lower end of methane quantity as well in our
20 system. It's a balanced system that needs to be there.

21 Gas quality from Canada has changed over the
22 last couple of years. It has more heavies in it. The
23 facility was not designed for that level of heavies
24 originally, so there was some modifications done to it
25 to change that.

1 Q. Okay. And there is -- it is my understanding
2 that there's no minimum methane number requirement for
3 LNG that is to be vaporized at the Tacoma LNG facility
4 before it is returned to the PSE distribution system for
5 rate payer use during peak shaving.

6 Am I correct that there is no minimum methane
7 number requirement for PSE ratepayers?

8 A. There's no standard that says it's a minimum
9 quantity. However, diminished methane certainly does
10 impact our customers. They don't get the same heat load
11 out of it. Some cases would be very harmful to other
12 equipment that's in the system, end users' equipment.

13 Q. And when heavies are removed from the feed gas
14 prior to liquefaction, does that remove any of the
15 heating energy from the feed gas?

16 A. Too much heat is also a problem.

17 Q. Sorry. You broke up for a second for me.

18 Did you say "yes"?

19 A. Yes. Too much heat is also an issue in the gas
20 system.

21 Q. Okay. But -- but the feed gas that is received
22 from -- at Tacoma LNG, if it was not to be turned into
23 LNG, if it was to remain gas, it would be suitable to
24 be -- to be fed into the ratepayers distribution system
25 without any modification or reduction of the heating

1 value; correct?

2 A. That is true.

3 Q. And TOTE is the only Tacoma LNG customer that
4 has a methane number requirement for the LNG that's
5 purchased from Tacoma LNG; is that correct?

6 A. They are our only customer at this point.

7 Q. And because the TOTE methane number requirement
8 in the contract between TOTE and PSE requires that PSE
9 provide LNG with a methane number of 80 and above, PSE
10 would not have constructed the Tacoma LNG facility if
11 the facility was -- was not able to produce LNG with a
12 minimum methane number of 80; correct?

13 A. Can you rephrase that? I'm not quite sure what
14 you're asking.

15 Q. Sorry. That was a little clumsy.

16 PSE would not have constructed the LNG facility
17 if the facility was unable to produce LNG with a methane
18 number of 80 or above; correct?

19 A. When the facility was originally designed, it
20 met 80 easily. Changes in the gas system from Canada
21 over the last couple of years have changed that, so
22 there were some modifications done to the pretreatment.

23 Q. Mr. Roberts, I don't think you are answering my
24 question.

25 My question is would PSE -- PSE would not have

1 constructed the Tacoma LNG facility if it was unable to
2 produce LNG with a methane number of 80 to meet TOTE's
3 needs; is that correct?

4 A. If we were absolutely unable to meet that
5 number, I would say this is correct. But we are able to
6 meet that number.

7 Q. Okay. Thank you, Mr. Roberts. I have no
8 further questions.

9 JUDGE HOWARD: Do we have any redirect for
10 Mr. Roberts?

11 MS. CARSON: No. No redirect.

12 JUDGE HOWARD: All right. I believe that's
13 all the cross we had indicated for this panel.

14 Do we have any questions from the bench for
15 the Tacoma LNG panel?

16 COMMISSIONER DOUMIT: Yes, Your Honor. If I
17 might, please.

18 JUDGE HOWARD: Go ahead.

19 COMMISSIONER DOUMIT: In Mr. Roberts's
20 direct testimony -- and that's at RJR-1CT at page 69,
21 lines 10 through 14. He testified that the construction
22 of the Tacoma LNG facility is complete but that the
23 plant equipment at that time, such as the vaporizer, may
24 not be commissioned until January subsequent to his
25 testimony.

1 Can you clarify for the record, Mr. Roberts,
2 whether the Tacoma LNG facility is fully commissioned at
3 this time, used and useful to regulating gas customers?

4 MR. ROBERTS: Yes, sir, it is. We did test
5 the vaporizer. All of the rest of the systems are up,
6 functional. We've been producing LNG. We've
7 transported LNG to the Gig Harbor satellite facility.
8 So yes, the facility is up and available.

9 COMMISSIONER DOUMIT: Thank you.

10 Can you please clarify for the record
11 whether PSE has, to date, used the Tacoma LNG as a peak
12 shaving resource for core gas customers?

13 MR. ROBERTS: No, Commissioner, we have not.
14 Because it has not been cold enough yet to warrant that.
15 However, we are building inventory in a tank for
16 that hopefully not too severe event, but you never know.

17 COMMISSIONER DOUMIT: And on the tank, you
18 testified -- and this is your testimony RJR-30T at page
19 35, lines 15 through 19, testified that the LNG
20 facility's vaporizer may only be operated for 240 hours
21 a year. That's your limit. But that limit does not
22 compromise the ability to use the full 6.3 million
23 gallons of LNG storage that doesn't -- allocated to the
24 PSE as regulating core gas customers.

25 Can you please explain how the full

1 6.3 million gallons of LNG stored -- storage allocated
2 PSE's prudent investment for PSE core gas customers,
3 particularly when any LNG must be first vaporized before
4 it is injected into the distribution system.

5 MR. ROBERTS: Can you phrase that one more
6 time?

7 COMMISSIONER DOUMIT: Yeah.

8 MR. ROBERTS: So I can answer your question.

9 COMMISSIONER DOUMIT: Sorry. That was a
10 mouth full.

11 Is the tank larger than it needs to be in
12 terms of prudence?

13 MR. ROBERTS: No. The tank is designed
14 around two to three days of vaporization two times per
15 year. And in that period of time, we would utilize all
16 of that capacity in the tank. It's easy to sit back and
17 look at, well, you could just refill it as soon as you
18 vaporized off your share, but with us having gas
19 constraints originally coming in, it would take us up to
20 120 days to refill that capacity. So we would be out of
21 the heating season by the time we would refill it.

22 So I think that when I look at it, you know,
23 two events, two to three days long of significant cold
24 temperatures, size of the tank is adequate and
25 warranted.

1 COMMISSIONER DOUMIT: And did you evaluate
2 whether a smaller LNG facility would have been -- would
3 have served the ratepayers peak shaving needs?

4 MR. ROBERTS: We looked at a variety of
5 design options, and that's really the optimal that we
6 could come to that provided enough for the peak shaving.

7 For our customers, as you said, 6 million
8 out of 8 is designated for the customers. The other two
9 is left for the Puget LNG side on the transportation
10 fuel.

11 COMMISSIONER DOUMIT: Okay. And this is for
12 the settling parties. Maybe you, Mr. Roberts. Maybe
13 you, Mr. Piliaris.

14 The LNG settlement -- this is at paragraph
15 18(A)(4), provides that PSE may recover distribution
16 costs and base rates. The settlement doesn't allocate
17 any percentage of distribution costs to Puget LNG.

18 Can the settling parties please explain how
19 allocating 100 percent of these distribution costs to
20 core gas customers is consistent with the principle of
21 cost causation?

22 And I say that in the context of the
23 distribution lines, for example. Gas flows both ways.
24 It appears from the record that the vast bulk of the
25 liquefaction will be for the Puget LNG facility.

1 So can you answer the question, please?

2 MR. PILIARIS: Yes, I can take this. Jon
3 Piliaris.

4 The -- so I want to start, first, that Puget
5 LNG will be contributing towards distribution costs that
6 were incurred to support the LNG facility.

7 I think of Puget LNG no different than any
8 other large industrial load on our system. When we have
9 a new large -- let's just assume that Puget LNG was BP
10 LNG and they hooked up onto our system and we needed to
11 do distribution upgrades.

12 What we would normally go through in that
13 case is essentially a line extension analysis. And we
14 would say, all right, these are the revenues that we
15 would collect through our tariff distribution rates from
16 this customer and these are the costs associated with
17 upgrading the system to meet that load.

18 And this is exactly what we did in the
19 analysis for Puget LNG. And so long as the revenues
20 cover the costs, the customer doesn't have to pay. To
21 the extent that -- that it doesn't, they have to front a
22 contribution to pay for the delta, to pay for the
23 difference.

24 So the short response to that is the -- the
25 Puget LNG will continue -- will pay for these facilities

1 through their schedule 87 T rates that they will pay for
2 the -- for the delivery of the gas to the -- to the
3 project.

4 COMMISSIONER DOUMIT: Let me follow-up,
5 Mr. Piliaris, if I might.

6 Does that -- does that benefit the PSE
7 customers, then? And can you explain how that is?

8 MR. PILIARIS: As with any other large
9 customer that hooks up to the system, when you bring on
10 a large new load, it tends to -- you have more volume --
11 volumetric revenue covering fixed cost.

12 So by and large, yes, customers -- non-Puget
13 LNG customers benefit by the presence of the Puget LNG
14 load because it is contributing revenue towards the
15 fixed costs used to serve them.

16 And I would also note that it goes beyond
17 just the distribution upgrades. They are paying for a
18 share of the entire distribution system in addition to
19 the upgrades. So it's all socialized as with any
20 other -- any other large distribution customer load.

21 COMMISSIONER DOUMIT: Okay. Switch gears
22 for a minute.

23 Do the settling parties believe that the
24 Tacoma LNG settlement appropriately considers and
25 addresses equity?

1 MR. MULLINS: I guess I can jump in. This
2 is Brad with AWEC.

3 And, you know, our thinking of the
4 settlement agreements is, you know, looking at all of
5 them together in whole and so we weren't -- when we were
6 looking at the Tacoma settlement, we weren't necessarily
7 focusing on equity within that settlement, because the
8 equity provisions were contained in the -- more in
9 the -- you know, revenue requirement part of the
10 settlement -- or the revenue requirement settlement
11 agreement.

12 And, you know, I guess splitting --
13 splitting up the settlement agreements, I think, was a
14 convenient way for parties to -- that did disagree with
15 the -- the Tacoma LNG facility to be able to contest
16 that, while still agreeing or staying neutral on other
17 parts of -- on the other stipulations.

18 So I think looking at them holistically is
19 the -- you know, sort of proper way to do it, at least
20 from our perspective.

21 MR. PILIARIS: I'll start for the
22 company and I've asked my colleague Mr. Roberts, to
23 weigh in. But, of course, you know, from the standpoint
24 of prudence, clearly the Commission's long-standing
25 guidance is to evaluate prudence at the time a decision

1 was made to go forward with the project, which was back
2 in the 2016 to 2018 time -- time frame. And at that
3 point, while equity was beginning to be discussed in
4 various places, it certainly wasn't to the extent it is
5 now in statute through CETA and more recently through
6 Senate Bill 5295.

7 And so I think it would be technically
8 improper to apply current standard -- legal standard to
9 the decisions that were made at that time.

10 Now, that being said, the project does have
11 benefits to customers in the area, many of whom are
12 disadvantaged and highly impacted, particularly with the
13 reduction of the constituents to the air toxins in the
14 region. And I invite Mr. Roberts to elaborate on that.

15 MR. ROBERTS: Yeah. Thanks, John. Ron
16 Roberts.

17 I think one of the things that we point out
18 about this project is it was really designed to go after
19 certainly criteria pollutants, which are SOCs/NOX
20 particulates, all of those things have a dramatic health
21 impact on the immediate residents and the Port of
22 Tacoma's workers who actually work there by removing
23 diesel as a fuel source.

24 In addition, it does have the side benefit
25 of decreasing greenhouse gases. So when you look at

1 this project, although that wasn't part of the
2 decision-making in 2016 to 2018 when this project
3 was moved forward, it certainly has the components of
4 equity into it.

5 I think every environmental agency that's
6 been involved in the permitting has recognized that this
7 facility has environmental benefits. The EIS that the
8 City of Tacoma did is a great example. It runs through
9 many components that would be found in an equity kind of
10 a look. Air quality, water quality, fish habitat, water
11 issues, cleanup of an existing Brownfield site, you can
12 go through most of what's in an EIS, including
13 socioeconomic impacts.

14 A lot of the information contained in the
15 EIS that the City of Tacoma did would back that up as
16 well as being a very solid project on that front.

17 COMMISSIONER DOUMIT: So okay.

18 And in the timeline -- sort of continuing
19 when equity was introduced into the equation, if we say
20 that it's, you know, now on a multiyear rate plan case,
21 looking at equities sort of going forward, what does
22 that look like to you?

23 MR. PILIARIS: I guess I would lead with
24 what Mr. Roberts just concluded with, which was the
25 significant health benefits that -- that accrue.

1 And then I would go back to the earlier
2 colloquy between ourselves around the spreading of -- of
3 additional revenue across fixed costs. It has a
4 beneficial rate impact to all customers, including those
5 who are less economically advantaged.

6 MR. ROBERTS: I would add one more component
7 onto that, if I may. Ron Roberts.

8 I would add in reliability. This project on
9 the regulated side, it's been in our integrated resource
10 plans for many years that this was the -- the least
11 cost -- lowest reasonable cost alternative to meet a
12 design day requirement, which is for a very, very cold
13 day.

14 We had this obligation to serve our
15 customers both gas and electric. And I look at it as
16 one of my prime responsibilities to make sure we can do
17 that.

18 Because on a very cold day, I don't want to
19 have anybody's gas go off. Because that immediately
20 presents all kinds of safety issues, as well as -- as
21 impacts to communities far and wide of all sizes.

22 COMMISSIONER DOUMIT: Okay. Thank you.

23 This may be to counsel -- settling party's
24 counsel.

25 The settlement provides that the settling

1 parties accept a determination that PSE's decision to
2 build the facility was prudent, and that's at paragraph
3 18(B). The settling parties agree that PSE may recover
4 the cost of the facility on a provisional basis subject
5 to later review.

6 If the Commission accepts this settlement,
7 do the settling parties object to the Commission
8 delaying a prudency determination until a later
9 proceeding, such as the company's 2023 purchased gas
10 adjustment filing when the plant is in service for core
11 gas customers?

12 JUDGE HOWARD: Commissioner Doumit, I hate
13 to jump in. But I might suggest we save those questions
14 for after we conclude with calling witnesses. And we --
15 and time permitting, we have closing arguments from
16 counsel. And that would be, I think, the ideal time to
17 pose that.

18 Does that sound good to you?

19 COMMISSIONER DOUMIT: That's perfectly
20 reasonably. Thank you, Your Honor.

21 JUDGE HOWARD: Okay.

22 MS. CARSON: Can I take a stab at addressing
23 it, that question? Not from a legal standpoint.

24 Basically, Tacoma LNG costs will go into a
25 tracker. And that will be aligned with the 2023 PGA

1 filing, as you mentioned, which would be effective
2 November 1, 2023. The prudence review wouldn't be until
3 the end of that year when the true-up is happening for
4 the following year.

5 So at that point the opportunity is there to
6 challenge costs by any of the parties and the prudence
7 of the costs.

8 COMMISSIONER DOUMIT: Thank you.

9 No further questions at this time. I'll
10 wait until we have a chance to address counsel.

11 Thanks, Your Honor.

12 JUDGE HOWARD: All right. Thank you.

13 Do we have any further questions from the
14 bench?

15 COMMISSIONER RENDAHL: This is Commissioner
16 Rendahl and I had deferred some questions about the
17 calculations of what is in -- what is included in the
18 revenue requirement for LNG. And I think I was
19 discussing this with witness Susan Free.

20 And the question has to do with what is in
21 the revenue requirement for the LNG plant as opposed to
22 what is in the tracker?

23 And -- so I guess maybe the question is --
24 is this something that would be included in the response
25 to the bench request, the workpapers, or is this

1 something that I should be asking separately?

2 MS. FREE: So this is Susan Free for PSE.
3 Page 6 of the LNG settlement provides a table of the
4 amount of revenue requirement that was removed from the
5 main settlement, as well as an estimate of what will be
6 put into the tracker in November of 2023.

7 COMMISSIONER RENDAHL: Okay. And are the
8 mechanics of this beyond what's in this table, will that
9 be included in the workpapers?

10 MS. FREE: The workpapers have support --
11 there are supporting workpapers that support this table.

12 COMMISSIONER RENDAHL: Okay. And will the
13 supporting workpapers identify which FERC accounts in
14 which the company would classify the plants,
15 different aspects of the plants?

16 MS. FREE: Yes. I do believe they do as
17 they are currently put together. If not, we will ensure
18 that we do. By the time we file the bench request.

19 COMMISSIONER RENDAHL: Then I would -- this
20 may be a supplemental bench request, and I will
21 obviously include this in writing. But I would like to
22 have PSE, when it provides the workpapers, identify by
23 FERC account all plant that will be included in the
24 tracker, all distribution plants that is included in the
25 tracker, and all distribution plants that is included in

1 the revenue requirement settlement. So that is
2 specifically for the LNG plant.

3 Is that something that the company can
4 include in the workpapers and the bench request?

5 MS. FREE: Yes, that is something we can
6 include.

7 I will just clarify -- you covered it, but
8 I'll just clarify, the distribution plant is in the main
9 settlement. The LNG facility costs are in the -- will
10 be in the tracker. And we will provide FERC accounts
11 for each of those.

12 COMMISSIONER RENDAHL: Yes. Okay. Thank
13 you.

14 So we will provide this in -- in the written
15 request, but I just wanted to let you know what we would
16 be requesting.

17 MS. FREE: I appreciate that additional
18 clarity. Thank you.

19 COMMISSIONER RENDAHL: Okay. Thank you very
20 much. That's all I have, Your Honor.

21 JUDGE HOWARD: All right. Thank you.

22 Any further bench questions for this panel?

23 CHAIR DANNER: I have none. Thank you.

24 COMMISSIONER DOUMIT: No, Your Honor.

25 JUDGE HOWARD: All right. Hearing none. I

1 would like to thank the witnesses for their testimony.

2 You may turn off your cameras.

3 If you have not -- I assume PSE will keep
4 their camera on because they are in one room.

5 We'll now turn to the individual witnesses.

6 No party indicated any cross for Public
7 Counsel witnesses Shay Bauman and Stephanie Chase,
8 Andrea Crane, Robert Earle, David Garrett, Glenn
9 Watkins, or J. Randall Woolridge.

10 Do we have any question from the bench for
11 Public Counsel's witnesses?

12 Hearing none.

13 No party indicated cross for the Puyallup
14 Tribe's witnesses, Dr. Ranajit Sahu -- and I apologize
15 if I'm not saying that correctly -- or Gary Saleba.

16 Do we have any questions from the bench for
17 these witnesses?

18 COMMISSIONER RENDAHL: No.

19 JUDGE HOWARD: All right. Hearing none.

20 Lastly, no party indicated cross for CENSE's
21 witnesses, Norm Hansen and Richard Lauckhart.

22 Do we have any questions from the bench for
23 these witnesses?

24 COMMISSIONER DOUMIT: No, Your Honor.

25 COMMISSIONER RENDAHL: No, Your Honor.

1 JUDGE HOWARD: Okay. It appears we do not
2 have any further questions.

3 So now we would turn to closing arguments.

4 It is 2:55 p.m. As I explained, we are
5 going to allow the parties an opportunity to provide
6 oral closing arguments today. It does appear that we
7 have time for this.

8 I ask the settling parties to limit
9 themselves to one joint closing argument for each of the
10 three settlements and to limit each closing to ten
11 minutes this.

12 This means we would have -- the settling
13 parties -- at their option, could provide an oral
14 closing in support of each of the three multi-party
15 settlements and they would be 10 minutes total.

16 Before I go further, Mr. Thomas, I see you
17 have your hand back up.

18 MR. THOMAS: Yes. Thank you, Your Honor.
19 Just very briefly, I was wondering if it would be okay
20 with Your Honor if Dr. Sahu and Mr. Saleba were excuse
21 at this time?

22 JUDGE HOWARD: Yes.

23 MR. THOMAS: Thank you.

24 CHAIR DANNER: And, Your Honor, if I may.

25 Would it be possible for us to take a

1 five-minute break and come back here at three o'clock?

2 JUDGE HOWARD: Certainly. Let's take a
3 five-minute break and return at three. We are off the
4 record. And we'll resume with closings after the break.

5 (A break was taken from
6 2:57 p.m. To 3:01 p.m.)

7 JUDGE HOWARD: Let's be back on the record.
8 The time is 3:02 p.m.

9 As I was saying, we will allow the
10 parties -- the settling parties, we join each of the
11 three settlements to provide a joint closing statement.
12 That could mean we have up to three closing -- oral
13 closing arguments in support of each of the three
14 settlements. And then I will allow each of the parties
15 in opposition to the settlements, which will be Public
16 Counsel, the Puyallup Tribe, CENSE, and The Energy
17 Project on certain issues, to provide any oral closing
18 argument they would like. Also -- also requesting that
19 those are limited to ten minutes each.

20 So would -- have the settling parties
21 discussed who would go first or how they would like to
22 present?

23 Ms. Gafken?

24 MS. GAFKEN: I have a question more than
25 anything else.

1 In terms of offering these statements about
2 the settlements, are we talking about each one
3 separately; so 10 minutes for the Green Direct
4 settlement, 10 minutes for the LNG settlement, and ten
5 minutes for the revenue requirement settlement?

6 I'm asking because Public Counsel is a party
7 to the Green Direct settlement but not the other two.
8 And then we have different positions on each one of
9 those. And so I'm wondering what's is the universe of
10 the ten minutes.

11 JUDGE HOWARD: Yeah. That's a fair
12 question. I think if we -- if we were to do all this
13 very precisely, I'd have to make a chart.

14 I'm -- I'm picturing there would be three
15 joint oral closing arguments in -- one in support of
16 each of the three settlements. I recognize that Public
17 Counsel has joined one of them.

18 And then any party that has opposed any
19 aspect of the settlement can provide an oral closing
20 that I would request be limited to ten minutes, and they
21 can address any topics within their purview during their
22 ten minutes. Whether it's multiple settlements or what.

23 MS. GAFKEN: Okay. That's what I was
24 envisioning coming into the hearing. So thank you for
25 that clarification.

1 MS. CARSON: And, Your Honor, I can provide
2 my understanding -- and others can correct me if I'm
3 wrong -- about how we were going to do the joint
4 statements.

5 I believe for the main revenue requirement
6 settlement there were four parties who were going to
7 speak. PSE on certain issues, revenue requirement and
8 Energize Eastside staff on equity, The Energy Project on
9 low income, and the joint environmental advocates on
10 decarbonization-related issues. And I'll stop. If I'm
11 wrong, others can correct me, but that was my
12 understanding.

13 JUDGE HOWARD: It does sound like that may
14 be the parties' understanding. I'm not hearing any
15 responses to that and would the total time for the
16 revenue requirement settlement be roughly ten minutes or
17 under -- under 15 or 20.

18 We could be here, theoretically, the entire
19 rest of the afternoon. And --

20 MS. CARSON: Yeah. It might exceed ten by a
21 little bit. So it might be 15 or so. I'm also happy to
22 say my understanding of Green Direct -- I know Public
23 Counsel wanted to speak on that. PSE can also speak to
24 that, and I'm not sure who else wants to speak to that.
25 Perhaps Ben, King County.

1 MR. MAYER: Yes, that's correct. King
2 County will speak briefly to the Green Direct settlement
3 as well.

4 MS. CARSON: And then my understanding on
5 Tacoma LNG settlement was that AWEC, Sommer Moser would
6 speak, I would speak, and I believe Staff is going to.
7 Although, I'm not sure about that.

8 MR. ROBERSON: Staff intends to offer some
9 argument.

10 JUDGE HOWARD: All right. Why don't we
11 begin with the revenue requirement settlement. It
12 sounds like the company would present first is what I'm
13 implying -- inferring.

14 So why don't we begin with that. We'll go
15 through the statements in support of the revenue
16 requirement summary, and we'll just try to do it in
17 relatively short order.

18 MS. CARSON: Great. Shall I proceed?

19 JUDGE HOWARD: Please proceed.

20 CLOSING STATEMENT BY MS. CARSON FOR PSE

21 MS. CARSON: All right. Thank you.

22 Thank you, Your Honor; thank you,
23 Commissioners, for the opportunity to present our
24 settlements here and these closing statements as well.

25 As I said, we've divided up the issues,

1 revenue requirement and Energize Eastside I will
2 address, staff on equity, The Energy Project on low
3 income issues, and Joint Environmental Advocates on
4 decarbonization issues. But I want to make clear that
5 all of these topics are important to PSE.

6 The clean energy transformation,
7 decarbonization, and incorporation of equitable
8 principles into the public interest standard, these all
9 make the landscape of the utility industry quite
10 different than it was even a decade ago.

11 If the State of Washington is to deliver on
12 the aggressive clean energy policies, utilities like PSE
13 that play a key role must be financially healthy. The
14 agreed-upon revenue requirement and provision for timely
15 updates to power cost rates helps to ensure that PSE has
16 the financial health to provide safe and reliable
17 service as we move deeper into the clean energy
18 transformation.

19 It is important to realize there are several
20 customer safeguards built into the settlement and
21 multiyear rate plan that PSE filed.

22 First of all, there are enhanced financial
23 assistance programs, there is the earning share
24 mechanism, and plant is subject to refund if investments
25 are not made as planned.

1 PSE serves a wide swath of customers who
2 have varying interests and concerns. But PSE recognizes
3 that a segment of its customers live on fixed incomes
4 and face difficult financial times coming out of the
5 pandemic.

6 At the same time, studies show that
7 approximately 86 percent of PSE's customers are not
8 energy burdened and many of these customers want PSE to
9 move faster into clean energy, decarbonization, and
10 improved reliability.

11 PSE constantly works to balance these
12 competing interests. But one thing is for sure, PSE
13 will continue to work to provide for the energy security
14 for its low income and vulnerable populations. The
15 settlement will expand bill assistance channels and
16 increase funding amounts for these customers in
17 financial need.

18 PSE has invested more than 2 billion in
19 plant that already today is providing safe and reliable
20 service to PSE customers, although PSE is not yet
21 recovering end rates for this significant investment.
22 And PSE will invest another 2 billion by the end of the
23 rate plan.

24 The settlement allows PSE to recover
25 investments made and to be made over the rate plan

1 including technology investments to enhance
2 cybersecurity, several major infrastructure projects,
3 and investments in grid modernization, pipeline
4 modernization, and advanced metering infrastructure,
5 just to name a few.

6 The settlement provides for recovery and
7 rates of new and extended hydroelectric contracts and
8 PPAs for wind energy and firm hydro capacity and energy
9 during summer peak hours and it allows for timely
10 updates to power costs. These are important to PSE.

11 It's important to note that PSE compromised
12 significantly on its requested return on equity. It has
13 agreed to maintain its current ROE of 9.4 percent. And
14 the parties agree to a slight increase in PSE's equity
15 level from 48.5 percent to 49 percent, which is less
16 than PSE had requested.

17 Along with other parts of the settlement,
18 these costs to capital provisions will allow PSE to
19 improve its cash flow and strengthen its financial
20 health and credit profile.

21 And significantly, PSE's weighted average
22 cost of capital resulting from the settlement will be
23 lower than it has been for more than a decade, which
24 benefits customers.

25 An important element of PSE's revenue

1 requirement in 2023 and 2024 is the Energize Eastside
2 transmission project that addresses a transmission
3 deficiency on the east side of Lake Washington by
4 upgrading an existing 115 kV transmission line to
5 230 kV.

6 The settling parties agree to a threshold
7 prudence determination; in other words, agree that a
8 showing of need and consideration of alternatives has
9 been met sufficient to allow the project into rates
10 subject to refund in 2023 and 2024.

11 Parties will be able to review the prudence
12 of Energize Eastside cost and subsequent compliance
13 filing. The only party that opposes this important and
14 necessary project is CENSE which is comprised of
15 affluent neighborhood groups, many of which built homes
16 around an existing transmission line and now oppose its
17 upgrade.

18 The record demonstrates that today there is
19 currently a transmission deficiency that justifies the
20 need for the project.

21 In addition to PSE's own transmission
22 planning studies and third-party studies of need and
23 alternatives, that need has been shown through the
24 environmental impact -- the EIS process, conditional use
25 permits for the City of Bellevue and Newcastle, as well

1 as other studies.

2 PSE witness Mr. Koch has testified to the
3 problems with analysis by Mr. Lauckhart. That's in his
4 testimony. There are several fails to stress the
5 electric system as required by federal standards. He
6 studied only one contingency versus the thousands that
7 are required to be studied and he uses incorrect load
8 growth for the eastside area.

9 CENSE's study and testimony have been
10 reviewed in permitting proceedings and have been found
11 to be not credible. The Energize Eastside Project will
12 improve liability for customers and communities on the
13 east side of Lake Washington, increase capacity as
14 growth and development continue, including increased
15 electrification and address a transmission deficiency
16 that has been present for five of the last six summers.

17 For these reasons, PSE respectfully requests
18 that the Commission approve the revenue requirement
19 settlement without conditions.

20 JUDGE HOWARD: Thank you.

21 Could I hear from staff in support of the
22 settlement?

23 CLOSING STATEMENTS BY MR. ROBERSON

24 MR. ROBERSON: Good afternoon,
25 Commissioners, Judge Howard. I'm here to speak about

1 the equity terms in the settlement.

2 The legislature has, in recent years,
3 repeatedly emphasized -- as Mr. Piliaris noted not that
4 long ago -- equity into terms of utility operations.

5 There are four terms in this settlement
6 that -- in the Commission's words "apply an equity
7 lens," end quote, to PSE's operations.

8 The first of these is the corporate capital
9 planning term. That term does two things.

10 The first is that it requires PSE to make a
11 compliance -- compliance filing showing that it has
12 processes and methods for its board and senior
13 management to considerable equitable outcomes across the
14 enterprise-wide planning process.

15 The second thing is that it requires PSE to
16 develop corporate spending authorizations that require
17 project and program sponsors to consider the equitable
18 distribution of burdens and benefits in programs.

19 The second important term is the delivering
20 distribution planning provision. That also requires two
21 things.

22 The first is that it requires PSE to solicit
23 feedback from interested persons in order to perform
24 distributions in planning and coordination with its
25 clean energy implementation plan process. And the goal

1 of that distribution planning -- distribution system
2 plan is identifying ways of customer cited -- that
3 customer cited resources can be used to generate value
4 for other PSE customers and ways to equitably distribute
5 benefits and burdens to vulnerable populations and to
6 highly impacted communities.

7 The second thing that PSE must do is it must
8 create equity-related benefits for its investment
9 optimization software. Currently uses something called
10 "iDot," but it's moving to something else. Whatever it
11 is using, it must create these equity-related benefits
12 and then incorporate those benefits and costs or its
13 benefits and costs into the planning process.

14 Again, it has to consult with groups before
15 creating these benefits and costs and the settlement
16 specifically identifies its equity group, its equity
17 advisor group and then members of highly impacted
18 communities and vulnerable populations.

19 The third term is the distributional equity
20 analysis. This term requires PSE to come up with
21 methods and processes for distribution equity
22 analysis -- distributional equity analysis. It then has
23 to apply those methods and processes to, I believe it is
24 80 megawatts of DER called for in its 2021 IRP or an
25 agreed-upon substitute if it doesn't actually pursue

1 that DER.

2 Once it does that, it will participate in
3 what's in the settlement described as a staff-led
4 process, I understand from Commissioner Doumit, that
5 perhaps the Commission will impose a condition. But as
6 currently written, it is a staff-led process to refine
7 those methods.

8 At the end of that process, it would present
9 the methods and processes to the Commission for
10 approval. Once the Commission does that, it would apply
11 those methods and processes to the corporate capital
12 planning and delivery and distribution system planning
13 that it does.

14 And then the final term at which is not like
15 a process, but the -- the settlement requires PSE to
16 report a number of metrics related to equity. Things
17 that impact -- highly impacted communities or vulnerable
18 populations, like the use of AMI in those communities or
19 how many members of those communities participate in DR,
20 DER, renewable programs, things like that.

21 The settlement was drafted before the
22 Commission issued guidance on equity in the 2021 Cascade
23 GRC order that it entered not that long ago. But these
24 terms in the settlement are fully consistent with the
25 Commission's description of energy justice and its four

1 core tenets. Many of those terms focus on
2 distributional justice and that they require PSE to
3 consider how to distribute the benefits and burdens of
4 its operations equitably.

5 The terms are also consistent with
6 procedural and recognitional justice in that they
7 require PSE to work with members of vulnerable
8 populations or highly impacted communities or their
9 representatives in various processes which kind of
10 implicitly recognizes the exclusion of those groups from
11 these processes.

12 So in summary, the Commission should approve
13 the settlement because one of the -- one of the key
14 criteria for approving a settlement under Senate
15 Bill 5295 is equity that's used to determine the public
16 interest and these terms are very much in the public
17 interest in that they center equity in PSE's operations.
18 Thank you.

19 JUDGE HOWARD: All right. Thank you,
20 Mr. Roberson.

21 Did another settling party wish to speak in
22 support of the revenue requirement settlement?

23 MR. ZAKAI: Yes, Your Honor, this is Yochi
24 Zakai with The Energy Project.

25 I know we're a little over time, but I have

1 about one minute, if I may.

2 JUDGE HOWARD: That sounds great.

3 CLOSING STATEMENTS BY MR. ZAKAI

4 MR. ZAKAI: Thank you.

5 Judge Howard, Commissioners, there are
6 multiple provisions in the revenue requirement
7 settlement specifically designed to assist low income
8 customers and vulnerable populations and otherwise
9 promote equity. I would like to highlight three of
10 these now.

11 First, the settlement paves the way for PSE
12 and its low income advisory group to develop and
13 implement a five-tier bill discount and to establish
14 arrearage management programs. The combination of these
15 shows promise as a cornerstone strategy to reduce
16 household energy insecurity and retain access to
17 essential utility service for low income customers in
18 Washington.

19 Second, the settlement will increase
20 weatherization measure incentive amounts, which will
21 allow low income weatherization programs to provide more
22 customer benefits and serve more customers. The
23 settlement also affirms PSE's commitments to baseline
24 low income weatherization funding.

25 Finally, the time varying rates pilot and

1 targeted electrification program include low income
2 customer protections and will prioritize serving low
3 income customers and named communities. The Energy
4 Project urges the Commission to accept the revenue
5 requirement settlement in full. Thank you.

6 JUDGE HOWARD: Thank you.

7 Did we have any other party wish to speak in
8 support of the revenue requirement settlement before we
9 move to either Tacoma LNG or Green Direct?

10 MS. PAREKH: Yes, Your Honor. The joint
11 environmental advocates would like to address the
12 commission this afternoon.

13 THE COURT: Please proceed.

14 CLOSING STATEMENTS BY MS. PAREKH

15 MS. PAREKH: Thank you for this opportunity,
16 Commissioners.

17 And the joint environmental advocates urge
18 you to approve the revenue requirement stipulation.
19 This settlement would put into effect innovative changes
20 to encourage decarbonization of PSE's utility service in
21 a manner that centers equity and prioritizes cost
22 efficacy.

23 This agreement phases out costly subsidies
24 to promote fossil gas customer growth through the line
25 extension policy, thereby correcting market signals to

1 encourage cost effective electrification for homes and
2 businesses.

3 This agreement would also develop an
4 electrification pilot that will roll out to 10,000
5 existing residential and small commercial gas utility
6 customers. That pilot will help those customers to
7 transition away from gas utility service. And findings
8 from this pilot alone, with a revised decarbonization
9 study that corrects -- that includes revised findings
10 regarding cold climate heat pumps and the benefits of
11 those heat pumps for decarbonization will be used to
12 develop a comprehensive long-term electrification
13 strategy for gas customers and PSE -- in PSE's service
14 territory.

15 The -- this settlement would also adopt
16 incentives and rebates that would encourage customers to
17 electrify. And it would integrate electrification into
18 the biennial conservation planning process and energy
19 efficiency programming.

20 These changes collectively will
21 significantly reduce GHG emissions from residential and
22 small commercial energy use within PSE service
23 territory. And we believe that this settlement could be
24 seen as -- as an innovative policy in -- across the
25 nation.

1 Throughout this process, additionally, PSE
2 must prioritize low-income customers highly impacted in
3 vulnerable communities and communities experiencing
4 energy burden. In this way, it -- it centers
5 equity through this electrification process.

6 This will also enable PSE to meet its
7 commitment under the Climate Commitment Act in a
8 cost-effective manner by reducing the demand for fossil
9 gas.

10 And the last thing I'll note is that we --
11 in addition to these changes and benefits in the
12 decarbonization program, we also agree to more than
13 double the company's target for acquiring demand
14 response resources and the settlement makes clear that
15 life-extending costs for the Colstrip facility are not
16 recoverable from ratepayers.

17 Thank you for your consideration.

18 JUDGE HOWARD: All right. Thank you.

19 Were there any other statements in support
20 of the revenue requirement settlement?

21 All right. Hearing none. Let's turn
22 next -- I don't have strong opinions about whether we
23 turn to the Tacoma LNG or the Green Direct settlement
24 next.

25 Why don't we go to Green Direct.

1 Who would like to speak first in support of
2 the Green Direct settlement?

3 MS. CARSON: I'm happy to or if Public
4 Counsel wants to speak first, that's fine, too. Or
5 Staff. Either is fine.

6 JUDGE HOWARD: Feel free to start when you
7 are ready.

8 CLOSING STATEMENT BY MS. CARSON

9 MS. CARSON: All right. PSE respectfully
10 requests that the Commission approve the Green Direct
11 settlement stipulation without conditions.

12 This settlement stipulation is in the public
13 interest because it resolves issues that have been
14 percolating in PSE cases for the past few years
15 regarding PSE's voluntary long-term renewable energy
16 purchase writer under schedule 139 of PSE's tariff which
17 is also known as "Green Direct."

18 The settlement in this case was reached by
19 parties with diverse perspectives, Commission Staff,
20 Public Counsel, who represents non-Green Direct
21 customers, and then Walmart and King County, who
22 represent -- who are Green Direct customers, as well as
23 PSE. And no party objects to this settlement.

24 The need to reach a durable method --
25 methodology for calculating the energy credit for Green

1 Direct customers was an issue in PSE's 2020 PCORC. The
2 parties to that case reached a settlement that addressed
3 several issues relating to PSE's Green Direct including
4 establishing a methodology for calculating the energy
5 credit for Green Direct customers. But there was also
6 recognition of the need to pursue a path forward on a
7 durable method for calculating this.

8 Some customers who were not parties to the
9 2020 PCORC had concerns about the methodology that was
10 approved in the 2020 PCORC and they spoke out at the
11 public comment hearing. And in the 2020 order approving
12 the PCORC settlement, the Commission set an expectation
13 that PSE would encourage its Green Direct customers to
14 participate in future discussions on the Green Direct
15 credit.

16 So the parties to the 2020 PCORC did
17 engage in collaborative discussions and Green Direct
18 customers who had not participated in the PCORC case did
19 join these discussions. Good progress was made, but no
20 resolution was reached by the time PSE filed this case.

21 And so the procedural schedule in this case
22 noted that there would be early Green Direct settlement
23 conference, which was held. And ultimately, we reached
24 this settlement.

25 From PSE's perspective, the settlement is in

1 the public interest because it does provide a durable
2 method for calculating the energy credit for Green
3 Direct customers, thus avoiding the inefficiency of
4 re-litigating this issue in future cases or at least for
5 a while.

6 It also represents a balancing of interests
7 on the issue of the energy credit for Green Direct
8 customers. It's -- the methodology is agreed to by
9 Green Direct customers, residential customers,
10 Commission staff, and PSE. And the settlement continues
11 to take all steps to make sure that there is no improper
12 subsidizing of the Green Direct program by non-Green
13 Direct customers.

14 And for these reasons, PSE asks the
15 Commission to approve the Green Direct settlement
16 without conditions. Thank you.

17 JUDGE HOWARD: All right. Thank you.

18 Mr. Roberson?

19 CLOSING STATEMENTS BY MR. ROBERSON

20 MR. ROBERSON: I'll be very brief.

21 Staff largely concurs with everything
22 Ms. Carson said. This issue has been around for a
23 while. From staff's perspective, the methodology agreed
24 to amongst the diverse interest here is a better way of
25 ensuring that there is not cross-subsidization between

1 PSE's Green Direct customers and its general ratepayers
2 as required by RCW 19.29A.0905, I think.

3 But there are two other benefits.

4 The first is that it provides certainty
5 for PSE's ratepayers, which is important. The law
6 should be stable and predictable. It also avoids the
7 need for updates. There shouldn't be any need to update
8 any tariff pages. There should be no -- approximately
9 upcoming cases about this. And that should reduce the
10 administrative burden on staff and the Commission. So
11 the Commission should adopt the settlement as in the
12 public interest.

13 JUDGE HOWARD: Thank you.

14 Did Public Counsel wish to speak in favor of
15 this?

16 CLOSING STATEMENTS BY MS. GAFKEN

17 MS. GAFKEN: Yes, Your Honor.

18 Public Counsel asks that the Commission
19 approve the Green Direct settlement without condition.

20 The settlement is not only the product of
21 negotiations during this rate case, but also several
22 collaborative meetings between the time -- or during the
23 time between PSE's 2020 PCORC and this rate case.

24 Several of PSE's Green Direct customers participated in
25 the collaborative in addition to PSE Public Counsel and

1 Commission Staff. Although the collaborative did not
2 result in an agreement before PSE filed its rate case,
3 it did provide a solid foundation for rate case parties
4 to complete the task of developing a durable, fair
5 methodology to calculate the credit received by Green
6 Direct customers.

7 RCW 19.29A.090 subsection 5 -- Mr. Roberson
8 had the right citation there -- is very clear that all
9 costs and benefits be borne by Green Direct subscribers
10 and not be borne by non-subscribers. Not properly
11 allocating costs and benefits can result in
12 non-subscribers subsidizing the Green Direct program,
13 which is not only expressly prohibited by statute but
14 also unfair to the non-subscriber.

15 During the 2020 PCORC, the issue of
16 subsidization came up and the issue was resolved through
17 settlement. The settling parties were cognizant that
18 further work was needed to create a durable solution
19 which brings us to the settlement.

20 The Green Direct settlement presents an
21 elegant solution that is easy to calculate and
22 administer and that is also based on an economic
23 justification.

24 Non-subscribers should be indifferent to the
25 operation of the Green Direct program due to the

1 statute's requirement that all costs and benefits of the
2 program be allocated to Green Direct customers.

3 As Dr. Earle testified in his pre-filed
4 testimony supporting a settlement, the settlement,
5 quote: "Provides a good approximation of the
6 indifference principle mandated by statute," end quote.

7 The credit should equal the value that the
8 Green Direct PPAs provide to the system. There is no
9 one right answer to how to calculate this value, as
10 Dr. Earle explains in his testimony.

11 In this case, approximation of the value
12 provided by the Green Direct PPAs is fairly
13 straightforward, or at least it can be. The Green
14 Direct PPAs are solar and wind PPAs. It is likely that
15 PSE would have entered into similar PPAs if the Green
16 Direct program did not exist. Therefore, it is
17 reasonable to assess the credit at a level approximately
18 equal to the cost of the Green Direct PPA.

19 I also want to highlight how diligently
20 stakeholders address the issues during the collaborative
21 and that the rate case parties continue discussions in
22 the same vein.

23 As a group, as Ms. Carson pointed out, we
24 bring different perspectives to the tables. But I do
25 believe that there is a common goal to reach a solution

1 that complies with the law and that fairly calculates
2 the Green Direct credit. Everyone worked hard to listen
3 to each other and to bring thoughtful ideas forward for
4 discussion. Public Counsel supports the Green Direct
5 settlement and believes it offers a durable solution
6 that complies with the statute and resolves the issue of
7 non-subscriber subsidization and also provides Green
8 Direct subscribers with some certainty.

9 In short, I believe that we achieved the
10 goal. Thank you.

11 JUDGE HOWARD: All right. Thank you,
12 Ms. Gafken.

13 Did another party wish to speak in support
14 of the Green Direct settlement?

15 MR. MAYER: I do, yes. It is Ben Mayer on
16 behalf of King County. I would like to make a brief
17 statement.

18 JUDGE HOWARD: Please go ahead.

19 CLOSING STATEMENTS BY MR. MAYER

20 MR. MAYER: Thank you, Judge Howard and
21 Commissioners.

22 King County supports the Green Direct
23 settlement as a reasonable compromise on
24 various positions on the Green Direct energy charge
25 credit; a compromise that resulted from a process and

1 discussions, that per the Commission's directive in
2 order five in Docket UE-200980, the PCORC, involved
3 Green Direct customers, two of whom the County and
4 Walmart have signed on to and directly support the
5 settlement here.

6 The agreed-upon energy charge credit
7 appropriately recognizes the value of the Green Direct
8 PPAs and ensures that the cost and benefits of the Green
9 Direct program are allocated to Green Direct customers.

10 Importantly, this settlement also
11 establishes predictable and durable approach for
12 calculating the energy charge credit. It will provide
13 the County when budgeting for such things as essential
14 services certainty and eliminate the need for the County
15 to intervene in future rate cases and other Commission
16 proceedings.

17 For these reasons -- for these reasons, the
18 County respectfully asks the Commissioners to approve
19 and adopt the Green Direct settlement in this case.
20 Thank you.

21 JUDGE HOWARD: All right. Thank you.

22 Would any other party like to speak in favor
23 of the Green Direct settlement?

24 I believe that may have been all.

25 All right. Let's turn to the Tacoma LNG

1 settlement.

2 Which party would like to speak in favor of
3 that settlement first?

4 MS. MOSER: I'm sorry. Can you hear me?

5 THE COURT: Yes.

6 MS. MOSER: Okay. I am happy to go in
7 whatever order, but this is Sommer Moser with AWEC and
8 I'm also just prepared to speak.

9 JUDGE HOWARD: Right. Now I remember,
10 Ms. Carson referring to AWEC speaking in support of this
11 particular settlement.

12 Should Ms. Moser proceed? Does another
13 party wish to jump in before or after or should
14 Ms. Moser lead here? Go first?

15 MR. THOMAS: Judge Howard, Ms. Carson was
16 just booted off the Zoom call so she's trying to
17 reconnect.

18 JUDGE HOWARD: Okay. Was that -- could you
19 give me your name just for the record?

20 MR. THOMAS: I'm sorry. It's Ryan Thomas
21 from Perkins Coie.

22 JUDGE HOWARD: Let's wait a moment, because
23 Ms. Carson has been delivering the closing arguments for
24 PSE so far, let's just wait a moment.

25 Ms. Carson, are you back on the call?

1 MS. CARSON: Yes, I got booted off somehow,
2 but I believe I'm back. Get my video. Yes. Sorry
3 about that.

4 JUDGE HOWARD: It's okay.

5 Ms. Moser was just indicating that she was
6 prepared to speak in support of the Tacoma LNG
7 settlement.

8 Did PSE prefer to go first on that one or
9 after AWEC?

10 MS. CARSON: I can go either way.

11 Do you prefer to go first, Ms. Moser?

12 I'm happy to go first if you want.

13 MS. MOSER: I have no preference, so that's
14 totally fine.

15 JUDGE HOWARD: Ms. Moser, why don't you
16 proceed and then we'll hear from the other parties.

17 CLOSING STATEMENT BY MS. MOSER

18 MS. MOSER: Great. Good afternoon, Judge
19 Howard and Commissioners.

20 My name is Sommer Moser and on behalf of
21 AWEC, I have just a few brief comments regarding the
22 settlement stipulation and agreement on Tacoma LNG.

23 AWEC's testimony on Tacoma LNG in this case
24 was focused on this rate-making treatment for the
25 project and, therefore, that will be the scope of my

1 comments this afternoon.

2 The record in this case demonstrates that
3 the Tacoma LNG settlement is lawful, supported by an
4 appropriate record, and consistent with the public
5 interests in light of all of the information available
6 to the Commission.

7 The proposed rate-making treatment of the
8 Tacoma LNG project will also result in rates that are
9 fair, just, and reasonable and as to the benefit of
10 customers.

11 Cost recovery through a tracker
12 preserves traditional rate making and that only costs
13 that are deemed prudent and used and useful as permitted
14 for cost recovery, but also ensures that cost recovery
15 is more transparent and follows the principle of cost
16 causation.

17 Importantly, the settlement explicitly
18 provides that no party waives its right to challenge
19 future LNG costs at the point that cost recovery is
20 sought, and that includes PSE's initial filing that will
21 be concurrent with its 2023 PGA.

22 Investments included on a provisional basis
23 will be subject to review and potential refund. This
24 ensures transparency by affording parties ample
25 opportunity to review costs and also creates a process

1 through which challenges can be raised resulting in a
2 tracker that allows only prudent, used and useful costs
3 to be recovered.

4 Regarding cost causation, the settlement
5 agreement ensures that costs are allocated only to sales
6 customers as those customers are the beneficiaries of
7 PSE's investment. This treatment is also consistent
8 with the stipulation approved by the Commission in
9 Docket UG-151663, wherein the stipulating parties agreed
10 to allocate Tacoma LNG project costs to sales customers.

11 And, finally, I just want to note that the
12 opposition related to the Tacoma LNG settlement has been
13 entered around the prudence of PSE's decision to
14 construct the plant. No party has challenged the
15 rate-making treatment for costs that are deemed prudent
16 and used and useful, which serves to further underscore
17 the benefits of Tacoma LNG cost-recovery mechanism as
18 proposed in the stipulation pursuant to a separate
19 tracker.

20 So for these reasons, AWEC continues to
21 recommend that the Commission adopt the Tacoma LNG
22 settlement stipulation and agreement as filed.

23 Thank you.

24 JUDGE HOWARD: All right. Thank you.

25 Ms. Carson, would PSE like to speak in favor

1 of the settlement?

2 CLOSING STATEMENT BY MS. CARSON

3 MS. CARSON: Sure. I would be happy to.

4 Before I get to the LNG settlement, I guess
5 I want to just look at the bigger picture. I think it
6 is important to recognize that the settlements presented
7 to the Commission today represent a carefully balanced
8 and delicately crafted resolution of complex issues.
9 These were negotiated together; the revenue requirement
10 settlement and the LNG settlement.

11 For purposes of making progress, we
12 ultimately broke them apart, but there are gives and
13 takes between the settlements that I think it's
14 important for the Commission to recognize.

15 It's also important to recognize just the
16 background of this case. PSE filed a complex case back
17 in January 2022. One of the first multiyear rate plans
18 filed under the new statute.

19 PSE filed testimony from 37 witnesses, more
20 than a dozen parties intervened, and more than 30
21 witnesses ultimately filed intervener testimony.

22 The parties had the opportunity to fully
23 investigate the case and they did.

24 The exhibits show that PSE responded to over
25 1100 data requests over the course of the case.

1 The parties engaged in prolonged settlement
2 negotiations over a two-month period and the Commission
3 has a substantial body of evidence before it to make a
4 decision: Direct testimony; response testimony;
5 settlement testimony; response testimony.

6 So the point is, it was a complex case. The
7 parties did their due diligence. They had the full
8 allotted time and the Commission has the full benefit
9 of their reviews.

10 For these reasons, we ask the Commission to,
11 again, consider these two settlements were negotiated
12 together and consider the gives and takes that are
13 between the settlements and not look at the LNG
14 testimony -- LNG settlement stipulation in isolation.

15 PSE respectfully requests the Commission
16 approve the Tacoma LNG settlement without conditions.
17 In the settlement, the parties accept the determination
18 that the decision to build the regulated portion of the
19 Tacoma LNG facility was prudent and PSE may include its
20 investment in rates through a tracker with costs subject
21 to refund and challenge if not prudently incurred.

22 There is an extensive record in this case
23 demonstrating that the decision to construct and operate
24 the regulated portion of the Tacoma LNG facility for
25 peaking needs on PSE's gas distribution system was

1 prudent.

2 With regard to the question about whether
3 that decision should be delayed to the 2023 filing,
4 PSE's response is, we ask, respectfully, no.

5 Given the significant evidence in the
6 record, the time that the parties have had to review
7 this significant evidence on need and alternatives,
8 it -- it would be burdensome to have a second proceeding
9 where all of this was again presented.

10 And, of course, we've had several months to
11 look at the Tacoma LNG in this proceeding.

12 So PSE respectfully requests that we -- that
13 the Commission approve the language of the settlement
14 that allows a determination that there is a need for
15 this. And then in the tracker, all costs can be
16 challenged if they are not prudently incurred.

17 I think it's important to recognize that
18 although the Board's decision and PSE's decision to move
19 forward with the Tacoma LNG facility occurred in 2016
20 and then was re-evaluated in 2018, before the equity
21 standard was in the public -- equity was in the public
22 interest standard, it's important to recognize that
23 there are several benefits, as we heard today, to
24 neighborhoods and areas surrounding the Tacoma LNG
25 facility.

1 In fact, the record shows that the Tacoma
2 LNG facility will have a profound positive impact on the
3 communities surrounding the Port of Tacoma.

4 Mr. Roberts testified that the facility
5 reduces criteria pollutants in the air.

6 In addition, there are improved
7 environmental conditions on-site and in waterways around
8 the Port of Tacoma.

9 The record shows that PSE replaced creosote
10 pilings with steel pilings, which benefits water and
11 sediment conditions in the Blair Waterway.

12 PSE installed a stormwater rain garden
13 to decrease the flow of untreated water from a largely
14 industrial peninsula into the Hylebos Waterway.

15 PSE engaged in on-site mitigation in the
16 Hylebos and off-site mitigation in Commencement Bay by
17 removing overwater structures which directly benefits
18 juvenile salmon.

19 And PSE revegetated portions of the 50-foot
20 marine buffer at the project, again, benefiting salmon
21 and improving water quality.

22 PSE also engaged with the Puyallup Tribe
23 during the lead-up to the decision to build the Tacoma
24 LNG facility.

25 Starting in 2014, PSE made numerous attempts

1 to engage with the Tribe, although, weirdly outreach by
2 PSE at the manager level was ignored.

3 PSE elevated outreach to the executive
4 level.

5 PSE provided the Tribe additional
6 information on safety studies associated with the
7 project's design and development.

8 PSE came to understand that activities on
9 the Hylebos Waterway was a major concern for the Tribe.
10 And as a Shorelines Hearing Board decision, Exhibit
11 RJR-33 shows PSE stipulated that it would not construct
12 on the Hylebos Waterways and it abandoned that portion
13 of the project.

14 Also important to recognize that the Tacoma
15 LNG facility was designed and constructed so it can be
16 operated safely. PSE extensively considered safety
17 concerns in its design and construction of the Tacoma
18 LNG facility.

19 And in addition to PSE, safety was
20 extensively considered by the City of Tacoma as part of
21 its EIS. The PCHB in hearing the appeal of the air
22 permit.

23 The pipelines safety subdivision in its
24 reviews during construction of the facility and ongoing
25 reviews of facility operations and Tacoma fire to

1 confirm Tacoma LNG facilities fire protection and safety
2 systems conform to applicable LNG codes and standards.

3 In summary, the construction of the LNG
4 facility is complete. Commissioning was completed in
5 February 2022. PSE met all the prongs of the
6 Commission's prudent standard in developing and
7 constructing the facility as is set forth in testimony
8 and, therefore, PSE respectfully requests that
9 Commission approve the Tacoma LNG settlement stipulation
10 without conditions.

11 Thank you.

12 JUDGE HOWARD: All right. Thank you.

13 I believe that would essentially conclude
14 the statements in support of the settlements.

15 I would consider if one more party would
16 like to speak in favor of the Tacoma LNG settlement, I
17 might allow them a couple of minutes. A few minutes.

18 MR. ROBERSON: I need about a minute, Judge
19 Howard. I will be very brief.

20 THE COURT: Please proceed.

21 CLOSING STATEMENTS BY MR. ROBERSON

22 MR. ROBERSON: Staff also signed onto the
23 settlement, urges the Commission to adopt it.

24 From Staff's perspective, the movement of
25 these costs to a tracker allows complete certainty in

1 terms of rate making. The costs here involve a deferral
2 pro forma plant, tester plant, forecasted O&M.

3 Moving things to a tracker allows Staff to
4 review them at the end of the rate year when all those
5 costs are known and measurable. Part of what staff
6 bargained for here was the ability to challenge all
7 those costs for whether they were known and measurable,
8 used and useful, prudent.

9 You know, Staff is not done with its review
10 of this project. It's just removing it to a later time
11 which will allow for a better review.

12 Thank you.

13 JUDGE HOWARD: All right. Thank you.

14 So that was the statements in support of the
15 three multi-party settlements.

16 I now turn to the parties who have opposed
17 any aspect of the settlements. And I would include The
18 Energy Project if the -- because The Energy Project
19 intends to oppose, if I recall correctly, Tacoma LNG on
20 the briefs.

21 So we have -- we have Public Counsel, we
22 have Puyallup Tribe, we have CENSE, and The Energy
23 Project.

24 I would turn first to Public Counsel. If
25 Public Counsel would like to give a closing argument in

1 opposition to any of the settlements.

2 CLOSING ARGUMENT IN OPPOSITION

3 MS. GAFKEN: Yes. Thank you.

4 Public Counsel's position in this case is
5 nuanced. It's not completely straightforward because
6 we're seeking different positions depending on which
7 issue we're talking about. And I know that's not
8 necessarily a simple path.

9 But, you know, we heard earlier that Public
10 Counsel supports the Green Direct settlement; Public
11 Counsel opposes the Tacoma LNG settlement; and with
12 respect to the revenue settlement, we support portions
13 of it; we take no position on other portions and we
14 specifically oppose the capital structure and return on
15 equity terms. That is the only part of the revenue
16 settlement that we specifically opposed.

17 My comments today are not intended to cover
18 all of the arguments that Public Counsel will present in
19 our closing brief.

20 I addressed the Green Direct settlement
21 earlier. I won't talk more about that one now.

22 I will briefly highlight areas of the
23 revenue settlement that Public Counsel does support, and
24 then I'll spend probably the bulk of my time talking
25 about the issues that Public Counsel contests with

1 respect to the proposed settlement.

2 Just briefly in terms of the -- the terms
3 that Public Counsel supports from the revenue
4 settlement, those include the electric and natural gas
5 rate spread and rate design terms, the A&I terms,
6 Colstrip cost recovery, low income issues, time varying
7 rate pilot, distributional equity analysis, gas line
8 extension terms, decarbonization and electrification
9 study, CETA costs, the PCORC terms, and the
10 performance-based rate-making terms.

11 I will go into more detail in our written
12 brief about what we support about those things. I agree
13 with a lot of the statements that were made earlier on
14 those terms.

15 But I do want to turn to the terms that
16 Public Counsel opposes.

17 And I want to start with the capital
18 structure and the ROE terms. The revenue settlement
19 sets PSE's return on equity at 9.4 percent and the
20 equity ratio at 49 percent.

21 Our witness finds that that is excessive and
22 it results in customer rates that are too high. Public
23 Counsel recommends that the Commission reject this part
24 of the revenue settlement and set PSE's return on equity
25 at 8.8 percent and the equity ratio at 48.5 percent.

1 The settling parties have not demonstrated
2 that increasing PSE's equity is justified. In contrast,
3 Public Counsel's recommended 48.5 percent equity is in
4 line with PSE's historical capitalization which PSE has
5 successfully used to finance its operations and maintain
6 its credit rating.

7 Various proxy groups have been presented in
8 this case. The proxy groups contain companies with
9 similar characteristics as PSE, except the proxy group
10 companies have average common equity ratios that are
11 well below 48.5 percent.

12 They range from the low -- or the high 30s
13 to low 40s. Even though Public Counsel's recommendation
14 is still higher than the average common equity ratio of
15 the proxy group, it is closer to the proxy group than
16 the settlement.

17 Similarly, the settling parties propose ROE
18 as 9.4 and that is too high in light of market
19 conditions and company risk. ROE is supposed to
20 compensate investors for the risk they take with their
21 investment. Public Counsel's witness, Dr. Woolridge,
22 demonstrated in his testimony that 9.4 percent ROE is
23 excessive and that a more fair ROE is 8.8 percent.

24 While the interest rates have increased
25 during 2022, authorized ROE has not reflected the

1 historically low rates in recent years. Dr. Woolridge
2 points out that even though interest rates declined
3 about 150 basis points in recent years, authorized ROEs
4 for electric utilities declined nationally by only about
5 20 percent -- or 20 basis points.

6 Moreover, even with the recent interest rate
7 increases, interest rates are still at historically low
8 levels. Similarly, while the 40-year high
9 year-over-year inflation rates are as high as 9.0
10 percent, investors expect long-term inflation to be
11 significantly lower at about 5 -- I'm sorry, 2.5
12 percent.

13 Additionally, while the stock market
14 declined in the first half of 2022, utilities stock
15 consistently outperformed the S&P 500 indicating the
16 utility equity return requirements have not increased.

17 In responding to the proposed settlement,
18 Dr. Woolridge also points out flaws in Staff's response
19 testimony presented by witness Parcell. This critique
20 undergirds Dr. Woolridge -- I'm sorry -- undergirds
21 Dr. Woolridge's concerns about the cost of capital and
22 capital structure presented in the revenue settlement.

23 Despite witness Parcell's recommendation on
24 ROE of 9.25 percent, his analysis supports a much lower
25 ROE closer to Public Counsel's recommendation. The

1 settlement presents a capital structure that is too
2 heavily weighted with equity and contains an ROE that is
3 higher than necessary.

4 By contrast, Public Counsel's capital
5 structure and ROE proposal are more reasonable and we
6 encourage the Commission to adopt them.

7 I'd like to turn to the Tacoma LNG issue,
8 briefly.

9 The Commission is being asked to find the
10 Tacoma LNG investment prudent and that costs associated
11 with the project be included in a tracker that will
12 ultimately become part of customer rates.

13 With respect to prudence, the Commission
14 looks at what a reasonable Board of Directors and
15 utility management would have done given what they knew
16 or reasonably should have known to be true at the time
17 they made a decision. This test applies to the need and
18 the appropriateness of the expenditures.

19 The Commission has identified four factors
20 that it typically focuses on but no single set of
21 factors determines prudence.

22 The four factors that have been identified
23 are the need for the resource, evaluation of
24 alternatives, communication with and involvement of the
25 Board of Directors and adequate documentation.

1 In addition to the prudent standard, the
2 Commission must consider the public interests with
3 respect to PSE's rates, services, and practices. The
4 public interest, as defined in RCW 80.28.425 subsection
5 (1) includes environmental health and greenhouse gas
6 emission reductions, health and safety concerns,
7 economic development, and equity.

8 The Tacoma LNG project fails on all
9 standards.

10 The Commission should reject the Tacoma LNG
11 settlement and disallow all costs associated with the
12 LNG project.

13 Dr. Earle, witness for Public Counsel, sets
14 out his analysis of the Tacoma LNG project in his
15 testimony, both his direct testimony on behalf of Public
16 Counsel and his opposition testimony to the settlement.

17 Dr. Earle explains how PSE's forecast
18 declined over time, how forecasted needs never
19 materialized, and how forecasts consistently
20 exceeded actual outcomes.

21 Dr. Earle explains how PSE does not take
22 these factors into account nor how -- nor did it
23 consider viable alternatives in its assessment of need.

24 Additionally, PSE inadequately communicated
25 with its Board of Directors. As Dr. Earle describes in

1 his testimony, PSE presented over 1800 pages of Board
2 materials. And those materials did not discuss
3 declining forecasts or disappearing projected needs.
4 PSE's management also did not present alternatives for
5 the LNG project to the Board.

6 In short, PSE failed to act prudently as it
7 decided to move forward with the LNG project and as it
8 decided to continue with the project.

9 Not only does the LNG project fail the
10 Commission's prudent standard, but it also fails the
11 public interest standard.

12 While it may provide some economic
13 development with jobs located at the facility, it is
14 undeniable that the LNG facility will negatively impact
15 the environmental health of the Puyallup Tribe of
16 Indians whose land the facility abuts.

17 Any greenhouse gas emissions reductions
18 realized from switching marine fuel to LNG is
19 irrelevant, because the marine fuel component of the LNG
20 facility is a non-regulated activity.

21 And locating the LNG facility on the border
22 of the Puyallup Tribe's land perpetuates systemic harm
23 by continuing to overburden an already overburdened
24 population. This is certainly not equitable. In fact,
25 it's the opposite of equitable. It is indeed

1 inequitable.

2 Dr. Sahu, one of the Tribe's witnesses,
3 explains in greater detail how the LNG project fails the
4 public interest standard in his rate testimony.

5 Public Counsel recommends that the
6 Commission rejects the Tacoma LNG settlement and
7 disallow recovery of cost associated with the LNG
8 project and rates.

9 Thank you for your time.

10 JUDGE HOWARD: All right. Thank you.

11 I would turn next to the Puyallup Tribe.

12 CLOSING STATEMENTS IN OPPOSITION

13 MR. THOMAS: Sure. Thank you, Your Honor.

14 Good afternoon, Commissioners.

15 I'll be brief. But I'd like to start with
16 the discussion over the last 20 minutes or so regarding
17 whether or not Tacoma LNG presents a greenhouse gas
18 benefit or disbenefit.

19 And I want the Commissioners to be aware
20 that this issue is still in active litigation. And this
21 is an issue on which the Attorney General of the State
22 of Washington has appeared in Court proceedings in an
23 amicus capacity challenging the determination that
24 Tacoma LNG presents greenhouse gas benefits, as well as
25 the methodology by which that conclusion was reached.

1 So with that said and just -- you know, I
2 wanted to make sure the Commissioners were aware. I'll
3 turn to some other items.

4 From the Tribe's perspective, equity
5 considerations have an important role in deciding this
6 case. And we submit that equity matters today; equity
7 mattered in 2018; equity mattered in 2016.

8 Now, the Tacoma LNG is not pulling pollution
9 out of the air; it is adding pollution to it. No
10 permitting agency -- I'll repeat -- no permitting agency
11 says otherwise.

12 When you only look at the FEIS as an
13 example, the Puget Sound Clean Air Agency recognizes
14 that this is a new source of air pollution; otherwise,
15 it would not need an air permit.

16 Now, staying on the FEIS for a second, that
17 document also states that the facility presents safety
18 risks. There is no serious argument to the contrary.

19 The UTC understands this well. The UTC has
20 an important role in assessing --

21 (Audio disruption)

22 MR. THOMAS: Your Honor, should I wait for
23 this person to go on mute?

24 JUDGE HOWARD: Okay. The wrong person is
25 muted right now. I see -- okay.

1 If you are observing, please keep your lines
2 muted.

3 I'm sorry, Mr. Thomas. I won't count
4 against your time.

5 MR THOMAS: Your Honor, thank you.

6 So I was talking about the FEIS and safety
7 risks presented by a facility like this.

8 So before the Commissioners right now, the
9 settling parties are distilled to its essence asking the
10 Commission to publicly determine that it was prudent to
11 build a facility that pollutes the air and presents a
12 risk of explosion on the border of an Indian
13 reservation.

14 The Commissioners -- the Tribe requests --
15 should determine it is not prudent to make that
16 determination on the company's parts and we will expound
17 on that in our closing briefing.

18 At the very least -- and Commissioner Doumit
19 raised this a little bit earlier. At the very least,
20 PSE has more work to do to establish prudence. And
21 that's discussed in both the testimony submitted by
22 Dr. Sahu for the Tribe and the testimony submitted by
23 Gary Saleba. So equity matters and the public interest
24 also matters.

25 The Commissioners heard from the community

1 located near Tacoma LNG the evening of September 28th.
2 Respectfully, Mr. Roberts does not speak for them. They
3 can speak for themselves and they spoke pretty
4 resolutely.

5 Every comment concerning Tacoma LNG was
6 strongly against the facility. And as this Commission
7 is aware, the community opposed this facility in 2016,
8 the community opposed the facility in 2018, and the
9 community opposes the facility now.

10 Washingtonians and the Tribe are requesting
11 that this Commission protect them from financing a
12 facility that, one, we heard today is predominantly, if
13 not entirely, for TOTE and, two, presents potentially
14 harmful impacts to those located near it.

15 So thank you so much for allowing me to
16 provide these remarks and I will leave it there.

17 Thank you.

18 JUDGE HOWARD: All right. Thank you,
19 Mr. Thomas.

20 Would CENSE like to give an approximately
21 ten-minute closing argument?

22 And this would be in addition to your brief
23 which will be due later on October 31st.

24 CLOSING STATEMENTS BY MR. HANSEN

25 MR. HANSEN: We just have about -- less than

1 two-minute closing --

2 JUDGE HOWARD: Please go ahead.

3 MR. HANSEN: -- comments. We've got three
4 items, Your Honor, and I'll just read them here.

5 Mr. Lauckhart has pointed out in his
6 testimony, RL-1T on page 17 that PSE has failed to meet
7 any of the four factors that WUTC looks for in a
8 prudency review.

9 Number 2, Mr. Lauckhart has identified seven
10 fatal flaws in the load flow studies they ran to justify
11 Energize Eastside.

12 See Exhibits RL-3, slides 20 through 37.

13 PSE has chosen not to rebut the Lauckhart
14 seven fatal flaws, so that testimony by Mr. Lauckhart is
15 un rebutted in this proceeding.

16 Three, the Lauckhart-Schiffman Load Flow
17 Study Report Exhibit RL-4, finds that one or more of the
18 seven fatal flaws are corrected that EE is not need.
19 The evidence is convincing that EE is imprudent. And we
20 thank you very much for the opportunity to present our
21 testimony today.

22 Thank you.

23 JUDGE HOWARD: All right. Thank you.

24 I would -- would The Energy Project like to
25 give any oral closing argument with respect to its

1 opposition to the Tacoma LNG settlement?

2 MR. ZAKAI: Yes. Thank you very much, Your
3 Honor. Yochi Zakai for The Energy Project. I have a
4 brief statement in closing.

5 JUDGE HOWARD: Please go ahead.

6 CLOSING ARGUMENT IN OPPOSITION

7 MR. ZAKAI: TEP opposes the Tacoma LNG
8 settlement because the settling parties have not
9 demonstrated that it's in the public interest.

10 SB 5295, which applies to this rate case,
11 established the Commission's public interest standard to
12 include an evaluation of equity and environmental health
13 impacts.

14 The Tribe's testimony clearly describes the
15 equity, environmental health and safety impacts on the
16 community in which PSE cited the LNG plant. The LNG
17 plant is located in the Tribe's community, a highly
18 impacted community with vulnerable populations.

19 The Commission must give appropriate weight
20 to these facts when determining if the Tacoma LNG
21 settlement is in the public interest.

22 Public Counsel's testimony also questions
23 the process that PSE used to approve the decision to
24 build the LNG facility.

25 Public counsel's testimony raises legitimate

1 questions about the prudence of PSE's decision by
2 carefully reviewing the need for the plant, the
3 evaluation of alternatives, and the documentation
4 provided to the Board of Directors.

5 The Commission should review Public
6 Counsel's testimony and conclude that the decision to
7 build the project was not prudent.

8 TEP urges the Commission to carefully
9 evaluate the equity and public health concerns raised by
10 the Tribe. This is an environmental justice issue. The
11 Commission should conclude that the Tacoma LNG
12 settlement perpetuates environmental injustice and is
13 not in the public interest.

14 Thank you.

15 JUDGE HOWARD: All right. Thank you.

16 Did I miss any parties who oppose any aspect
17 of the three settlements?

18 All right. I don't believe I did.

19 But hearing none, do we have any questions
20 for counsel from the bench?

21 COMMISSIONER DOUMIT: Yes, Your Honor, if I
22 might, please.

23 THE COURT: Yes, go ahead.

24 COMMISSIONER DOUMIT: Just following up on
25 the question that I was pursuing prior to the closings,

1 which I think the question that I posed was answered by
2 Ms. Erdahl then and reinforced by Ms. Carson and
3 Mr. Roberson and that's the prudence on the LNG costs
4 can be determined in the tracker that is filed.

5 I just want to go a little further and note
6 that the LNG costs are recovered under the rates under
7 the settlement at paragraph 18.

8 And the question I have is will the
9 Commission be correct in understanding that because LNG
10 distribution costs would be included in the rates unlike
11 the LNG facility costs, they would not be subject to
12 later review and possible refund?

13 MR. ROBERSON: I'll take that one. Yeah.
14 The distribution costs, because they are on base rates,
15 they wouldn't be subject to retrospective review. But
16 everything that is in the tracker would be subject to
17 refund depending on what the Commission does at the time
18 PSE trues-up the tracker.

19 COMMISSIONER DOUMIT: All right. If there's
20 no disagreement on that question, I have a follow-up,
21 Your Honor.

22 JUDGE HOWARD: Go ahead.

23 MS. CARSON: That is my understanding as
24 well. I agree with Mr. Roberson.

25 COMMISSIONER DOUMIT: Thank you.

1 Can someone explain how the four miles of
2 pipeline connecting the Tacoma LNG facility to PSE's
3 distribution system are used and useful for core gas
4 customers before the facility is able to serve as a peak
5 shaving resource?

6 MS. CARSON: Well, I'm happy to try to
7 address that.

8 My understanding is the facility is ready to
9 serve as a peaking resource. It's just the weather
10 isn't cold enough yet for that need to -- to be
11 actualized, but it is ready. It is ready to be used and
12 useful. The pipes are in the ground and ready. And
13 when the weather turns cold, it will be a resource. It
14 will be a -- it's a resource today. But it will be a
15 used resource at that point in time.

16 COMMISSIONER DOUMIT: Thank you.

17 No further questions for me, Your Honor.

18 JUDGE HOWARD: All right. Any further
19 questions for counsel?

20 COMMISSIONER RENDAHL: None from me. Thank
21 you.

22 CHAIR DANNER: None from me. Thank you.

23 JUDGE HOWARD: All right. In that case,
24 I'll just turn to a couple of administrative matters.

25 We have a deadline for post-hearing briefs

1 already in the schedule for October 31st.

2 The -- were the Commissioners comfortable
3 with the page limits we discussed earlier?

4 COMMISSIONER RENDAHL: Yes.

5 CHAIR DANNER: Remind me, Judge, what those
6 were.

7 JUDGE HOWARD: I think it was 30 pages
8 allocated to each of the three settlements -- well, 30
9 pages for Tacoma LNG; 30 pages for revenue requirement;
10 10 pages for Green Direct, and that will be in support
11 of or in opposition to any of those settlements.

12 CHAIR DANNER: Yes. And that's fine with
13 me, yes.

14 JUDGE HOWARD: All right. So for -- for our
15 post-hearing briefs, we have the one round of
16 post-hearing briefs and the page limits would be
17 essentially based on the settlement the brief is
18 addressing. The brief can -- a party can address more
19 than one settlement, if that's within the scope of its
20 participation in the case.

21 So parties may submit 30 pages of briefing
22 in support of or in opposition to the revenue
23 requirement settlement, 30 pages of briefing in support
24 of or in opposition to the Tacoma LNG settlement, and
25 ten pages of briefing in support of or in opposition to

1 the Green Direct settlement.

2 The 30-page limit, I should clarify, for the
3 revenue requirement settlement includes the Energize
4 Eastside issue.

5 Are there any questions about post-hearing
6 briefs or page limits?

7 MS. CARSON: I do have a question. I want
8 to make sure I understand.

9 Are you talking about three different briefs
10 or are you talking about one brief that would
11 potentially be up to 70 pages?

12 JUDGE HOWARD: I would say that if a party
13 does not have any conditions on its participation in the
14 case or has voluntarily limited its scope of
15 participation, if a party has addressed all the issues
16 in the case, it may submit one brief up to 70 pages if
17 it is addressing each of the three settlements at issue.
18 Those would be additive page limits for the brief.

19 MS. CARSON: Thank you.

20 JUDGE HOWARD: Any further questions on that
21 topic?

22 MR. HANSEN: Yes, I have a question, Your
23 Honor.

24 JUDGE HOWARD: Yes.

25 MR. HANSEN: For the Energize Eastside

1 brief, it wasn't clear to me how many pages we would
2 prepare.

3 JUDGE HOWARD: It would be the 30-page limit
4 for the revenue requirement settlement. And then
5 because CENSE -- CENSE's participation is limited to the
6 prudence of Energize Eastside, which is one aspect of
7 that settlement, CENSE could devote all 30 pages to the
8 Energize Eastside issue. Your page limit is effectively
9 30 pages.

10 MR. HANSEN: Okay. Thank you.

11 MS. CARSON: And, Your Honor, I guess I
12 would just note that -- that presents the -- the
13 situation where a party who has one issue and the
14 revenue requirement settlement has 30 pages to address
15 it; whereas a party like PSE and many others who have
16 multiple issues in the revenue requirement settlement,
17 has 30 pages to address Energize Eastside as well as all
18 the other issues.

19 So I -- I guess I do have some concerns
20 about the fairness of that.

21 JUDGE HOWARD: Would any other party like to
22 address that concern?

23 I'm going to revisit my decision, because
24 this is an elaboration that I've added about the 30-page
25 limit and how to interpret that for Energize Eastside.

1 I'm going to say that the Energize Eastside
2 issue because it is one issue among others in the
3 revenue requirement settlement up to 15 pages can be
4 devoted to Energize Eastside. And that is within the
5 30-page limit for the revenue requirement settlement.

6 So that I -- I would change what I just said
7 to -- to CENSE and I would say that CENSE is -- because
8 of CENSE's limited participation in the case, CENSE
9 would have a 15-page limit for its post-hearing brief.

10 And I'm changing that decision given --
11 given I am persuaded that if -- if a party is speaking
12 in favor of or in opposition to the entirety of the
13 revenue requirement settlement there are a number of
14 issues beyond on Energize Eastside.

15 Mr. Hansen, were you going to speak?

16 MR. HANSEN: No, Your Honor. I was just
17 saying, just to clarify, Energize Eastside will have 15
18 pages and that's fine.

19 JUDGE HOWARD: All right. Thank you.

20 MS. CARSON: Thank you, Your Honor.

21 JUDGE HOWARD: All right. And in terms of
22 other administrative matters, we have the bench request
23 for workpapers, which Commissioner Rendahl discussed
24 earlier. And we have the supplemental aspect of that.
25 And that will be issued shortly. And we plan on giving

1 a 7-day turn around. It might be out the door here
2 tomorrow, hopefully.

3 Are there any other administrative matters
4 we should address?

5 Ms. Gafken.

6 MS. GAFKEN: Yes, thank you.

7 At the top of the hearing we talked about
8 the public comment exhibit, and I've since been in touch
9 with Andrew Roberts and he informs me that there is well
10 in excess of a thousand comments. And so he is
11 gathering the ones that has gone into the Commission.

12 So I would -- I would ask that that date be
13 moved from October 10th to October 17th. It's one week
14 later.

15 THE COURT: That should be --

16 MS. GAFKEN: I was going to ask for a date
17 during the week of October 10th, but we also have the
18 AVISTA public comment due that same week.

19 And so I think if we can move this one to
20 the 17th, that would really ease the administrative
21 burden. So if that works for you, that would be
22 wonderful.

23 JUDGE HOWARD: I think -- I think that's a
24 reasonable request given the number of comments.

25 And I would plan on marking that Bench

1 Exhibit 3, because we have the supplemental. We have
2 the bench request that's going to be -- for workpapers
3 that will be due before that.

4 Okay. Are there any other administrative
5 matters?

6 All right. Hearing none, I want to thank
7 all the parties for their efforts in this proceeding.
8 This process depends on the professionalism and the hard
9 work of all the attorneys, the representatives, and the
10 witnesses of record. It also depends on many advisors,
11 accountants, legal support staff, and other individuals
12 who may not be recognized by name today.

13 I wanted to take a brief moment to recognize
14 everyone's contributions in this complex case. And with
15 that we are adjourned.

16 Thank you.

17

18 (Hearing concluded at 4:20 p.m.)

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