

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY,

Respondent.

DOCKETS UE-170033 and UG-170034

COMMISSION STAFF MOTION FOR
LEAVE TO REVISE THE
TESTIMONIES AND EXHIBITS OF
BETTY A. ERDAHL, CHRISTOPHER
R. MCGUIRE, AND MELISSA C.
CHEESMAN

I. INTRODUCTION

I Commission Staff (Staff) of the Washington Utilities and Transportation Commission (Commission) submits this motion to revise the testimonies of Betty A. Erdahl, Christopher R. McGuire, and Melissa C. Cheesman pursuant to WAC 480-07-460. In the weeks since filing testimony on June 30, 2017, Staff discovered errors in the testimony and exhibits of Ms. Erdahl and the work papers of Mr. McGuire. Those errors have a material impact on Staff's overall revenue requirements as presented in the testimony of Ms. Cheesman. Mr. McGuire also seeks to correct a portion of his testimony, though that correction does not affect Staff's proposed revenue requirement. Ms. Erdahl also seeks to change portions of her testimony relating to specific investor supplied working capital (ISWC) accounts due to information she obtained in discovery after June 30, 2017. Staff therefore seeks to make substantive changes to the testimony and exhibits of Ms. Erdahl, Mr. McGuire, and Ms. Cheesman in order to clarify and improve the evidentiary record now before the Commission. Staff's proposed revisions change the recommended revenue requirements from negative \$46 million to negative \$35 million for PSE's electric

operations and from negative \$54 million to negative \$48 million for PSE's natural gas operations.

2 Pursuant to the Commission's rules in 480-07-460, Staff has attached the proposed revisions to this motion in the requisite format. Staff has also included Attachment A to this motion as a form of errata sheet or checklist of Staff's proposed revisions.

II. STANDARD FOR SUBSTANTIVE CHANGES TO PREFILED TESTIMONY

3 Under WAC 480-07-460(1)(a)(i), parties must seek leave from the presiding officer by written motion if they wish to revise prefiled testimony or exhibits with substantive changes. The rule also requires the moving party to submit the proposed changes with the motion. WAC 480-07-460(1)(b) requires parties to file motions to make substantive changes as soon as practicable after discovering the need to make the change. The Commission's rules also set out specific formatting requirements for testimony revisions and serving errata sheets in WAC 480-07-460(1)(a)(iii) and WAC 480-07-460(6), respectively.

III. RELIEF REQUESTED

4 Commission Staff requests that the Commission grant this motion for leave to revise the portions of Staff's testimony and exhibits listed in Attachment A to this motion and previously submitted on June 30, 2017. For the revisions to Ms. Cheesman's and Ms. Erdahl's testimony and exhibits, Attachment A lists the Excel inputs into Ms. Erdahl's and Ms. Cheesman's exhibits that have changed as a result of the revisions to Ms. Erdahl's testimony and Mr. McGuire's work papers. Although the attachment does not list the cascading calculation value changes tied to those inputs, Staff has highlighted each cell that contains revised figures in both Ms. Cheesman's and Ms. Erdahl's revised exhibits included with this motion.

IV. EXPLANATION/ARGUMENT

A. Ms. Betty A. Erdahl, substantive changes to BAE-1T, BAE-2, and BAE 3.

5 Staff seeks leave to change two substantive areas of Ms. Erdahl's testimony and exhibits. First, Ms. Erdahl's initial testimony advocated subtracting the rate base differences listed on BAE-2 summarizing the proposed ISWC adjustments from the Company's rate base for both electric and natural gas operations. PSE's initial filing,¹ however, did not increase per books rate base by the amount in PSE's operating investments column in their ISWC workpaper calculation. Rather, the Company's filing used the amount in the operating investment column to increase rate base for ISWC allocation purposes *only*. Staff's removal of the amount of Ms. Erdahl's difference in rate base was thus in error. The revised treatment of Ms. Erdahl's ISWC adjustment represents the most significant change to Staff's proposed revenue requirements.

6 Second, Staff seeks leave to change Ms. Erdahl's proposed treatment of 18 balance sheet accounts used to determine working capital. Ms. Erdahl's initial testimony categorized 16 of those accounts as non-operating and two as current liabilities; however, as she explains on the last page of the proposed revised testimony, Ms. Erdahl's current opinion is that the Commission should allow the re-categorization of those 18 accounts for electric and gas service. Staff's proposed substantive change to those accounts is based on information Staff received in the discovery process after filing testimony.

B. Christopher R. McGuire, corrections to CRM-1T and workpapers

7 Staff also seeks leave to revise two portions of Mr. Christopher R. McGuire's testimony and supporting workpapers. First, CRM-1T contains a table on page six that lists

¹ Barnhard, KJB-1T at 19-20 *and* KJB-5 at 9-11.

three incorrect figures. Those incorrect figures were only included in that summary table in Mr. McGuire's testimony and do not affect Staff's revenue requirement. Second, Mr. McGuire's electric depreciation study work papers included two errors for depreciation expense and composite remaining life tied to Colstrip units.² Those errors, although only in work papers, did not match Mr. McGuire's written testimony in CRM-1T on the subject. The written testimony was and remains correct, but the error in Mr. McGuire's Excel work papers caused a calculation error in Staff's overall revenue requirement exhibits presented by Ms. Melissa C. Cheesman.

C. Melissa C. Cheesman, substantive changes to MCC-1T, MCC-2, MCC-3, MCC-4, MCC-5, MCC-7, MCC-8, MCC-9, MCC-10, MCC-12, MCC-13

8 Lastly, Staff seeks leave to amend significant portions of the testimony and exhibits of Ms. Melissa C. Cheesman. Ms. Cheesman testified to Staff's overall revenue requirement and her exhibits include Staff's revenue requirement models for both electric and natural gas operations. The above-described substantive changes in the testimony of Ms. Erdahl and the work papers of Mr. McGuire result in changes to Staff's final revenue requirement models and exhibits. Staff's revised exhibits for Ms. Cheesman provide highlighted cells for all changed inputs and the resulting cascading calculations value changes that depend on those corrections to rate base and expense levels as inputs.³ After incorporating Staff's proposed

² Although only in Staff's workpapers, the specific corrections may be helpful for context and for the other parties. The two errors were on Staff's electric depreciation study work papers titled 170033-Staff-WP-CRM-Depr Study 13.06. First, the "PROPOSED DEPRECIATION EXPENSE AMOUNT" for Colstrip Units 1 and 2 on tab "Electric" were incorrect and should have directly linked to the appropriate "Accrual Amounts" on tab "Elec Study Rpt." The correction represents an increase in annual depreciation expense of \$217,396. Second, the "COMPOSITE REMAINING LIFE" values were incorrectly entered for Colstrip Units 3 and 4 on tab "Elec Study Rpt." The values should represent PSE's recommended remaining life for those units, which Staff did not contest. The composite remaining life changes the calculated annual depreciation expense. The correction represents an increase in annual depreciation expense of \$4,335,271.

³ Ms. Cheesman's testimony also revises adjustments 13.05 (electric) and 11.05 (gas) for Tax Benefits of Pro Forma Interest because those adjustments depend on the pro forma rate base totals, and those rate base totals change as a result of the changes in Ms. Erdahl's testimony and Mr. McGuire's workpapers.

revisions, Staff's revised revenue requirements would be negative \$35 million for PSE's electric operations and negative \$48 million for PSE's natural gas operations.

**V. STAFF FILED REVISIONS AS SOON AS PRACTICABLE
IN COMPLIANCE WITH WAC 480-07-460(1)(b).**

9 Staff discovered the possibility of errors while responding to discovery requests from other parties after Staff filed its testimony. Evaluating and correcting those errors required coordination from multiple Staff members because changes to working capital and portions of rate base potentially impact almost every witness's testimony. In this case, Staff has thirteen witnesses and thousands of pages of testimony, exhibits, and workpapers. Coordinating many Staff members' availability took additional time, particularly because the review took place in July when many individuals had scheduled vacations and days off. Staff then spent the necessary time to understand and isolate the potential errors. The current motion and accompanying documents therefore represent the earliest time and date by which Staff could move for leave to file revisions.

**VI. STAFF'S REVISIONS IMPROVE THE RECORD
FOR THE COMMISSION AND DO NOT PREJUDICE ANY PARTY**

10 Staff's proposed revisions focus on issues that no other party addressed or on corrections to figures that do not change Staff's substantive positions. For the changes in Ms. Erdahl's testimony and exhibits, it is important to note that, except for PSE, no other party testified to the issue of working capital. Ms. Erdahl's corrections actually go to the benefit of the Company, which strongly suggests that Staff's revisions will in no way prejudice PSE. For the corrections to Mr. McGuire's and Ms. Cheesman's testimonies and exhibits, the revisions will better collate Staff's testimony to its revenue requirement figures, thus improving the evidentiary record for the Commission. Those corrections also do not substantively change Staff's rationale or narrative in testimony. Staff's revisions thus do not

inhibit or prejudice the other parties' ability to respond to Staff in cross answer or through cross examination at the evidentiary hearing.

VII. CONCLUSION

11 Commission Staff requests that the Commission allow Staff to revise the relevant testimonies and exhibits of Ms. Betty A Erdahl, Mr. Christopher R. McGuire, and Ms. Melissa C. Cheesman.

DATED this 8th day of August 2017.

Respectfully submitted,

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