EXHIBIT NO. _____ (PMR-6)
DOCKETS UE-170033/UG-170034
2017 PSE GENERAL RATE CASE
WITNESS: PATRICK M. RISKEN

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMMISSION, **Complainant,** **v.** **PUGET SOUND ENERGY,** **Respondent.**	**Docket UE-170033** **Docket UG-170034**

EXHIBIT PMR-6 TO THE

CROSS-ANSWERING TESTIMONY OF

PATRICK M. RISKEN

ON BEHALF OF THE STATE OF MONTANA

NON-CONFIDENTIAL

August 9, 2017

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION STAFF
RESPONSE TO DATA REQUEST

DATE PREPARED: July 31, 2017	WITNESS: Chris McGuire
DOCKETS: UE-170033/UG-170034	RESPONDER: Chris McGuire
REQUESTER: NWEC, et al.	TELEPHONE: (360) 664-1310

REQUEST NO. 2:

Please refer to the response testimony of Chris McGuire on pages 9, 26, and 27, where Mr. McGuire recommends that the Commission use July 1, 2022 as the end-of-life date for Colstrip Units 1 and 2 for depreciation purposes.

a. Has Mr. McGuire read pages 6-11 of the response testimony of Christopher Hancock? If yes, does Mr. McGuire agree that Colstrip Units 1 and 2 may retire earlier than July 1, 2022?
b. Is it Mr. McGuire's position that Colstrip Units 1 and 2 will not retire earlier than July 1, 2022?
c. Is it Mr. McGuire's position that the consent decree requires PSE to retire Colstrip Units 1 and 2 on the date of July 1, 2022, and prohibits PSE from retiring one or both of the units prior to July 1, 2022?

RESPONSE:

a. Yes, Mr. McGuire has read pages 6-11 of the response testimony of Christopher Hancock. Mr. McGuire agrees that Colstrip Units 1 and 2 may retire earlier than July 1, 2022, and, in fact, discussed the possibility of an early closure on page 37, lines 10 through 16, of Exhibit CRM-1T.

b. No, it is not Mr. McGuire's position that Colstrip Units 1 and 2 will not retire earlier than July 1, 2022. Again, please see Exhibit CRM-1T, page 37, lines 10 through 16 for Mr. McGuire's testimony concerning the possibility and effect of an early retirement of Colstrip Units 1 and 2.

c. No, it is not Mr. McGuire's position that the consent decree requires PSE to retire Colstrip Units 1 and 2 on the date of July 1, 2022, or that the consent decree prohibits PSE from retiring one or both of the units prior to July 1, 2022. Again, please see Exhibit CRM-1T at page 37, lines 10 through 16 for Mr. McGuire's testimony concerning the possibility and effect of an early retirement of Colstrip Units 1 and 2.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION STAFF
RESPONSE TO DATA REQUEST

DATE PREPARED: July 31, 2017	WITNESS: Chris McGuire
DOCKETS: UE-170033/UG-170034	RESPONDER: Chris McGuire
REQUESTER: NWEC, et al.	TELEPHONE: (360) 664-1310

REQUEST NO. 3:

Please refer to the response testimony of Chris McGuire on page 33, footnote 23.

a. Has Mr. McGuire calculated how much money PSE has earned as a return on the "artificially high rate base"? If so, please provide all such calculations.

b. Does Mr. McGuire recommend that the Commission deny PSE a return of and/or on the depreciation reserve imbalance? Please explain.

RESPONSE:

a. No, Mr. McGuire has not calculated how much money PSE has earned as a return on the "artificially high rate base".

b. No, Mr. McGuire does not recommend that the Commission deny PSE a return of the depreciation reserve imbalance. Yes, Mr. McGuire does recommend that the Commission deny PSE a return on the regulatory asset created as a result of Staff's recommendation to amortize the depreciation reserve over 18 years.

Staff's recommended treatment is described in CRM-1T, beginning at page 29, line 15. Specifically, Staff recommends that "the Commission order an increase to the reserve for accumulated depreciation, which effectively decreases the net plant in service by $127,629,543. That order would, consequently, reduce total rate base by $127,629,543." Thus, under Staff's recommendation the Company would not earn a return on the depreciation reserve imbalance, as rate base will have been reduced by an amount equal to the reserve imbalance.

Also on page 29, beginning at line 19, Staff recommends that "the Commission allow PSE to convert a corresponding amount into a regulatory asset and amortize that amount over the next 18 years. This would make the Company whole for its investment in Colstrip Units 1 and 2 in a fair manner." Thus, Staff advocates for a full return of the remaining unrecovered plant balance, including the amount associated with the reserve imbalance.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION STAFF
RESPONSE TO DATA REQUEST

DATE PREPARED: July 31, 2017
DOCKETS: UE-170033/UG-170034
REQUESTER: NWEC, et al.

WITNESS: Chris McGuire
RESPONDER: Chris McGuire
TELEPHONE: (360) 664-1310

REQUEST NO. 4:

Please refer to the response testimony of Chris McGuire on page 34, lines 21-23, and page 35, lines 1-4.

a. Please explain whether it is Mr. McGuire's position that the date the Commission should use for depreciation purposes for Units 3 and 4 should be based on the best estimate of when Units 3 and 4 will go out of service.
b. Please explain whether it is Mr. McGuire's position that, based on currently available evidence, the best estimate of when Units 3 and 4 are likely to retire is 2035.
c. Please provide all evidence which Mr. McGuire has reviewed which indicates that Units 3 and 4 will be economic to run until 2035.

RESPONSE:

a. Mr. McGuire did not sponsor testimony on the "best estimate" of when Units 3 and 4 will go out of service. Mr. McGuire simply did not contest PSE's estimate of 2035 as the likely date those units will go out of service.
b. See response to (a).
c. See response to (a).

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION STAFF
RESPONSE TO DATA REQUEST

DATE PREPARED: July 31, 2017
DOCKETS: UE-170033/UG-170034
REQUESTER: NWEC, et al.

WITNESS: Christopher Hancock
RESPONDER: Christopher Hancock
TELEPHONE: (360) 664-1312

REQUEST NO. 5:

Please refer to page 22, lines 9-10, of the response testimony of Christopher Hancock.

a. Please explain how PSE's actions to date indicate that PSE has a desire to maximize the funding available for remediation and decommissioning of Colstrip.
b. Please explain what steps PSE took, prior to 2016, to fund the remediation and decommissioning of Colstrip Units 1 and 2.
c. Does Mr. Hancock know how much money PSE has collected from ratepayers to fund the remediation and decommissioning of Colstrip Units 1 and 2? If so, please provide the dollar amount.

RESPONSE:

a. Mr. Hancock does not make the claim that PSE's actions to date indicate a desire to maximize the funding available for remediation and decommissioning of Colstrip. However, it is reasonable to presume that PSE would prefer to have sufficient funding available for the decommissioning and remediation activities it has committed to perform.

b. PSE has relied on decommissioning studies using the concept of negative net salvage. This concept is described on pages 11-12 of Mr. Hancock's testimony.

c. PSE witness Mr. Doyle testifies that "decommissioning and remediation costs of Colstrip Units 1 & 2 have not been recovered from customers in any material amount during the 40+ year period those units operated because there was no legal obligation to undertake remediation, the costs for decommissioning and remediation were not known and measurable, and these costs were not included in depreciation rates."[1]

In Docket UE-151500, PSE filed comments stating that "based on the currently approved depreciation rates, the net amount for cost of removal collected from customers through depreciation expense is $11.7 million through June 30, 2015. The $11.7 million reflects the cost of removal amounts accrued to FERC Account 108 ($8.8 million) and FERC Account 230 ($2.9 million) from inception through June 2015."[2]

[1] DAD-1T, page 42, lines 9-14.
[2] Docket UE-151500, *Written Comments of Puget Sound Energy, Inc. on the Issues Identified and Addressed in the Nine Questions Presented in the Commission Notice, Dated July 15, 2015.* September 15, 2015. See specifically, page 20, lines 12-16.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION STAFF
RESPONSE TO DATA REQUEST

DATE PREPARED: July 31, 2017	WITNESS: Christopher Hancock
DOCKETS: UE-170033/UG-170034	RESPONDER: Christopher Hancock
REQUESTER: NWEC, et al.	TELEPHONE: (360) 664-1312

In response to Staff Data Requests 141 and 365, PSE stated: "The most current balance available for the non-legal cost of removal portion of Puget Sound Energy's ("PSE") accumulated depreciation reserve balance is, through December 31, 2016, $8,770,456."

In the current case, the Company has proposed funding decommissioning and remediation of Colstrip Units 1 and 2 using treasury grants and production tax credits. Accordingly, under this proposal any accumulated depreciation that has been collected towards decommissioning and remediation as of the end of the test period would be re-allocated to the net plant balance. When negative net salvage value is "zeroed out," à la Mr. McGuire and Ms. Barnard, the amounts collected so far from ratepayers to fund decommissioning and remediation are re-allocated to the net plant balance. Thus, under the approach adopted by Staff and PSE, it is appropriate to approach the matter as if no funds have been collected exclusively for the purpose of funding decommissioning and remediation costs.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION STAFF
RESPONSE TO DATA REQUEST

DATE PREPARED: July 31, 2017	WITNESS: Christopher Hancock
DOCKETS: UE-170033/UG-170034	RESPONDER: Christopher Hancock
REQUESTER: NWEC, et al.	TELEPHONE: (360) 664-1312

REQUEST NO. 6:

Please refer to page 22, lines 7-9, of the response testimony of Christopher Hancock.

a. Please explain why it is appropriate to provide PSE with incentives to minimize the funds set aside for remediation and decommissioning of Colstrip 1 and 2 when PSE historically failed to set aside funds for remediation and decommissioning of the Colstrip units.

b. Does Mr. Hancock believe that there are any risks to ratepayers from PSE setting aside amounts inadequate to fund remediation and decommissioning of Units 1 and 2? Please explain.

RESPONSE:

a. It is not Staff's position that "PSE historically failed to set aside funds for remediation and decommissioning of the Colstrip units." Funding for remediation and decommissioning of Colstrip Units 1 & 2 has historically been done through the negative net salvage value approach described in CSH-1T, pages 11-12.

   The incentive Mr. Hancock recommends is an interest rate PSE pays when the balance of the fund is short of 125% of the projected remaining costs. It is not a subsidy to PSE, as the impression seems to be. It is an incentive in the same sense that interest on a loan is an incentive to minimize the balance of that loan.

   An incentive to minimize the size of the fund is appropriate to better ensure that PSE uses ratepayer funds in a timely and prudent manner. Mr. Hancock's recommendation aims to keep the fund at 125% of the expected cost of decommissioning and remediation. The extra 25% ensures that the fund has additional funds available in the case of an unexpected rise in costs.

b. Please see response above regarding the notion that "PSE [set] aside amounts inadequate to fund remediation and decommissioning of Units 1 and 2."

   If a future Commission were to find that the outcome of this proceeding produced inadequate funds for remediation and decommissioning, there would be the possibility that the future Commission would decide to recover funds from future ratepayers.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION STAFF
RESPONSE TO DATA REQUEST

DATE PREPARED: July 31, 2017
DOCKETS: UE-170033/UG-170034
REQUESTER: NWEC, et al.

WITNESS: Jason Ball
RESPONDER: Jason Ball
TELEPHONE: (360) 664-1279

REQUEST NO. 7:

Please refer to page 29, lines 13-15, of the response testimony of Jason Ball. Please explain the basis for selecting 1% of customers as the target impact for Staff's proposal.

RESPONSE:

As discussed in my direct testimony, Staff's proposed residential rate structure is designed to balance five goals:

1. Appropriately reflect the cost of kWh or therm use during peak periods;

2. Send proper price signals about long-term portfolio supply costs;

3. Actively encourage conservation;

4. Allow the company some certainty of fixed cost recovery; and

5. Minimize rate shock to individual customers.

The balance between these goals is delicate. In order to achieve rates which contain a strong conservation signal, through a higher second-block volumetric charge, Staff found it necessary to reduce the basic charge from the level appropriately determined by the Cost of Service Study. This presents a problem as the lower basic charge functionally violates the principle of cost causation by recovering customer specific costs volumetrically. To balance out all of the residential rate design goals, Staff proposed a rate structure with a minimum bill set at 1.15% of all customer usage or 35 kWh. The 1.15% number was chosen to minimize rate shock, provide a higher basic charge as indicated by the Cost of Service Study, provide some level of fixed cost recovery for the Company, and allow for a rate structure which still encourages conservation.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION STAFF
RESPONSE TO DATA REQUEST

DATE PREPARED: July 31, 2017	WITNESS: Jason Ball
DOCKETS: UE-170033/UG-170034	RESPONDER: Jason Ball
REQUESTER: NWEC, et al.	TELEPHONE: (360) 664-1279

REQUEST NO. 8:

Please refer to page 29, lines 1-23, and page 30, lines 1-8, of the response testimony of Jason Ball.

a. Has Mr. Ball evaluated the impact of Staff's proposals on current and/or prospective net metering customers? If so, please provide all such evaluations.

b. Has anyone else on Commission Staff evaluated the impact of Staff's proposals on current and/or prospective net metering customers? If so, please provide all such evaluations.

RESPONSE:

a. No. It is not currently feasible to evaluate the impact of Staff's proposed minimum charge on net metering customers because net metering customers are not currently treated as a separate class of customers. Please refer to my direct testimony, page 52, lines 4 - 11

b. No. Please see response to part (a).

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION STAFF
RESPONSE TO DATA REQUEST

DATE PREPARED: July 31, 2017	WITNESS: Jing Liu
DOCKETS: UE-170033/UG-170034	RESPONDER: Jing Liu
REQUESTER: NWEC, et al.	TELEPHONE: (360) 664-1292

REQUEST NO. 9:

Please refer to page 36, lines 16-22, and page 37, lines 1-6, of the response testimony of Jing Liu. Does Jing Liu have any empirical evidence that large customers in PSE's service territory are already implementing all cost-effective energy efficiency? If so, please provide all such evidence.

RESPONSE:

No. Staff does not have any empirical evidence that large customers in PSE's service territory are already implementing all cost-effective energy efficiency.

Staff did not make this claim in the testimony. Rather, Staff says in the testimony that large customers are more self-motivated to make energy efficiency investments rather than relying on PSE-sponsored conservation measures.