BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, Complainant, v. PUGET SOUND ENERGY, Respondent.	DOCKETS UE-240004 and UG-240005
In the Matter of the Petition of PUGET SOUND ENERGY Petitioner, For an Accounting Order Authorizing Deferred Accounting Treatment of Purchased Power Agreement Expenses Pursuant to RCW 80.28.410	(*consolidated*) DOCKET UE-230810

POST-HEARING BRIEF OF THE FEDERAL EXECUTIVE AGENCIES

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OVERVIEW AND SUMMARY OF CASE

The Federal Executive Agencies ("FEA") hereby submits its post-hearing brief in this proceeding. The United States Department of the Navy ("Navy") represents the Department of Defense and all other Federal Executive Agencies in this proceeding. The FEA is one of the largest consumers of electricity in the service territory of Puget Sound Energy ("PSE" or "the Company") and takes electric service from the Company primarily on Schedule 49. The FEA filed response and cross-answering testimony in this docket. The FEA also participated in the hearing on the merits in this proceeding. The FEA's expert witness, Mr. Ali Al-Jabir, was not cross-examined by any party during the hearing.

The FEA's testimony in this proceeding focused on certain aspects of PSE's proposed electric class cost of service and rate design. Specifically, the FEA's testimony addressed the following areas:

- The classification and allocation of electric generation fixed costs;
- The classification and allocation of electric wheeling expenses in FERC Account 565;
- The class allocation of electric distribution poles and wires costs;
- The class allocation of any changes in electric base rate revenues approved in this case;
- The Company's proposed rate design for the High Voltage Service class; and
- PSE's proposed new electric service riders.

With respect to the classification and allocation of electric generation fixed costs, the FEA urges the Commission to reject the Company's proposal to allocate such costs to the customer

classes using the renewable future peak credit methodology. This method classifies production costs into demand and energy components based on the cost of battery storage (demand) and a wind turbine (energy). Instead of applying the renewable future peak credit method, the FEA recommends that fixed production costs should be classified as 100% demand-related and allocated to the customer classes according to each class's demand during the system peak months of November and December of 2022 and January and February of 2023 ("the 4CP method"). The 4CP method provides a much better reflection of cost-causation than classification or allocation methods that utilize energy usage to any significant degree.

Regarding the classification and allocation of electric wheeling expenses, PSE proposes to classify and to allocate the costs in FERC Account 565 (Transmission of Electricity by Others) on an energy basis. This is inconsistent with the Commission's cost of service methodology rules, which specify that such wheeling expenses should be classified and allocated on a coincident peak demand basis. The wheeling of electricity over the transmission grid is enabled by the fixed capital investment in the transmission system, therefore it is appropriate to classify and to allocate the wheeling expenses in FERC Account 565 on a 12 CP demand basis, consistent with the Company's proposed allocation of other demand-related transmission costs in this proceeding.

With respect to the allocation of distribution poles and wires costs, the Company proposes to allocate the cost of distribution poles, conduit and wires based on the average of the twelve monthly distribution system non-coincident peaks ("12 NCP method") for primary system and secondary system customers together. This proposed allocation method does not properly adhere to cost-causation principles because the local distribution system is designed to meet the highest localized demands that customers impose on the system, irrespective of when those highest demands occur during the year. The lower NCP demands that occur during other months of the

year do not drive the amount of required investment in these localized facilities. Moreover, PSE did not properly differentiate the allocation of distribution poles and wires costs by primary and secondary distribution voltage levels. To correct these deficiencies, the Commission should require the Company to apply a 1 NCP allocator for primary voltage level poles and wires costs (1 NCP – Primary Voltage) that includes the NCP demands of both primary and secondary voltage level customers, and a different allocator for secondary voltage level poles and wires costs (1 NCP – Secondary Voltage) that includes the NCP demands of only customers that take service at the secondary distribution level. FEA's proposed allocation method ensures that electric distribution poles and wires costs are allocated in a manner that is consistent with cost-causation principles.

Regarding electric revenue allocation, it is the FEA's position that the Company's electric revenue allocation proposal does not show sufficient movement toward cost-based rates for the High Voltage Service class and requires customers taking service under Schedule 49 to continue to subsidize other customer classes. To reduce cross subsidies among the rate classes and to create greater movement towards cost-based rates, the FEA recommends that the High Voltage Service class be moved to cost based rates with a parity ratio of 1.0 in this proceeding. Under the FEA's proposal, the revenue shortfall resulting from this modified revenue allocation for the High Voltage Service class would be prorated to the other electric customer classes based on the revenue allocation proposed by the Company in order to meet PSE's proposed total electric revenue requirement. Consistent with the Company's electric revenue allocation proposal, the FEA recommends that the revenue deficiency for the Special Contract, Choice/Retail Wheeling and Firm Resale classes be directly assigned to the applicable rate schedules.

The FEA also recommends that the Commission approve PSE's proposed rate design for the High Voltage Service class. For the first rate year of its proposed rate plan, PSE proposes to

increase the demand charges for Schedule 46 and Schedule 49 by 30% to $3.95 per kW and $7.35 per kW, respectively. For the second rate year of the proposed rate plan, the Company proposes to increase the demand charges for Schedule 46 and Schedule 49 by a further 30% to $5.14 per kW and $9.55 per kW, respectively. The Company's proposed rate design modifications for the High Voltage Service class align with cost-causation principles. Consequently, the FEA supports PSE's proposal to realign the rates for the High Voltage Service class such that a larger portion of the costs allocated to the class are recovered through demand charges rather than energy charges.

Finally, the FEA urges the Commission to reject PSE's proposal to create the following three new tracker schedules:

(1) Schedule 141WFP, Wildfire Prevention Tracker;

(2) Schedule 141DCARB, Decarbonization Rate Adjustment; and

(3) Schedule 141CGR, Clean Generation Resources Rate Adjustment.

As a matter of policy, the Commission should reject these new tracker mechanisms because they shift regulatory risk from PSE's investors to its customers. Moreover, there are other regulatory mechanisms that the Company uses, such as multi-year rate plans, which reduce PSE's regulatory risk and eliminate the need to introduce new riders in this proceeding. For the foregoing reasons, the FEA recommends that the Commission reject the Company's proposal to create these three new trackers. Instead, PSE should include the costs associated with these proposed riders in its electric base rates.

The remainder of the Navy's post-hearing brief addresses each of the foregoing issues in greater detail.

CLASSIFICATION AND ALLOCATION OF ELECTRIC GENERATION FIXED COSTS

PSE used the renewable future peak credit methodology to classify production costs into demand and energy components based on the cost of battery storage (demand) and a wind turbine (energy), derived from the Company's 2023 Integrated Resource Plan ("IRP") using 2023 cost assumptions. The demand-related component of fixed production costs was allocated to the classes using a 12CP allocation factor. PSE allocated the energy-related component of fixed production costs based on class energy consumption. The Company's approach resulted in a 70% demand and a 30% energy allocation of generation fixed costs.[1]

For the reasons discussed herein, the FEA requests that the Commission approve an exception to its cost of service methodology rules set forth in WAC 480-85 in this proceeding and further requests that the Commission adopt FEA's alternative cost allocation proposal discussed below.

PSE's proposed method for classifying and allocating generation fixed costs is improper because it does not reasonably reflect the cost drivers for generation plant investment. As FEA's expert witness Ali Al-Jabir explained in his response testimony, the cost driver for fixed generation plant investment is the maximum coincident demand on the system, which dictates the design capacities of such resources. The amount of energy produced by those resources does not drive the incurrence of fixed generation costs, which are properly classified as entirely demand-related. It is the Company's system peak demands, which occur during the winter months, that drive the need for additional generation capacity. Demands during moderate-load times, whether time of

[1]Prefiled Direct Testimony of Christopher T. Mickelson (Exhibit CTM-1T) at p. 16, lines 11-22

day or month of year, do not cause new generating capacity to be built because there is excess capacity on the system during those times.

Furthermore, Mr. Al-Jabir demonstrated that it is the demand for power, not the energy flow itself, that determines when additional generation capacity is needed. Moreover, the fixed and sunk nature of generation investment means that the cost, once incurred, does not vary with the amount of energy produced or consumed. Only variable costs that vary with the level of output of the units, such as fuel, should be classified as energy related and allocated on the basis of energy allocators.

As Mr. Al-Jabir set forth in his response testimony, classifying a large portion of production fixed costs on an energy basis unfairly increases the cost to customers that efficiently utilize the Company's system, such as high load factor and off-peak customers. Consequently, PSE's proposal is inconsistent with sound cost-causation principles.[2]

Therefore, instead of applying the renewable future peak credit methodology, PSE's fixed production costs should be classified as 100% demand-related and should be allocated to the customer classes according to each class's demand during the four system peak months of November and December of 2022 and January and February of 2023. During the aforementioned months, PSE's production resources are likely to be in use and operating at or close to their maximum capacities. This four coincident peak method provides a much better reflection of cost-causation than classification or allocation methods that utilize energy usage to any significant degree.

[2]FEA Exhibit AZA-1T, Response Testimony of Ali Al-Jabir at p. 10, line 20 through p. 13, line 25.

CLASSIFICATION AND ALLOCATION OF ELECTRIC WHEELING EXPENSES

PSE proposes to classify and to allocate the costs in FERC Account 565 (Transmission of Electricity by Others) on an energy basis. The Company contends that these costs are not typically viewed as demand-related costs and have historically been charged to customers as variable power costs on a dollars per MWh basis.[3] PSE's proposal is flawed and it should be rejected by the Commission for two reasons.

First, the Company's proposal is inconsistent with the Commission's cost of service methodology rules, which specify that wheeling expenses should be classified and allocated on a coincident peak demand basis.[4] PSE has not adequately justified its proposal to deviate from the Commission's rules on this issue.

Second, as Mr. Al-Jabir discussed in his response testimony, the wheeling of electricity over the transmission grid is enabled by the existence of the underlying transmission network, and the driver for the construction of the transmission grid is system coincident peak demands. A demand allocation method recognizes the fact that transmission planning is based on ensuring that there is sufficient transmission capacity in place to meet the maximum simultaneous peak demand imposed by customers on the transmission system. A coincident peak allocation method properly recognizes this cost causative factor that gives rise to the incurrence of fixed transmission costs. An energy based allocation method for transmission costs will inappropriately use variable energy consumption levels to allocate fixed and sunk transmission costs that do not vary with energy consumption. From an economic standpoint, it is more efficient and more consistent with cost-causation to classify and to allocate fixed capital costs on a demand basis.[5]

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[3]Prefiled Direct Testimony of Christopher T. Mickelson (Exhibit CTM-1T) at p. 18, lines 1-7.
[4]WAC 480-85-060(3).
[5]FEA Exhibit AZA-1T, Response Testimony of Ali Al-Jabir at p. 15, lines 5-27.

The wheeling of electricity over the transmission grid is enabled by the fixed capital investment in the transmission system. Therefore, the FEA urges the Commission to classify and to allocate PSE's wheeling expenses in FERC Account 565 on a 12 CP demand basis, consistent with the Company's proposed allocation of other demand-related transmission costs in this proceeding.

ALLOCATION OF ELECTRIC DISTRIBUTION POLES AND WIRES COSTS

The Company proposes to allocate the cost of electric distribution poles, conduit and wires recorded in FERC Accounts 364 and 365 based on the average of the twelve monthly distribution system non-coincident peaks ("12 NCP method") for primary system and secondary system customers together, using an average 12NCP - Primary & Secondary Voltage Only allocator.[6] The Commission should reject this allocation method because it does not properly adhere to cost-causation principles.

As discussed by Mr. Al-Jabir in his response testimony, distribution poles and wires investments are electrically close to the customer. Therefore, these investments must be sized to meet the maximum localized NCP demands that customers impose on these facilities, regardless of when such maximum demands occur during the year. Consequently, it is inappropriate to average the twelve monthly NCPs in developing the allocator for distribution fixed costs, as proposed by PSE. Instead, it would be more appropriate to allocate these costs based on the single highest annual NCP for each class, separately for primary system and for secondary system customers, regardless of when these NCPs occur during the test year ("1 NCP method").

[6]Prefiled Direct Testimony of Christopher T. Mickelson (Exhibit CTM-1T) at p. 21, lines 13-15.

The 1 NCP approach appropriately recognizes that PSE must plan its local distribution system to meet the highest localized demands that customers impose on the system, irrespective of when those highest demands occur during the year. The lower NCP demands that occur during other months of the year do not drive the amount of required investment in these localized facilities.

Another flaw in PSE's proposed allocation method is that it does not properly differentiate the allocation of electric distribution poles and wires costs by voltage level. The Company allocated these costs using an average 12NCP - Primary & Secondary Voltage Only allocator. Mr. Al-Jabir testified that the Company's approach is inconsistent with cost-causation because it allocates a portion of secondary level distribution poles and wires costs to customers that take service at the primary voltage level. In fact, customers that take service at the primary voltage level do not use the Company's secondary voltage level poles and wires to take electric service from PSE. Therefore, consistent with cost-causation principles, primary service level customers should not be required to pay for distribution poles and wires that the Company constructs to serve customers at the secondary distribution level.[7]

To correct these flaws, the FEA recommends that electric distribution poles and wires costs be allocated using two distinct allocators that differentiate between primary and secondary distribution voltage level customers. Each of the two allocators should rely on a 1 NCP rather than an average 12 NCP allocation method. This will result in the application of a 1 NCP allocator for primary voltage level poles and wires costs (1 NCP – Primary Voltage) that includes the NCP demands of both primary and secondary voltage level customers, and a different allocator for secondary voltage level poles and wires costs (1 NCP – Secondary Voltage) that includes the NCP

[7]FEA Exhibit AZA-1T, Response Testimony of Ali Al-Jabir at p. 16, line 11 through p. 17, line 23.

demands of only customers that take service at the secondary distribution level. The 1 NCP – Secondary Voltage allocator would exclude the NCP demands of primary voltage level customers, ensuring primary voltage level customers do not pay for lower voltage distribution facilities that they do not use. The FEA's recommendation is consistent with cost-causation principles and results in an equitable allocation of electric distribution poles and wires costs.

ELECTRIC REVENUE ALLOCATION

In this proceeding, PSE proposes to apply certain criteria that would guide the allocation of electric revenues to the customer classes. Specifically, PSE proposes to apply 100% of the adjusted system average base rate increase to retail customer classes that are within 5% of full revenue parity. Further, PSE proposes to apply a rate increase that is 90% of the adjusted system average increase to the customer class that is more than 5% above full parity (High Voltage Service), and a rate increase that is 150% of the adjusted system average system increase to the class that is more than 20% below full parity (Primary Service, Irrigation). Under the Company's proposal, the revenue deficiency for the Choice/Retail Wheeling and Special Contract classes is directly assigned to the applicable rate schedules based on the cost of service.[8]

As Mr. Al-Jabir explained in his response testimony, the Company's electric revenue allocation proposal is flawed because it does not show sufficient movement toward cost-based rates for the High Voltage Service class and it does not adequately correct the subsidies that Rate 49 customers are currently required to provide to other customer classes. Mr. Al-Jabir demonstrated that, at present rates, the High Voltage Service class is at a parity ratio of 1.11 based on the Company's electric class cost of service study, which means that this class is providing a

[8]Prefiled Direct Testimony of Christopher T. Mickelson (Exhibit CTM-1T) at p. 25, line 17 through p. 27, line 5.

significant subsidy to other classes. PSE's electric revenue spread proposal would modestly reduce the parity ratio for the High Voltage Service class to 1.08. Therefore, PSE's proposal results in minimal movement towards cost-based rates for Rate 49, requiring customers in the High Voltage Service class to continue to subsidize other electric customer classes.[9]

Moreover, in FEA Exhibit AZA-7, Mr. Al-Jabir showed that the High Voltage Service class has consistently been required to subsidize PSE's other electric customer classes over many years, dating back to at least the test year ending September 2016 in Docket No. UE-170033. This historical pattern of subsidization underscores the need to eliminate these subsidies and to move Schedule 49 to cost-based rates in this proceeding.[10]

In its rebuttal of the FEA's electric revenue allocation proposal, PSE contends that its own revenue allocation proposal is preferable because it allows for a more gradual improvement in the parity ratio of the High Voltage Service class without creating rate shock or drastically impacting other customer classes.[11] However, Mr. Al-Jabir's testimony demonstrated that the FEA's proposed revenue allocation would result in a minimal incremental total electric rate increase of 0.13% or less to the other electric customer classes (including the residential and small commercial classes) relative to the Company's proposed revenue spread.[12] Therefore, contrary to PSE's arguments, the FEA's electric revenue allocation proposal will not create rate shock for the other electric customer classes on PSE's system.

In its electric revenue allocation proposal, Public Counsel proposes to cap the rate increase for any single customer class at 1.15 times the overall electric system average increase.[13] As

[9]FEA Exhibit AZA-1T, Response Testimony of Ali Al-Jabir at p. 21, line 5 through p. 22, line 17.
[10]FEA Exhibit AZA-7, Line 1.
[11]Prefiled Rebuttal Testimony of Christopher T. Mickelson (Exhibit CTM-13T) at p. 17, line 20 through p. 18, line 2.
[12]FEA Exhibit AZA-1T, Response Testimony of Ali Al-Jabir at p. 23, lines 3-10.
[13] Response Testimony of David E. Dismukes on behalf of Public Counsel (Exhibit DED-1T), August 6, 2024 at p. 28, line 9 through p. 29, line 10.

Mr. Al-Jabir explained in his cross-answering testimony, Public Counsel's proposed rate increase cap of 1.15 times the system average increase would shift additional costs to the High Voltage Service class relative to the Company's electric revenue allocation proposal and would inappropriately increase the subsidy that the High Voltage Service class is required to pay relative to PSE's proposal.[14] For this reason, the FEA urges the Commission to reject Public Counsel's electric revenue allocation proposal.

In summary, the FEA recommends the Commission take decisive action in this proceeding to reduce cross subsidies among the rate classes and to create greater movement towards cost-based rates, particularly for the High Voltage Service class. Specifically, the FEA recommends that the High Voltage Service class be moved to cost based rates with a parity ratio of 1.0 in this proceeding. Under the FEA's proposal, the revenue shortfall resulting from this modified revenue allocation for the High Voltage Service class would be prorated to the other electric customer classes based on the revenue allocation proposed by the Company in order to meet PSE's proposed total electric revenue requirement. Consistent with PSE's proposal, the FEA recommends a direct assignment of the revenue increase to the Special Contract, Choice/Retail Wheeling and Firm Resale classes.

HIGH VOLTAGE SERVICE RATE DESIGN

PSE proposed to modify the rate design for the High Voltage Service class by increasing the demand charges for the class by 30% for each year of its proposed two-year rate plan. Specifically, for the first rate year of its proposed rate plan, PSE proposes to increase the demand charges for Schedule 46 and Schedule 49 by 30% to $3.95 per kW and $7.35 per kW, respectively.

[14]FEA Exhibit AZA-9T, Cross-Answering Testimony of Ali Al-Jabir at p. 13, line 4 through p. 14, line 2.

Under PSE's proposal, the remaining class base rate revenue increase is assigned to the energy charge component to derive a flat rate of 0.011558 cents per kWh and 0.011572 cents per kWh, respectively.

For the second rate year of the proposed rate plan, the Company proposes to increase the demand charges for Schedule 46 and Schedule 49 by a further 30% to $5.14 per kW and $9.55 per kW, respectively. The remaining class base rate revenue increase for the second year of the plan is assigned to the energy charge component of the rate design, resulting in a flat rate of 0.001592 cents per kWh and 0.001671 cents per kWh, respectively.[15]

PSE points out that increasing the demand component of the rates for the High Voltage Service class creates several benefits. Specifically, higher demand charges incentivize customers to use electricity more efficiently, support electrification initiatives, encourage the adoption of energy storage solutions and ensure consistency with cost-causation principles.[16]

As Mr. Al-Jabir explained in his response testimony, the Company's proposed rate design modifications for the High Voltage Service class align with cost-causation principles. A rate design that recovers an excessive amount of costs through the energy component of the rates requires higher load factor customers within the class to subsidize customers with load factors that are below the class average load factor. The Company's proposal to realign the demand and energy charges in the High Voltage Service rate design in order to be more consistent with a cost-based classification of demand and energy-related costs reduces these intra-class subsidies and results in rates that are more cost-based for all customers in the High Voltage Service class. Furthermore, Mr. Al-Jabir's testimony explains that cost-based rates are advantageous from a policy perspective

[15]Prefiled Direct Testimony of Christopher T. Mickelson (Exhibit CTM-1T) at p. 51, lines 7-20.

[16]Prefiled Direct Testimony of Christopher T. Mickelson (Exhibit CTM-1T) at p. 34, line 5 through p. 35, line 15.

because they provide accurate price signals to customers regarding the impact of their electricity use on the utility system, providing customers with the proper incentives to manage their loads appropriately and to use electricity efficiently.[17]

For these reasons, the FEA urges the Commission to accept PSE's proposal to realign the rates for the High Voltage Service class such that a larger portion of the costs allocated to the class are recovered through demand charges rather than energy charges.

PROPOSED NEW ELECTRIC RIDERS

In this proceeding, PSE proposes to introduce the following three new tracker schedules:

(1) Schedule 141WFP, Wildfire Prevention Tracker;

(2) Schedule 141DCARB, Decarbonization Rate Adjustment; and

(3) Schedule 141CGR, Clean Generation Resources Rate Adjustment.

The Company has not provided adequate justification for the creation of these new tracker mechanisms. Moreover, there are sound policy reasons to reject the creation of new trackers in this proceeding. Therefore, the FEA recommends that the Commission reject PSE's proposal to create these new riders.

Mr. Al-Jabir explained in his response testimony that there are sound policy reasons to reject the introduction of new trackers in this proceeding. First, as a matter of policy, the Commission should limit the use of riders and tracker mechanisms because they shift regulatory risk from PSE's investors to its customers. Such mechanisms allow the Company to recover certain components of its revenue requirement on a piece-meal basis, outside of a full base rate

[17]FEA Exhibit AZA-1T, Response Testimony of Ali Al-Jabir at p. 24, line 7 through p. 25, line 7.

case. This undermines the Commission's ability to evaluate the sufficiency of PSE's rates based on the totality of the utility's costs and revenues.

The proliferation of trackers in PSE's tariff circumvents the base ratemaking process by allowing PSE to adjust its rates for variations in different cost components on a stand-alone basis, without taking into account the possibility that reductions in other costs or increases in revenues could more than offset the impact of cost increases for an individual element of the Company's costs. Allowing PSE to adjust its rates for individual cost or revenue items outside of a base rate case shifts regulatory risk from the Company's investors to its customers by providing investors with accelerated recognition of specific cost and revenue adjustments in utility rates.

Moreover, as Mr. Al-Jabir highlighted in his response testimony, PSE is already taking advantage of other regulatory mechanisms that reduce its cost recovery risk and eliminates the need to introduce new riders in this proceeding. Specifically, PSE is recovering its costs through multi-year rate plans that rely on forecasted costs to set base rates for each year of the rate plan period. This multi-year rate plan process insulates the Company from the risk of cost increases between base rate cases to a significant extent by allowing the Company to factor projected cost increases into its base rates for each year of the rate plan. Indeed, PSE's filing in this proceeding is based on a two-year rate plan that includes forecasted costs for each of the two years of the rate plan. The multi-year rate plan process already protects PSE from cost increases between base rate cases to a significant degree. This undermines the rationale for implementing the new tracker mechanisms proposed by the Company.

Under cross-examination, PSE witness Todd A. Shipman acknowledged that the multi-year rate plan process increases the likelihood that PSE will recover its authorized rate of return. On this topic, Mr. Shipman testified that:

> "The multiyear rate plans, to the extent that they provide the company with more information about what's going to happen to their rates in future years, allows them to better manage their operations, their financial management, and things like that, so that it, again, when it works well and is executed well, improves their chances of earning their authorized return."[18]

The above testimony underscores the fact that PSE already has other regulatory mechanisms that it is employing to reduce the risk of under-recovering its costs. This eliminates the need to introduce additional tracker mechanisms in this proceeding.

Furthermore, PSE is proposing to continue the Power Cost Only Rate Case ("PCORC") mechanism that allows the Company to recover the fixed production costs of new generation resource additions outside of a base rate case. The PCORC mechanism further reduces PSE's risk of under-recovering its costs between base rate proceedings by granting the Company accelerated recognition of new generation resource fixed costs in its rates, relative to the traditional base ratemaking process.[19]

In his testimony, Commission Staff witness Chris McGuire testified that trackers are generally inconsistent with the public interest. In this regard, the Commission Staff is in alignment with the FEA's position on this issue. However, Mr. McGuire instead recommended that the Commission establish a balancing account only for the costs that PSE included in its proposed wildfire cost tracker. Mr. McGuire contends that a balancing account for PSE's wildfire costs is justified because addressing wildfire risk is an important public policy goal, and he is concerned that base rate treatment of wildfire costs would incentivize the Company to cut wildfire prevention costs.[20]

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[18]Docket Nos. UE-240004, UG-240005, and UE-230810, Hearing Transcript, Evidentiary Hearing Excerpts, November 4 and 5, 2024 at p. 10, line 22 through p. 11, line 3.

[19]FEA Exhibit AZA-1T, Response Testimony of Ali Al-Jabir at p. 26, line 9 through p. 29, line 10.

[20]Testimony of Chris McGuire on behalf of Staff of the Washington Utilities and Transportation Commission (Exhibit CRM-1T), August 6, 2024 at p. 55, line 15 through p. 57, line 20.

However, as Mr. Al-Jabir explained in his cross-answering testimony, if the Commission is concerned that PSE could inappropriately cut wildfire prevention costs were such costs included in base rates, it is not necessary to establish a balancing account to address this risk. Instead, the Commission could proactively monitor the Company's wildfire programs by requiring PSE to provide an annual report regarding these programs.[21] Therefore, the Commission Staff's concerns can be addressed without providing accelerated cost recovery or deferred accounting treatment for PSE's wildfire prevention costs.

For the foregoing reasons, the FEA urges the Commission to reject the Company's proposal to create three new trackers in the form of Schedule 141WFP (Wildfire Prevention Tracker), Schedule 141DCARB (Decarbonization Rate Adjustment) and Schedule 141CGR (Clean Generation Resources Rate Adjustment). The FEA also urges the Commission to reject the Commission Staff's proposal to establish a balancing account in lieu of a tracker for the Company's wildfire prevention costs. Instead, PSE should include the costs associated with these three proposed new trackers in its electric base rates.

CONCLUSION

The FEA respectfully requests that the Commission issue a final order in this proceeding that is consistent with the positions set forth in this post-hearing brief. The FEA also requests all other relief at law or in equity to which it may be entitled.

Respectfully submitted,

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[21]FEA Exhibit AZA-9T, Cross-Answering Testimony of Ali Al-Jabir at p. 18, lines 4-14.