**EXH. MRM-1T  
DOCKETS UE-170033/UG-170034  
2017 PSE GENERAL RATE CASE  
WITNESS: MATTHEW R. MARCELIA**

**BEFORE THE**

**WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

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

**PREFILED REBUTTAL TESTIMONY (NONCONFIDENTIAL) OF**

**MATTHEW R. MARCELIA**

**ON BEHALF OF PUGET SOUND ENERGY**

**AUGUST 9, 2017**

**PUGET SOUND ENERGY**

**PREFILED REBUTTAL TESTIMONY**

**(NONCONFIDENTIAL) OF  
MATTHEW R. MARCELIA**

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**PUGET SOUND ENERGY**

**PREFILED REBUTTAL TESTIMONY**

**(NONCONFIDENTIAL) OF  
MATTHEW R. MARCELIA**

# I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Matthew R. Marcelia. I am employed as Controller and Principal Accounting Officer for Puget Sound Energy (“PSE”). My business address is 355 110th Avenue NE, Bellevue, WA 98009-9734.

Q. Have you prepared an exhibit describing your professional qualifications?

A. Yes. It is Exh. MRM-2.

Q. What is the purpose of your testimony?

A. My testimony will respond to the accounting, depreciation, and tax issues raised by Industrial Customers of Northwest Utilities (“ICNU”) witness Bradley Mullins in Exh. BGM-1CT, Commission Staff witness Christopher Hancock in Exh. CSH-1CT, and Commission Staff witness Chris McGuire in Exh. CRM-1T. More specifically, I will summarize the various defects and errors present in Staff’s and ICNU’s recommendations, and I will explain why the Commission should reject such proposals.

# II. THE COMMISSION SHOULD REJECT ICNU’S PROPOSAL

## A. End of Life Accounting

Q. Throughout ICNU witness Bradley Mullins’ testimony, he advocates for the use of “end of life accounting” for the Colstrip 1 and 2 investments.[[1]](#footnote-1) What is your understanding of Mr. Mullins’ use of the term “end of life accounting”?

A. “End of life accounting” is not a defined methodology of cost recovery. In fact, Mr. Mullins may be one of the first people to use the term for cost recovery.

Q. What does Mr. Mullins mean when he uses the term “end of life accounting?”

A. Mr. Mullins use of the phrase appears to be a complete misnomer as his cost recovery proposal would be to ignore the “end of life” and continue with the present depreciation rates for Colstrip 1 and 2.[[2]](#footnote-2) For him, the actual end of life would have no impact on nor be reflected in his “end of life accounting” method.

Q. How does Mr. Mullins support his approach?

A. Mr. Mullins supports his unorthodox approach based on his understanding that a “key aim” of depreciation expense is to avoid the type of rate impacts that result from amortizing the principal cost of an investment over a short period of time.[[3]](#footnote-3)

Q. Do you agree with Mr. Mullins’ characterization of depreciation?

A. No. The actual aim of depreciation is to recover the cost of the investment over its expected service life. The principle is one of allocating the cost of the investment over the period the benefits derived from it. It may be a long period of time or a short period of time.

Q. Does Mr. Mullins offer any other support for “end of life accounting”?

A. Yes, he prefers his approach because he claims PSE uses “a bizarre measure of average plant balances, that does not appropriately consider the declining balances.”[[4]](#footnote-4)

Q. What is the method of averaging plant balances that PSE uses and that Mr. Mullins views as “bizarre”?

A. PSE uses the average of the monthly averages (“AMA”). It is not bizarre. On the contrary, it is a logical and rational approach to rate making. It is the standard approach used in this state for many years, and it is surprising that Mr. Mullins is not familiar with it.

Q. Does the AMA approach “appropriately consider the declining balances”?

A. Yes. The approach treats declining and inclining balances the same. It would be inappropriate to treat increasing and decreasing balances differently in the rate making process.

Q. Does Mr. Mullins give any examples of retired plant receiving the treatment he proposes?

A. Yes, he cites one example, Portland General Electric’s retirement of the Trojan nuclear facility in Oregon, which he uses as a pattern for his approach to recover the ensuing regulatory asset over some number of years after the plant is closed.

Q. Do you agree that the Trojan shutdown is comparable to the shutdown of Colstrip Units 1 and 2?

A. No. There are some notable differences between the two facilities and their assumed life span. Mr. Mullins claims that the Trojan Nuclear Facility shutdown is “probably the best example of an early retirement of a generation plant.” He provides the history of the Trojan plant, relying on the fact that the Trojan facility closed 17 years earlier than originally anticipated. What Mr. Mullins fails to recognize is that Colstrip Units 1 and 2, whether they close tomorrow or close as anticipated in mid- 2022, will have been in service for *longer* than originally anticipated when the plants were placed in service. As discussed in the Prefiled Rebuttal Testimony of Ronald J. Roberts, Exh. RJR-30T, Colstrip Units 1 and 2 were originally anticipated to have a 40 year life. As discussed in the Prefiled Rebuttal Testimony of Katherine J. Barnard, KJB-17T, the “early shut down” repeatedly referenced by the other parties, including Mr. Mullins, is based solely on the longer service life from the 2007 depreciation study which, through settlement, actually extended the life of the plant to 60 years compared to the previously approved depreciable life. Colstrip Units 1 and 2 will have been in operation for about 43 and 42 years, respectively, as of the time of the new depreciation rates take effect in 2018 and by its retirement date in 2022 will have been in service for about 47 years. This is not comparable to the Trojan Nuclear facility that was originally estimated to have a 36 year life (1975 to 2011) but was only in service until 1993, less than 20 years.

## B. Tax Net Operating Loss Carryforward

Q. Have you reviewed Mr. Mullins’ comments on PSE’s tax net operating loss carryforward (“NOL”)?

A. Yes, I have. In his NOL discussion, Mr. Mullins makes a number of misstatements of varying degrees of importance. First, he states that an NOL is carried back “through filing an amended return.”[[5]](#footnote-5) That is not accurate. An NOL is carried back by filing a Form 1139, Application for Tentative Refund, and not a Form 1120X, Amended U.S. Corporate Tax Return.

Second, he describes a “temporary difference” as the difference between when transactions are recorded in the tax return and when they are “entered into the determination of rates.”[[6]](#footnote-6) Again, this is inaccurate. A timing difference results when a transaction is recorded in different periods for book and tax purposes, not in the determination of rates.

Third, he mislabels “ADIT” as *allowance* for deferred income taxes.[[7]](#footnote-7) It is correctly referred to as *accumulated* deferred income taxes. An NOL carryforward is part of ADIT.

Q. How do you respond to Mr. Mullins’ concern that ratepayers do not receive the benefit of negative current tax expense?

A. Mr. Mullins appears to misunderstand the economic reality of an NOL carryforward. An NOL carryforward arises when a company’s current tax is negative *and* the company does not have a carryback opportunity. When this happens (as it has at PSE since 2007), an NOL carryforward results. An NOL carryforward represents the suspension of an economic benefit. In other words, no benefit has yet resulted from the NOL. PSE has recorded tax deductions on its tax return for which no benefit has been received. So when Mr. Mullins decries the fact that “ratepayers generally do not receive the benefit of negative current tax expenses,” he would be right—only because there has been no benefit to anyone—not customers, not PSE, not anyone. The benefit has been delayed; hence, the NOL carryforward. It would be inappropriate ratemaking to ignore this fact and convey a benefit to customers out of thin air.

Q. Has the IRS issued any rulings on the treatment of NOLs for ratemaking purposes?

A. Yes. Because no economic benefit has resulted from the NOL, the IRS prohibits utilities from passing the NOL to customers. In fact, Mr. Mullins cites one of the many rulings the IRS has issued in the area, Private Letter Ruling 201709008.[[8]](#footnote-8) The IRS requires that an NOL resulting from accelerated depreciation must be included in rate base. Failure to do so would result in a normalization violation and significant IRS sanctions.

Q. How has this Commission treated the NOLs in past rate filings?

A. The Commission has included the NOL as an offset to plant-related Accumulated Deferred Income Taxes (“ADIT”) in rate base, right along with the other deferred taxes on the underlying property. PSE’s NOLs were the result of accelerated depreciation (primarily bonus depreciation). The treatment, which pre-dates the IRS rulings on this topic, was validated and confirmed in PSE’s last general rate case.[[9]](#footnote-9)

Q. Mr. Mullins has identified that the NOL balance is declining and suggests a pro forma adjustment to remove it. Is that appropriate?

A. No. This approach has been suggested in prior rate filings, and the Commission has not adopted this approach. First, it is important to note that since 2007, PSE’s expectation has always been that the NOL would be reversing in the near term. Usually that was the result of expiring or expired bonus depreciation tax laws. In some cases, the NOL has actually completely reversed only to be reestablished by renewal of the bonus deprecation tax law. As this demonstrates, a projection that the NOL will reverse in the rate year is speculative and such projections have proved to be inaccurate in past cases. Second, and perhaps more importantly, the IRS normalization rules apply to pro forma adjustments, as well as non-pro forma adjustments. The removal of the NOL from the rate base would result in a normalization violation unless the ADIT related to accelerated depreciation were also removed. PSE does not recommend this approach.

Q. How should tax reform impact the Commission’s decision in this case?

A. The Commission should continue its sound policy regarding how the NOL carryforward is treated for ratemaking purposes. The prospect of tax reform should not alter this approach. Tax reform is just another example of a possible future tax law change, not unlike the bonus depreciation laws but possibly more far reaching. If tax reform materializes, it will most likely require its own ratemaking, as has been the case with prior tax reforms.

## C. Production Tax Credits

Q. Can you clarify the balance of the production tax credits (“PTC”) and the regulatory liability for the PTCs?

A. Yes, in reference to Mr. Mullins’ testimony,[[10]](#footnote-10) below is a table showing the relevant values for the PTC and the associated regulatory liability for the PTC.[[11]](#footnote-11)

**Table 1. PTC Balances and Regulatory Liabilities for PTCs[[12]](#footnote-12)**

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **SAP Account No.** | **AMA 9/30/2016** | **AMA 12/31/2016** |
| **(in million)** | |
| Tax Credits Due from IRS | 19000601 | $179.4 | $182.8 |
| Tax Benefit of PTCs |  | $96.6 | $98.4 |
| Total PTCs with tax benefit |  | $276.0 | $281.2 |
| Total Customer Liability | 25300071/ 25400261 | $(276.0) | $(281.2) |

Q. How do you respond to Mr. Mullins’ assertion that the PTC “have remained on PSE’s books for too long” and his proposal to begin amortizing them?[[13]](#footnote-13)

A. The PTCs are still on the books because the tax laws are preventing PSE from using them. Thus, they will remain on the books until PSE has enough taxable income to actually use them on its tax return. This treatment is set forth in Schedule 95A.

Mr. Mullins’ proposal to begin amortizing the PTCs would be reasonable if there were actually an economic benefit to be amortized. But there is no such benefit. Here again, as with the NOLs, Mr. Mullins has failed to appreciate why the PTCs remain on PSE’s balance sheet. The PTCs are on the balance sheet because they have not yet provided any economic benefit to PSE. PSE’s expectation remains unchanged. PSE expects to realize the full benefit of the PTCs through lower tax payments in the future – but that future has not yet arrived. In the event PSE does use the PTCs in the future, Schedule 95A has already been established and provides the mechanism for those benefits to be fully passed back to customers.

Q. Does PSE accrue interest on the PTC balances?

A. No. In 2010, the ratemaking paradigm for PTCs was altered because no PTC utilization was occurring and the interest charge to customers was becoming quite large. Under the current paradigm, customers will not receive the benefit of the PTCs until the PTCs are utilized on PSE’s tax return.[[14]](#footnote-14)

Q. Is Mr. Mullins correct that, “the Company actually imputes a return on the [PTC] balances in its financial statements, as it would earn if the tax asset were reflected in rate base”[[15]](#footnote-15)?

A. No. PSE does not “impute a return” on any aspect of the PTC balances. Mr. Mullins’ statement is completely unfounded and unsupported. The PTCs are not in rate base and they should not be in rate base because they are currently accounted for under Schedule 95A, as Mr. Mullins acknowledges in his testimony.[[16]](#footnote-16)

Despite this, Mr. Mullins asserts that the illusory “imputed return” has left PSE with “little incentive to return the funds due to ratepayers.”[[17]](#footnote-17) This is patently false. The balances on the books provide no benefit or incentive to anyone, not PSE or customers. There is an asset for the PTC balance and a liability for the regulatory liability for the PTC balance. There is no imputed return on either balance. They remain as a balance, waiting for the day to come when PSE will owe federal income tax and they can be utilized to reduce the payment.

Q. Please summarize PSE’s proposal for the PTC balances.

A. At a very high level, PSE proposes to remove PTCs from the Schedule 95A mechanism once those PTCs have been utilized on a tax return and reapply them against Colstrip costs instead of refunding them back to customers.

Q. Does Mr. Mullins agree with PSE’s proposal for the PTC balances?

A. Yes and no. He explicitly says, “No.”[[18]](#footnote-18) However, his counter proposal indicates otherwise. He uses the PTCs to offset Colstrip retirement costs “that would result in no rate impact associated with the early retirement through 2029.”[[19]](#footnote-19) Thus, his proposed methodology is essentially the same as PSE’s proposal. Unfortunately for customers, he limits his proposal to only account for costs through 2029, whereas PSE proposal is designed to cover all remediation costs. Mr. Mullins and PSE are employing the same regulatory liabilities to achieve similar results. The difference is that Mr. Mullins stops short of a complete solution, preferring to see future customers pay for a cost related to an asset that benefitted present customers.

Q. Why does Mr. Mullins dislike PSE’s proposal for the PTC balances?

A. He believes that “comingling” of accounts will make it difficult to track.

Q. Is his fear well founded?

A. No. PSE would have no problem accounting for the details of its proposed treatment in a clear manner. As proof, one need only look to the example of White River. White River was a complicated early retirement that has spanned approximately 13 years since shutdown and has been presented for resolution in this general rate case. No party has suggested that any element of the accounting was “too difficult to track.” On the contrary, the parties seem to be generally aligned on the path forward to resolve White River.

Based on PSE’s track record on White River, I think PSE has provided sufficient evidence that it can account for early asset retirements in a clear and traceable manner.

## D. Assets Held for Future Use

Q. Have you reviewed Mr. Mullins’ proposal for assets held for future use?

A. Yes, I have. He is concerned that the “large balance [from 1993] continues to this day.”[[20]](#footnote-20) Here again, Mr. Mullins is being disingenuous. First, the “large balance” to which Mr. Mullins refers does not relate to assets from 1993. Second, the largest asset held for future use is the Lower Snake River (“LSR”) Development Rights, which alone is about 45 percent of the balance and was only added in 2014. Third, the standard established by the Commission in 1993 requires that PSE have specific plans to use the assets within a 20-year timeframe. For every asset recorded in future use, PSE has a plan to use the asset within 20 years. PSE tests this proposition each and every quarter to ensure that the plans and expectations of management continue to align with the Commission’s criteria for future use treatment. When assets no longer qualify, they are moved to non-utility property. Fourth, Mr. Mullins appears to be unaware of the consequences of removing these assets from future use. Almost all the assets in future use have appreciated in value. Once they are placed in service, the customers get the benefit of the historical (lower) cost of the asset. If PSE were to sell the assets and then repurchase them at a later date, the customer would almost certainly be worse off. If PSE were to remove the assets from future use to non-utility property, any gain on appreciation would be shared with shareholders. In contrast, any gain from the disposition of an asset in future use flows completely to customers. The sale of LSR Development Rights in 2014 provides an example.[[21]](#footnote-21) Fifth, Mr. Mullins fails to note that the balance is comprised almost exclusively of land and land rights. Land and land rights are unique and, often, cannot easily be replaced.

Q. What would you suggest the Commission do with respect to assets held for future use?

A. I believe the Commission should continue to adhere to its strict practice of requiring utilities to have a plan to use assets held for future use within the 20-year time frame. I believe the 20-year window provides PSE with an appropriate amount of latitude to plan future projects, while at the same time preventing assets from lingering in that balance in perpetuity. It also allows customers to retain their full interest in the appreciation of those assets in the event the asset is ultimately sold.

## E. Greenwood Accounting

Q. Have you reviewed Mr. Mullins’ concerns regarding how PSE has accounted for the Greenwood incident?

A. Yes, I have. Mr. Mullins finds “somewhat troubling” that PSE has accounted for the Greenwood penalties below-the-line despite the fact that FERC and the Commission require such penalties to be recorded in this manner.

Q. Should PSE use a restating adjustment for the Greenwood penalty?

A. No, a restating adjustment would not be appropriate as the penalty should not be included in the balance that is being restated.

Q. Should all expenditures related to the explosion be excluded, as Mr. Mullins recommends?

A. No. The capital and operating costs to repair the system are appropriately included in capital and operating costs of the gas system. Where penalties are appropriate under the law, they should be applied and enforced, as has been done in the case of Greenwood. But the cost to restore the system would fall under the general prudency purview of the Commission. Costs prudently incurred are acceptable in the revenue requirement. No one has suggested that the costs to repair the system were imprudent.

# III. STAFF’S PROPOSAL PROVIDES ONLY PARTIAL COST RECOVERY SOLUTIONS

## A. Recovery of Net Salvage on Colstrip 1 and 2

Q. Staff, Public Counsel and PSE follow the same approach to the issue of the negative salvage on Colstrip 1 and 2 and move the issue of net salvage out of the depreciation analysis. What have the parties conceded by this arrangement?

A. By pursuing this approach, both Staff and PSE are conceding that the net salvage associated with Colstrip 1 and 2 will not be recovered over the service life of the asset. The normal, by-the-book approach, would be to reflect the net salvage as a component of the depreciation rate. This concession immediately leads to the intergenerational question. Both Staff and PSE address this by looking to regulatory liabilities that exist on the books today to mitigate inequities. Both agree that a fair balance can be found within this approach.

Q. Given that the net salvage issue has been removed from the depreciation analysis, do the usual rules around net salvage still apply?

A. Certainly, the regulatory principles around net salvage should still be followed. Establishing this baseline is important because the costs that must be covered, pursuant to the Uniform System of Accounts (“US of A”), is “the amount of money actually paid for property or services.”[[22]](#footnote-22) It is not the net present value of an estimate. For a more detailed discussion of the treatment of net salvage, see the testimony of PSE witness John Spanos, Exh. JJS-4T. By changing the recovery period, the underlying ratemaking principles do not change.

Q. Please summarize Staff witness Christopher Hancock’s proposal for recovery of net salvage costs.

A. To begin with, Mr. Hancock uses the Generally Accepted Accounting Principles (“GAAP”) Asset Retirement Obligation (“ARO”) balance and adds some additional costs plucked from the Prefiled Direct Testimony of Ronald J. Roberts, Exh. RJR-1CT, specifically, the estimated present value decommissioning costs based on the HDR study, for a total of $63.9 million. These are the only costs he allows, and the total is well shy of the actual estimated cost of $106.8 million.

Q. How does Mr. Hancock bridge the gap between the two numbers?

A. Mr. Hancock would require PSE to cover the cost difference. In essence, he would shift the “risk” of rising costs (i.e. inflation, which is near certainty) on to PSE. He achieves this result by requiring PSE to pay interest on the balance of the account until the balance becomes 125 percent of the ARO balance.

Q. What is PSE’s view as to how these costs should be recovered?

A. These cost result from the prudent operation of a coal plant over the last 40 years that has provided cost-effective energy to customers, and it is appropriate for customers who have received the benefits of the plant to pay for the net salvage associated with the use of the plant. All closures of generating plant require some level of decommissioning and remediation. This one is particularly large due to recent changes in the environmental laws—not imprudent actions by PSE.

These costs represent net salvage. PSE does not share in the net salvage for any of the other assets that it retires. The net salvage is usually recovered via depreciation. In this particular situation, Staff and PSE agree that a different approach is warranted as to the collection mechanism. However, the modification to the collection mechanism should not condone a shift of the financial obligation. In fact, the use of regulatory liabilities is an easy way to offset the burden on customers with a benefit to which they are already entitled.

## B. Asset Retirement Obligation

Q. Mr. Hancock bases his asset retirement obligation number on PSE’s GAAP ARO. Please summarize how PSE calculates GAAP ARO.

A. It’s complicated, but I will vastly oversimplify it here. GAAP ARO is governed by Accounting Standard Codification (“ASC”) 410, *Asset Retirement and Environmental Obligation.* At the highest level, there is recognition, measurement, and timing components that roll into the GAAP calculation of ARO.

(i) Recognition: ASC 410 requires companies to account for *legal* obligations associated with the retirement of a tangible long-lived asset that result from normal operation, environmental remediation liability that results from the normal operations of a long-lived asset and that is associated with the retirement of that asset, and conditional obligations to perform a retirement activity, among other things. There is a significant amount of judgment that goes into what specific items get included on that list. The focus is on legal obligations at the time of the assessment.

(ii) Measurement: Once the items for the list have been identified, the cost of each must be established. For purposes of the GAAP ARO calculation, if the costs are posited in today’s dollars, they must be inflated up to date they are expected to be paid, i.e. its settlement date. The inflation adjustment should be based on PSE’s expectations around the inflation rate for the relevant term. For example, an expected settlement date one year out would use the current inflation rate. But an expected settlement date that is ten years out would need to utilize a longer termed inflation rate.

(iii) Timing: The GAAP ARO needs to be recorded at its expected present value. In this case, GAAP requires that the cash flows be discounted using a credit-adjusted risk-free rate so that it can be stated in today’s dollars.

Once these factors have been determined, a GAAP ARO can be recorded.

Q. Should the GAAP ARO be the basis for ratemaking for Colstrip 1 and 2 remediation and dismantling costs, as Mr. Hancock proposes?

A. No. GAAP ARO is a GAAP measure and follows GAAP rules. Like much of GAAP, it is designed for the unregulated world. It does not contemplate ratemaking. In addition, it brings with it a whole new array of judgment calls and proscribed calculation techniques—none of which have been fully thought out for their ratemaking appropriateness.

One of the biggest shortcomings of GAAP ARO is that it does not account for all of the legal costs or any of the non-legal costs. The Commission should consider only solutions that include *all* costs. PSE’s GAAP ARO calculation only accounts for legal obligations associated with assets on the site as of the balance sheet date. It does not include any non-legal costs, nor does it include costs of assets that must be constructed and then remediated. The GAAP ARO recorded on PSE’s books is accurate to the letter of the GAAP rules. However, it does not contemplate all costs associated with the retirement of Colstrip 1 and 2. Therefore, Mr. Hancock’s solution is only a partial solution, at best.

Mr. Hancock simply accepts PSE’s calculation of the GAAP ARO, relying on the fact that it is “audited by a third party.” Every number on PSE’s income statement and balance sheet has been audited by that very same “third party” but that has never meant that every number on PSE’s income statement and balance sheet is appropriate for ratemaking purposes.

Q. What’s the difference between “legal” and “non-legal” obligations in the GAAP ARO?

A. The distinction between “legal” and “non-legal” obligations is very important for GAAP ARO because GAAP requires that only the “legal” obligations be recorded. This is vastly different than the regulatory treatment of net salvage. Net salvage includes *all* cost to decommission and remove an asset—those that are based on a legal obligation and those that are desired or needed but not based on a legal obligation. For example, net salvage would include the cost to remove an underground gas pipe if that were a prudent thing to do. The cost to remove that pipe would never be part of GAAP ARO unless PSE had a *legal* obligation to remove it. PSE does undertake prudent, sound action even when there is no legal obligation to do so. An example from Colstrip would be the cost to demolish the facilities. Demolition is not currently a legal obligation, but it is part of the management’s plan. Thus, it would be included in a ratemaking analysis but excluded from GAAP ARO.

Note that Mr. Hancock’s addition of demolition costs to his analysis is truly only window dressing because his cap is clearly 125 percent of ARO. He never pulls non-legal costs into his calculations after the first year.

Q. What are the ramifications of Staff’s proposal?

A. If the Commission accepts Mr. Hancock’s proposal, which PSE opposes, it needs to understand the potential ramifications of this decision. GAAP ARO is a GAAP number that will change (up and down) according to the vagaries of GAAP accounting. Under Mr. Hancock’s proposal, he has shifted the entire burden of these swings to PSE, and under his proposal all additional costs beyond the current balance sheet ARO assessment become PSE’s responsibility to maintain with the carrying charges that would be applied to the account. GAAP ARO is a complex number that should not be the basis of ratemaking. The currently estimated decommissioning and remediation costs as presented in the Prefiled Direct Testimony of Ronald J. Roberts, Exh. RJR-1CT, are the most current estimate of net salvage costs associated with the Colstrip Units 1 and 2 facilities. It is unnecessary for the Commission to bind itself to the complicated GAAP ARO accounting measure. It would be better for the Commission to maintain its prudency review of the estimated costs instead of handing that over to a GAAP measure and a 125 percent cap.

In addition, using GAAP ARO will require Staff to become proficient in understanding and applying these rules as they become foundational to Mr. Hancock’s 125 percent test, which would be reviewed by Staff on a regular basis.

## C. Generational Issues and Fairness

Q. How does Mr. Hancock approach the generational issues?

A. Mr. Hancock tries to demonstrate that his proposal and PSE’s proposal both show benefits to customers with a net present value of $71 million.[[23]](#footnote-23) That is important, but his approach is somewhat misleading. He is only able to achieve his result by using interest payments from PSE with a net present value of $27 million.[[24]](#footnote-24) He claims this is not punitive, but PSE views it to be very punitive, to the tune of $27 million. By contrast, PSE has achieved the same total net present value to customers of $71 million by simply using the existing regulatory liabilities for Treasury Grants and PTCs and by leaving these regulatory liabilities in rate base. Therefore, any unused portion acts as an offset to other items of rate base, which is more beneficial to customers.

Q. How does Mr. Hancock’s proposed 125 percent cap work?

A. Mr. Hancock proposes to use the 125 percent cap as a limit to PSE’s obligation to pay interest into the fund, so that the balance will not be unnecessarily large. When the balance exceeds 125 percent of the GAAP ARO, no interest payment need be made. However, even with the cap, PSE would be making interest payments with a net present value of $27 million. By his own estimation, the fund would exceed 125 percent of the GAAP ARO balance 80 percent of the time.

The purpose of this, according to his testimony, is to incent PSE to “not withhold those funds from customers for an unnecessarily long period.”[[25]](#footnote-25) It is not clear why Mr. Hancock believes such an incentive is necessary. Under neither proposal—PSE’s or Staff’s—is PSE incentivized to “withhold funds from customers.” Under both proposals, the dollars in the fund must be used only for decommissioning and remediation. Although, Mr. Hancock does suggest repurposing excess funds[[26]](#footnote-26) in contravention of the law. The law prohibits dollars in the fund being given to customers before all costs have been paid.

Q. Would the interest payments that he requires be punitive to PSE?

A. Yes, Mr. Hancock’s proposal for PSE to cover the interest payments would be punitive to PSE. Although Mr. Hancock proposes to partly offset this by removing the balance of the fund from rate base, his fundamental construct is to pay for the retirement costs with Company dollars, not customer dollars.

Q. Is Mr. Hancock’s proposal fair to PSE?

A. No. It is a partial solution. It shifts a significant economic burden to PSE. It repurposes funds contrary to the statute. And it is very complicated.

PSE’s proposal provides the same net present value to customers, is cheaper, and is consistent with simple, classic ratemaking.

# IV. STAFF’S COLSTRIP DEPRECIATION ADJUSTMENT SHOULD BE REJECTED

## A. Basic Definitions

Q. Have you reviewed Chris R. McGuire’s testimony?

A. Yes, but before addressing the specifics of Mr. McGuire’s testimony, it is necessary to clarify the definition of two terms that he uses repeatedly. Those two terms are *depreciation* and *service value.*

Q. What definition do you use for *depreciation*?

A. Like Mr. McGuire, I use the Definition 12 from the US of A. However, I use the full definition, while he omits the second sentence. That second sentence is relevant to this conversation. The whole definition reads as follows:

*Depreciation*, as applied to depreciable electric plant, means the loss in service value not restored by current maintenance, incurred in connection with the consumption or prospective retirement of electric plant in the course of service from causes which are known to be in current operation and against which the utility is not protected by insurance. Among the causes to be given consideration are wear and tear, decay, action of the elements, inadequacy, obsolescence, changes in the art, changes in demand and requirements of public authorities.

Q. What definition do you use for *service value*?

A. According to US of A, Definition 37: “*Service value* means the difference between the original cost and the net salvage value of electric plant.” It is important to note that the *value* used in the definition is not a reference to economic or fair market value, although the term *value* is used in each concept. The regulatory concept of depreciation is one of allocating the original cost of the asset over a time period and not one measuring the economic or fair market value of that asset at any particular period.

## B. Service Value

Q. Mr. McGuire’s entire testimony is based on the premise that PSE’s decision to retire Colstrip Units 1 and 2 was the *cause* of the loss in service value. Please explain the interplay between depreciation and loss of service value.

A. Depreciation means the loss of service value. Note that the definition of depreciation does not point to “consumption or prospective retirement” as a *cause* of a loss of service value. It simply requires that the loss in service value be *incurred in connection with* consumption or prospective retirement.

Q. Which causes are listed in the definition of depreciation?

A. The definition of depreciation identifies a number of physical and non-physical causes for the “loss of service value” including wear and tear, obsolescence, changes in the art, and requirements of public authorities, among others. Any or all of these can be present in connection with the consumption or prospective retirement of utility plant. Certainly, in the case of Colstrip, wear and tear is a contributor to the loss of service value, if a minor one. However, the non-physical factors play a much larger role. Factors mentioned in the Prefiled Direct Testimony of Ronald J. Roberts, Exh. RJR-1CT, like the significant impact of new environmental laws and the general anti-coal political climate across the country, but especially in the west. These factors would fall under the category of obsolescence (more economic than physical), changes in the art (expensive new pollution controls), and requirements of public authorities (changing environmental rules and policies).

Q. Did PSE’s decision to retire the plant cause a loss of service value?

A. No. The decision to retire Colstrip 1 and 2 was a result of the loss in service value, not its cause.

Because the loss of service value was incurred in connection with consumption or prospective retirement, it is appropriately recovered over the remaining service life through depreciation expense.

Q. What effect does the retirement date have on the service life?

A. Once the retirement date is known, the service life becomes fixed. The present service life for Colstrip Units 1 and 2 is 60 years and it will be reduced to 47 years—a decrease of about 22 percent. Mr. McGuire claims the reduction is 75 percent,[[27]](#footnote-27) but that is not accurate.

For most assets, the service life is only an estimate, an expectation of what might be. In the case of Colstrip, the service life is much more certain than that, if not quite a complete certitude— no later than July 1, 2022.

Q. Was the drop in service value sudden, as Mr. McGuire indicates?

A. I have not seen any evidence, and Mr. McGuire has provided none, to indicate that the loss in service value was sudden. In fact, testimony before the Commission dating back to 2007 indicates that the service life for Colstrip Units 1 and 2 may be in the 2015-2025 time frame. In its 2007 general rate case, PSE witness Michael Jones testified that compliance with environmental laws and regulations such as the Clean Air Act, EPA’s Clean Air Visibility Rule, as well as Montana’s Mercury Emission Control Rule may have an adverse effect on the useful life of coal-fired units such as Colstrip.[[28]](#footnote-28) In other words, the causes of the loss in service value were clearly identified as concerns in 2007.

## C. Fairness

Q. Mr. McGuire repeatedly mentions the theme of fair depreciation and generational equity. How do you address those concerns?

A. PSE addresses them in the most equitable way possible. One of the main principles is to minimize the collateral harm to future generations. As Mr. Spanos points out in his prefiled direct and rebuttal testimonies, the best way to achieve that result is to recover the net plant balance over its remaining service life (i.e. the remaining 4.5 years of its 47 year service life).

Q. How is that fair to customer in that 4.5 year time frame?

A. Fairness is a range: from most fair to least fair.[[29]](#footnote-29) The least fair is to have the recovery intentionally spillover into customers who never benefit from the operation of the plant. The most fair would have been to use a 47 year service life since the plant was placed in service in 1975—but that cannot be achieved as we cannot rewrite history, and rarely if ever is the actual service life known at the time a plant is first put into service and the depreciation rate established. So the next most fair position that can be achieved is to recover the balance of plant over the 4.5 years of remaining service life from the customers who will benefit from its operation.

Q. What portion of the generational equity should PSE bear?

A. The solution to issues of generational equity is not to absolve all generations of their burden for prudently made and operated investments. That would be unfair. Issues of generational equity must be resolved between and amongst the generations. For Colstrip 1 and 2, the generations that benefited from depreciation that did not fully cover the loss of service value were the generations from 2008[[30]](#footnote-30) to present.

## D. Depreciation Expense Dropped in 2008

Q. What happened in 2008?

A. Mr. McGuire includes the following graph in his testimony, and it is very instructive:

|  |
| --- |
|  |
| Source: Exh. McGuire, CRM-1T at 14:6 (yellow highlighting added for emphasis). |

The chart clearly indicates that something important happened in 2008. In 2008 and thereafter, the net plant value increases significantly to arrive at the current peak in 2017 (the orange line). That coincides with a sharp reduction to the depreciation expense over the same period (the blue dotted line). I have highlighted the lower expense that resulted from the 2007 general rate case.

Q. Why did depreciation expense fall sharply from 2007 to 2008?

A. In PSE’s 2007 general rate case in Dockets UE-072300 and UG-072301, PSE filed a depreciation study that proposed a 44-year service life for Colstrip Unit 1 and a 45-year service life for Colstrip Unit 2. Prior to that study, the service life for Colstrip was 40 years.

In response testimony in the 2007 general rate case, Public Counsel recommended a sixty year service life for all Colstrip units, which would result in retirement in 2035 for Colstrip Units 1 and 2.[[31]](#footnote-31) Similarly, Staff witness William Weinman proposed a sixty year plant life for the Colstrip generating units.[[32]](#footnote-32)

In rebuttal, PSE continued to support a 45 year service life for Colstrip. PSE witness Michael Jones testified that compliance with environmental laws and regulations such as the Clean Air Act, EPA’s Clean Air Visibility Rule, as well as Montana’s Mercury Emission Control Rule may have an adverse effect on the useful life of coal-fired units such as Colstrip.[[33]](#footnote-33)

After rebuttal testimony was filed, PSE and parties to the proceeding entered into several settlement agreements addressing various issues raised in the general rate case. As one piece of this compromise, the parties agreed to extend the depreciable lives of the Colstrip units to 60 years, as proposed by Staff and Public Counsel.

Q. Did the change in Colstrip’s service life from 40 years to 60 years cause the imbalance in the reserve about which Mr. McGuire is concerned?

A. Yes, it is the extension of the Colstrip Units 1 and 2 depreciable lives to 2035 that has created the imbalance that Mr. McGuire tries to correct. Prior to that adjustment, the net plant balance was stable.

In fact, it was PSE’s proposal to increase the depreciation expense by $6.8 million per year. Instead, by adopting the 60-year life proposed by Staff and Public Counsel, depreciation expense fell by $5.1 million—a swing of $11.9 million in each year since then. Exhibit MRM-3 shows historical depreciation rates for Colstrip Units 1 and 2 and specifically compares (i) the depreciation rates in effect prior to PSE’s 2007 general rate case, which had been set in 2001; (ii) the depreciation rates approved as a settlement in PSE’s 2007 general rate case; and (iii) the depreciation rates proposed by PSE in the 2007 general rate case. The table shows how the proposal by Staff and Public Counsel to decrease depreciation rates in 2007 led to the imbalance in the reserve cited by Mr. McGuire.

Mr. McGuire believes that the accumulated reserve is off by $127 million, which Mr. Spanos corrects to $74 million. To apply crude math, the “deficiency” could be explained by the fact that there is missing depreciation of $11.9 million each year for about ten years, which would result in a “deficiency” of about $119 million. In other words, Staff’s and Public Counsel’s depreciation proposal in 2007 accounts for the inadequate reserve today.

Q. If depreciation expense was “too low” in 2008-forward, does that mean PSE over earned on its investment in Colstrip?

A. No. Investors are entitled to an opportunity to earn a return on their net investment in Colstrip. Since the value remained higher due to proposals by Staff and Public Counsel to lower depreciation rates, investors had the opportunity to earn more, but only because their investment remained higher. Had their investment been returned to them sooner, via higher depreciation expense, they would have earned less. Over earnings can only be determined relative to the amount of the investment. There is no credible evidence to support the claims or innuendoes that PSE over earned on its investment. In addition, rate base was not “artificially high.”[[34]](#footnote-34) It was precisely the balance it should have been based on the balance of the unrecovered investment.

Q. Are “over earnings” determined on an asset-by-asset basis?

A. No. “Over earnings” are not determined on an asset-by-asset basis because rates are not set on an asset-by-asset basis. So technically, it is not possible to identify which assets caused the alleged overearnings.

Q. Has PSE over earned in every year since the 2008 depreciation rates were in place for Colstrip 1 and 2?

A. No. The only “over earnings” to occur from electric operations came in 2015 and 2016, and those earnings were shared with customers according to the earnings sharing mechanism. So the main points are (1) overearning did not occur regularly and (2) when it did occur, (a) there was no indication that it related to Colstrip 1 and 2, and (b) the benefit was shared with customers.

Q. On page 15 of Mr. McGuire’s testimony, he raises the concern that the loss in service value occurred in the past. How do you respond?

A. Mr. McGuire’s observation that the loss in service value occurred in the past is accurate. But as to when, that is not clear. Based on his graph, I would speculate that it started in 2008 with the change to a depreciation rate that did not keep up with the annual loss in service value thereafter. In the 2007 general rate case, Company witness Michael Jones cited environmental standards and regulation may have an adverse effect on the life of Colstrip in his support of PSE’s proposed 45 year service life.

In a depreciation study, an analysis is performed to right-size the depreciation rates to ensure that the loss in service value is recovered over the remaining service life. Rates are adjusted accordingly on a prospective basis to achieve the proper recovery.

## E. Chris R. McGuire’s Proposal Short-Changes PSE

Q. Please summarize Mr. McGuire’s proposal.

A. Mr. McGuire recommends depreciation expense of $6.8 million and amortization expense of $7.1 million. In addition, he removes $127 million from rate base to a regulatory asset. Mr. Spanos’ rebuttal testimony demonstrates that $127 million is an incorrect calculation.

Mr. McGuire’s proposal is deficient in two ways. First, his cost recovery only totals $13.9 million, when PSE’s total is $27.2 million annually. Second, he is establishing a regulatory asset prematurely. There is no need to set up the regulatory asset at this time, long before the final balance of the unrecovered investment is known. PSE’s suggestion is to establish the regulatory asset, if needed, once the plant has been closed, which is consistent with the Commission’s treatment of the White River and Electron facilities, as well as the regulatory liability resulting from PSE’s sale of a portion of its service territory to Public Utility District No. 1 of Jefferson County, Washington. At that time, the Commission should decide the recovery period for the balance.

Q. Please summarize Mr. McGuire’s alternative proposal?

A. Mr. McGuire’s alternative is to do nothing and continue with the current depreciation expense. This idea should be rejected. Now that the service life is known within a tight range, it cannot be ignored. Mr. McGuire’s primary proposal to increase depreciation expense to $13.9 million is better than doing nothing, but it is still inadequate. The Commission should approve the full depreciation expense of $27.2 million, as supported in Ms. Barnard’s testimony.

## F. Miscellaneous Rebuttals

Q. Mr. McGuire refers to the Commission’s authority to make revaluations of utility plant. Is there any dispute over the value of Colstrip?

A. There is no dispute over the value of Colstrip in this proceeding. No party disputes the historical cost of the plant and no party disputes the accumulated depreciation that has been recorded. What is in dispute is how that net book value will be allocated between generations of customers for recovery.

Mr. McGuire confuses the establishment of value in RCW 80.04.250 with ratemaking proceedings where recoverability and the allocation of recoverability among generations of customers are determined.

Q. What example does Mr. McGuire cite in support of adjusting the depreciation reserve?

A. Mr. McGuire cites a PacifiCorp order,[[35]](#footnote-35) in which the Commission increased that company’s depreciation reserve. He fails to note the context of the Commission’s action:

The Commission is aware that this adjustment is necessary only because in the early 1980s the company failed to book depreciation according to generally-accepted accounting principles. (See Cause Nos. U-82-12/35, Fourth Supplemental Order [51 PUR4th 158]). The Commission indicated that the practice of recording depreciation and other expenses only to the extent that earnings are achieved to support them was not acceptable. The Commission ordered the company to cease that practice.

To summarize: The Commission ordered PacifiCorp to cease its practice. PacifiCorp did not comply. The Commission then unilaterally increased the depreciation reserve to reflect the treatment it had expressly required.

Q. Is the PacifiCorp situation analogous to PSE’s treatment of Colstrip?

A. No. PSE implemented the depreciation rates agreed to in the settlement of the 2007 general rate case and has consistently applied those rates throughout the present time. PSE has been and continues to be in complete compliance with the approved ratemaking for its cost recovery of the Colstrip investment.

Q. Do you have additional items of concern with Mr. McGuire’s testimony?

A. Yes, I do. First, Mr. McGuire states that PSE should have made an “immediate depreciation accrual adjustment”[[36]](#footnote-36) once it noticed that there was a material imbalance in the reserve. Such a unilateral action by PSE would have been completely inappropriate. It is the long-established practice of this Commission that depreciation rates can only be changed by Commission order as part of a duly filed regulatory action, usually involving a depreciation study. This is a door that Staff should not open and PSE does not support.

Second, Mr. McGuire mischaracterizes or misunderstands the GAAP journal entry that PSE was required to record in its December 31, 2016 financial statements for the “probable abandonment” of Colstrip. The accounting rules in this matter are fairly mechanical. Once the retirement date was set, PSE had to run the current depreciation expense forward to project the net book value on the retirement date, ignoring anything that might happen before the retirement date. The net book value remaining needs to be classified as a “regulatory asset” on PSE’s GAAP financial statements since the recovery of this balance would not be achieved via depreciation expense. This analysis completely ignores the fact the management’s intent at the time (and as has been evidenced by this rate filing) was to request additional depreciation expense to significantly reduce, if not completely eliminate, the net book value by the retirement date. From a GAAP accounting perspective, an “abandonment” changes the nature of the asset – plant-in-service is recovered through depreciation, regulatory assets are recovered through amortization. The reclassification is meant to capture that change. Note that the “regulatory asset” that is contemplated here should not be confused with a true regulatory asset that has been approved and established by Commission order. The Commission has approved no such entry. The actual journal entry that Mr. McGuire includes on page 24, line 6 of his testimony, Exh. CRM-1T, shows that the “reclass” entry moves the unrecovered balance from FERC account 101 to FERC account 101. There has been no change to the FERC 101 plant-in-service account and no entry to a FERC 182 regulatory asset account. The entry is for GAAP presentation purposes only.

Third, Mr. McGuire quotes a sentence from an old Commission order, from which he implies that investors bear the risk of obsolescence of utility plant. The notion that investors bear the risk of obsolescence is questionable and certainly not absolute because there are many examples where this Commission has permitted the full recovery with a return on and of the investment. White River and Electron are examples of facilities that became economically untenable (i.e. possibly economic obsolescence) and where the Commission allowed a return on and of the net unrecovered investment. In fact, based on the Public Utility District No. 1 of Jefferson County, Washington, decision, the Commission made it very clear that investors are entitled to a return on and of their net investment, while customers bear the cost of operating and maintaining the facilities:

It follows that when assets are sold, the utility is generally entitled to recover the undepreciated balance, or NBV of the assets that have not been fully amortized, thus ensuring a full return of the investors’ money. That is, the sales proceeds are allocated to the utility up to the amount of the NBV, as the parties have agreed should occur in this case. Because the sold assets are no longer being used by the utility to provide service to customers, however, they are removed from rate base and the utility’s opportunity earn a return on the assets is at an end.

These principles govern whether the sale produces exactly the net book value or produces a gain or loss relative to the NBV benchmark. Additional principles come into play if there is a gain or loss on the sale. If utility assets are prudently sold for less than NBV, the utility expects, and typically is authorized, to recover the deficit relative to net book value. In this situation, the sales proceeds are allocated fully to the utility and the unrecovered NBV becomes a regulatory asset on the utility’s books. *The utility may earn a return on the unrecovered balance of the regulatory asset until fully amortized and the utility been paid a full return of the original cost of its investment. This is what the utility is legally entitled to receive.*[[37]](#footnote-37)

The Commission could not be more clear and unambiguous. “The utility may earn a return on the unrecovered balance …This is what the utility is legally entitled to receive.” That is what PSE is requesting in this case. No more, no less.

In addition, obsolescence is listed in the definition of depreciation as one of the causes of the loss of service value. As such, it is recoverable through ratemaking as part of depreciation expense included in customer rates. The reality is that if the depreciation rates are up-to-date and the service lives are close to reality, net unrecovered plant balances at the end of the asset’s life should not be a problem regardless of the reason for the retirement. Furthermore, I have not seen any of the witnesses in this case include the obsolescence of utility plant in their analysis of the risk premiums to include in their weighted average costs of capital.

# V. CONCLUSION

Q. Does this conclude your rebuttal testimony?

A. Yes.

1. *See* Mullins, Exh. BGM-1CT at 2:16, 6:6, and 9:13. [↑](#footnote-ref-1)
2. *Id.* at 25:4-5. [↑](#footnote-ref-2)
3. *Id.* at 8:6-7. Mr. Mullins provides no authority to support this “key aim” of depreciation. [↑](#footnote-ref-3)
4. *Id.* at 10:2-3. [↑](#footnote-ref-4)
5. *Id.* at 26:15. [↑](#footnote-ref-5)
6. *Id.* at 28:5. [↑](#footnote-ref-6)
7. *Id.* at 28:18. [↑](#footnote-ref-7)
8. In brief, the IRS ruled that it was necessary to include in regulated electric utility rate base the ADIT resulting from an NOL carryforward, given the inclusion in rate base of full amount of ADIT liability resulting from accelerated tax depreciation. [↑](#footnote-ref-8)
9. *See Wash. Utils. & Transp. Comm’n v. Puget Sound Energy*, Order 8 at ¶¶ 177-84, Dockets UE-111048 & UG-11049 (May 7, 2012). [↑](#footnote-ref-9)
10. Mullins, Exh. BGM-1CT at 33:4-12. [↑](#footnote-ref-10)
11. Other parties are clear on the PTC balances. *See, e.g.,* Hancock, Exh. CSH-1CT at 14:17 and 15:13. [↑](#footnote-ref-11)
12. The information in this table was provided to ICNU in the discovery process in this proceeding. [↑](#footnote-ref-12)
13. Mullins, Exh. BGM-1CT at 35:19. [↑](#footnote-ref-13)
14. *See* Docket UE-050870, Order 06. Staff is aware of this ratemaking treatment. *See*Hancock, Exh. CSH-1CT at 14:17-19. [↑](#footnote-ref-14)
15. Mullins, Exh. BGM-1CT at 35:16-17. [↑](#footnote-ref-15)
16. *Id.* at 36:17. [↑](#footnote-ref-16)
17. *Id.* at 35:18. [↑](#footnote-ref-17)
18. *Id.* at 32:16. [↑](#footnote-ref-18)
19. *Id.* at 25:21-22. [↑](#footnote-ref-19)
20. *Id.* at 41:7-8. [↑](#footnote-ref-20)
21. *See* *In the Matter of the Pet. of Puget Sound Energy, for an Order Authorizing the Sale of Interests in the Development Assets Required for the Construction and Operation of Phase II of the Lower Snake River Wind Facility*, Docket UE-131230, Order 02, Final Order Approving and Adopting Settlement Agreement (October 23, 2013). [↑](#footnote-ref-21)
22. Uniform System of Accounts, Definition 9. [↑](#footnote-ref-22)
23. Hancock, Exh. CSH-1CT, table on 24. [↑](#footnote-ref-23)
24. *Id.* [↑](#footnote-ref-24)
25. *Id.* at 26:19-20. [↑](#footnote-ref-25)
26. *Id.* at 28:6-10. [↑](#footnote-ref-26)
27. McGuire, Exh. CRM-1T at 12:8. [↑](#footnote-ref-27)
28. Docket UE-072300, Jones, Exh. MJM-15T at 8-13. [↑](#footnote-ref-28)
29. Note that “unfairness” is not in the range of “fairness” because it is the opposite of “fairness.” [↑](#footnote-ref-29)
30. PSE’s current depreciation rates became effective on November 1, 2008, per *Wash. Utils. and Transp. Comm’n v. Puget Sound Energy, Inc.*, Dockets UE-072300 & UG-072301, Order 12 (Oct. 8, 2008). [↑](#footnote-ref-30)
31. Dockets UE-072300/UG-072301, King, Exh. CWK-1T at 12:4. [↑](#footnote-ref-31)
32. Dockets UE-072300/UG-072301, Weinman, Exh. WHW-1T at 8:3-4. [↑](#footnote-ref-32)
33. Dockets UE-072300/UG-072301, Jones, Exh. MJM-15T at 8-13. [↑](#footnote-ref-33)
34. McGuire, Exh. CRM-1T at 33:18. [↑](#footnote-ref-34)
35. *Wash. Utils. & Transp. Comm’n v. Pac. Power & Light Co*, Second Supp. Order*.*, Docket No. U-86-02, 78 PUR.4th 84, 94-95 (Sept. 19, 1986). [↑](#footnote-ref-35)
36. McGuire, Exh. CRM-1T at 20:5. [↑](#footnote-ref-36)
37. *In the Matter of the Pet. of Puget Sound Energy for an Accounting Order Approving the Allocation of Proceeds of the Sale of Certain Assets to Pub. Util. Dist. No. 1 of Jefferson Cty.*, Docket UE-132027, Order 04 at ¶¶ 19-20 (Sept. 11, 2014) (emphasis added). [↑](#footnote-ref-37)