BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, Complainant, v. PUGET SOUND ENERGY, Respondent	DOCKETS UE-240004 & UG-240005 (consolidated) POST-HEARING BRIEF OF NUCOR STEEL SEATTLE, INC.

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POST-HEARING BRIEF OF NUCOR STEEL SEATTLE, INC.

I. INTRODUCTION

1 Pursuant to Washington Administrative Code (“WAC”) 480-07-390 and the Administrative Law Judge’s Prehearing Conference Order in Dockets UE-240004, UG-240005, and UE-230810,[1] Nucor Steel Seattle, Inc. (“Nucor”) respectfully submits this Post-Hearing Brief for consideration by the Washington Utilities and Transportation Commission (“Commission”).

II. NATURAL GAS SERVICE COST ALLOCATION

2 The Commission should adopt a natural gas class cost of service study (“COSS”) in this proceeding consistent with the COSS filed by Nucor witness Kevin C. Higgins.[2] More specifically, Nucor requests that the Commission:

(1) Adopt a natural gas cost allocation method which, consistent with past practice and the principles of cost causation,

   a. Excludes Schedules 85, 85T, 86, 86T, 87, and 87T from the allocation of small distribution mains (<2”), and

   b. Excludes Schedules 87 and 87T from the allocation of medium mains (2-3”);

(2) Adopt PSE’s proposed functionalization and allocation of FERC Account 870; and

(3) Assign all of the costs attributable to Puget LNG to Schedule 88T and bring it to full cost of service in this proceeding.

A. Cost Allocation of Small and Medium Distribution Mains

3 Nucor respectfully requests that the Commission exclude Schedules 85, 85T, 86, 86T, 87, and 87T from the allocation of small mains (<2”), and also exclude 87 and 87T from the allocation

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[1] *Wash. Utils. and Transp. Comm’n v. Puget Sound Energy*, Dockets UG-240004 et al., Orders 02 & 04 (Apr. 18, 2024).

[2] Higgins, Exh. KCH-2.

of medium mains (2-3"), consistent with the recommendation of Nucor witness Higgins in this proceeding. This exclusion is consistent with cost causation, past Puget Sound Energy ("PSE") practice, and Commission rules.

4 In this proceeding, PSE filed a WAC-compliant class COSS (with one exception as discussed further herein).[3] Commission Staff witness Glenn A. Watkins concludes that the end results of PSE's gas COSS are reasonable across all classes.[4] Washington State Office of the Attorney General Public Counsel Unit ("Public Counsel") witness David E. Dismukes does not address the gas COSS, except to call it "faulty."[5] As stated above, Nucor witness Higgins proposes to exclude Schedules 85, 85T, 86, 86T, 87, and 87T from the allocation of small distribution mains (<2"), and exclude Schedules 87 and 87T from the allocation of medium mains (2-3"). Alliance of Western Energy Consumers ("AWEC") witness Lance D. Kaufman recommends directly assigning the cost of distribution mains associated with Schedule 87/87T customers served by 4-inch and greater mains, rather than allocating mains costs using the peak and average allocator.[6]

5 Nucor urges the Commission to allocate natural gas distribution mains consistent with Nucor witness Higgins' recommendations to exclude certain customer classes from the allocation of small and medium distribution mains. Alternatively, Nucor supports the adoption of AWEC witness Kaufman's proposed method of directly assigning distribution mains costs to Schedule 87/87T customers in this proceeding.

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[3] Taylor, Exh. JDT-1T at 14:18-15:2.

[4] Watkins, Exh. GAW-1T at 24:20-25:2.

[5] Dismukes, Exh. DED-1T at 28:5-6.

[6] Kaufman, Exh. LDK-1T at 27:10-11.

1. Nucor's proposed allocation method reflects sound cost causation principles

6 Simply put, large commercial and industrial customers taking service under Schedules 87 and 87T do not use, and therefore do not benefit from, PSE's small and medium distribution mains. Customers should only be allocated costs which they cause; this principle, also called cost causation, is foundational to utility rate-making and has long been recognized by the Commission.[7]

7 Nucor witness Higgins' proposal is consistent with the Commission's approved Natural Gas Cost of Service and Allocation Methodologies outlined in Table 4 of WAC 480-85-060(3), which provides that distribution mains should be classified based on demand and allocated as follows:

> Direct assignment of distribution mains to a single customer class where practical. All other costs assigned based on design day (peak) and annual throughput (average) based on system load factor.

Regarding this approved method, the Commission explained in General Order R-599:

> One principle of cost of service is assigning costs to a customer or customer class directly, where the costs can be directly attributed to that customer or customer class. It is not the Commission's intent to change this principle and, as it applies to the allocation of distribution mains, we add language to clarify the Commission's intent that distribution mains should be allocated to a customer class directly, where practical, with all other costs being allocated based upon design day and annual throughput based on the system load factor.[8]

Direct assignment, as outlined by the Commission, recognizes that certain customers, and classes of customers, should be assigned only those costs which they incur. Indeed, PSE's Special Contracts class and Schedule 88T are both directly allocated distribution mains costs in PSE's

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[7] *See Wash. Utils. and Transp. Comm'n*, Docket TP-190976, Order 09 at 71 ¶ 237 (Nov. 25, 2020) ("The principle of cost causation assigns costs to those ratepayers who cause the expenses to occur.").

[8] *In the Matter of Amending WAC 480-07-510 and Adopting Chapter 480-85 WAC Relating to Cost of Service Studies for Electric and Natural Gas Investor-Owned Utilities*, Dockets UE-170002 & UG-170003, General Order R-599 at ¶ 77 (July 7, 2020).

COSS using a special study developed for Docket UG-190530 and the directives of the Commission in Docket UG-230393, respectively.[9]

8 Nucor's recommended method in this proceeding of excluding certain customers from the cost of certain distribution mains incorporates a form of direct assignment, where mains size categories are assigned to customer classes that utilize mains of that size and then the costs are allocated based on the peak and average allocator among those customers.[10] The *same cost causation principles that favor the direct assignment* of costs to customers or classes, when practical, support *not* assigning to customers or classes the costs of facility categories that they do *not* use.[11] As Nucor witness Higgins states:

> [C]onsider that if only one class used smaller mains, it would be indisputable that the costs of those smaller mains should be directly assigned to that class and *not allocated to the classes that do not use the smaller mains*. The mere fact that the customers using the smaller mains can be subdivided into more than one class does not alter the logic that classes not using the smaller mains should not be allocated any of the costs of those mains.[12]

Thus, the fact that more than one rate class utilizes the small and medium distribution mains does not alone preclude the direct assignment of those costs to those classes which are served by those mains. This process is sometimes called segmentation. PSE witness Taylor acknowledges that

> The argument against segmentation, and in some circumstances against direct assignment, is that the distribution system of a gas utility is a fully integrated system where the system is providing capacity, as a whole, to all customers. However, this logic is less justified when it can be shown that certain customers are not interconnected to, or supported by, medium or low-pressure systems or when they are directly connected to utility transmission mains or interstate pipeline-connected gate stations.[13]

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[9] Taylor, Exh. JDT-1T at 18:3-20.

[10] Higgins, Exh. KCH-1T at 10:10-14.

[11] *Id.* at 7:18-20.

[12] *Id.* at 10:19-11:4.

[13] Taylor, Exh. JDT-8T at 9:6-12.

Nucor's recommended cost allocation method in this proceeding therefore follows strong cost causation principles utilized in the industry and is consistent with the Commission's support for the direct assignment of costs.

9 Similarly, AWEC witness Kaufman's method of directly assigning costs to Schedule 87/87T customers also aligns with the cost causation principles recognized by the Commission in its cost of service rules. These mains, according to AWEC witness Kaufman, share "unique features similar to Schedule 88T which make general allocation factors poor representations of the share of PSE's distribution system serving these schedules," including that they are served by large mains with a direct path and that it is practical to do the direct assignment.[14] Kaufman allocates mains larger than 8 inches using the peak and average allocator.[15] The COSS resulting from this direct assignment indicates that Schedule 87/87T is over-earning relative to the system average, rather than under-earning as provided in PSE's as-filed COSS.[16]

10 On rebuttal, PSE witness Taylor acknowledged that "[t]he allocation of certain mains costs might possibly be made more accurate based on a type of analysis that AWEC Witness Kaufman performed, but a closer review of the data and system layout is needed to reach that determination."[17] PSE witness Taylor also performed a direct assignment analysis and similarly found that, Schedule 87/87T moves from a parity ratio of 0.57 under PSE's as-filed COSS to a parity ratio of 0.91 using direct assignment, which is the same parity ratio reached by Nucor

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[14] Kaufman, Exh. LDK-1T at 26:2-27:7.

[15] *Id.* at 27:14-17.

[16] *Id.* at 30:8-14.

[17] Taylor, Exh. JDT-8T at 10:14-17.

witness Higgins in his COSS.[18] This alignment demonstrates that direct assignment is consistent with cost causation principles and with Nucor witness Higgins' proposal in this proceeding.

2. Nucor's proposed allocation method is consistent with PSE's past practice

11 Nucor's proposed allocation method for distribution mains is consistent with how PSE allocated mains prior to the Commission's recent cost of service rulemaking proceeding.[19] For example, in Docket 190530, PSE's 2019 general rate case, PSE excluded certain classes from the allocation of small and medium distribution mains because

> none of these customers are served from mains that are smaller than four inches. Further, the smallest mains are in isolated locations on PSE's gas distribution system and are unlikely to provide benefits to the large gas commercial and industrial loads.[20]

However, in Docket 220067, PSE's 2022 general rate case filing (and again here), PSE changed its allocation approach to a method that did not distinguish between mains sizes to comply with its interpretation of the Commission's cost of service rules in WAC Chapter 480-85.[21] The approved Revenue Requirement *Settlement* in the 2022 general rate case did not specify a method for mains cost allocation or a particular COSS in general; thus, this is the first time *the Commission* has considered the drastic change in the method utilized by PSE for the allocation of distribution mains.[22]

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[18] *Id.* at 12:21-23.

[19] Taylor, Exh. JDT-19X at 20:17-21:5. The Special Contract class was also excluded from the generic mains cost allocation since the Special Contract class was directly assigned mains costs.

[20] *Id.*

[21] Taylor, Exh. JDT-1T at 14:13-15:2.

[22] *Wash. Utils. and Transp. Comm'n v. Puget Sound Energy*, Dockets UE-220066, UG-220067 & UG-210918 (consolidated), Settlement Stipulation and Agreement on Revenue Requirement and All Other Issues Except Tacoma LNG and PSE's Green Direct Program (Aug. 26, 2022) (approved in Final Order 24/10 (Dec. 22, 2022)).

12 It is worth noting that PSE witness Taylor attributes the change in PSE's proposed methodology entirely to the change in the WAC rules and *not* to any change in cost causation principles.[23] Indeed, upon examination, PSE witness Taylor states that the three items he considers are "cost-causation principle, . . . availability of data, and . . . regulatory precedent or common procedures in the state."[24] Only the regulatory construct has changed in this instance; neither of the other two considerations has changed since PSE's 2019 general rate case.[25]

13 Finally, the method utilized by PSE in the current proceeding, in which Schedules 85, 85T, 86, 86T, 87 and 87T are included in the allocation of mains of all sizes, results in a dramatic cost-shift to the large commercial and industrial classes. Specifically, this change results in a 64.7% increase in the total rate base allocated to Schedules 87/87T compared to the method used in the 2019 general rate case, whereas the change results in a minimal (less than a 1%) reduction in the total rate base allocated to the Residential class in this case.[26] As PSE witness Taylor states:

> It is worth noting that the WAC rules as interpreted by PSE and Staff result in significantly more costs being allocated to Schedules 85, 85T, 86, 86T, 87, and 87T, in comparison to the segmented analysis that PSE utilized in its 2019 general rate case (filed before the Commission issued its order in Docket UG-17003) and as advocated in this proceeding by Nucor Witness Higgins.[27]

Such a drastic change in cost allocation from PSE's previously approved cost allocation method should be closely scrutinized and rejected by the Commission in this proceeding.

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[23] Taylor, TR. at 241:1-4 ("Q. The fundamental cost-causation principle has not changed between the last case and this case, have they? A. No.").

[24] *Id*. at 239:19-240:16 ("So based on the combination of weighing cost causation, weighing the data availability, and looking at the common precedence that existed at the time, I believe in 2019 this was an appropriate approach.").

[25] *Id.* at 240:12-16 ("But as you know, in the 2022 case and the current case, there is new WAC rules that are in place, and we're reflecting those in the cost of service studies that were filed as prefiled in both of those rate cases.").

[26] Higgins, Exh. KCH-1T at 8:25-9:9. PSE witness Taylor did not dispute this dramatic change. Taylor, TR. at 241:19-242:11.

[27] Taylor, Exh. JDT-8T at 9:12-17.

3. Nucor's proposed allocation method is consistent with the Commission's rules

14 As discussed above, Nucor's proposal *is* consistent with the Commission's cost of service rules outlined in WAC 480-85-060 related to *direct assignment* of the costs of distribution mains. To the extent, however, that the Commission believes this proposal is outside the scope of WAC Chapter 480-85, Nucor respectfully requests that the Commission grant an exemption from those rules. This proposal *meets* the Commission's standard outlined in WAC 480-85-060(2) that the "modification materially improves the cost of service study and is in the public interest." As outlined by Nucor witness Higgins, this proposal improves the COSS by more closely following cost causation. *Additionally*, avoiding drastic changes in cost allocation which result in large cost differences for a small set of customers is in the public interest. Nucor therefore respectfully urges the Commission to adopt its proposed exclusion of certain customers from the allocation of certain small and medium distribution mains cost in this proceeding.

B. PSE's Proposed Functionalization and Allocation of FERC Account 870

15 Nucor supports PSE's proposed functionalization and allocation of Federal Energy Regulatory Commission ("FERC") Account 870. FERC Account 870, which contains operation supervision and engineering costs, is listed under the Transmission function in FERC's Uniform System of Accounts ("USofA").[28] WAC 480-85-060 also indicates that Account 870 should be functionalized as Transmission.[29] However, the description of this account in FERC's USofA makes no mention of transmission:

> This account shall include the cost of labor and expenses incurred in the general supervision and direction of *distribution* system operations. Direct supervision of

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[28] 18 C.F.R. § 201 (2024) (System of Accounts Prescribed for Natural Gas Companies Subject to the Provisions of the Natural Gas Act).

[29] WAC 480-85-060(3) at Table 3.

> specific activities such as load dispatching, mains operation, removing and resetting meters, etc., shall be charged to the appropriate account.[30]

Nucor supports PSE's proposed exemption from WAC 480-85-060. PSE has met the requirements of the Commission's rule that such exemption materially improves the COSS and is in the public interest.[31] According to PSE witness Taylor and as supported by Staff witness Watkins and Nucor witness Higgins, this account relates to the distribution system and should be functionalized as Distribution.[32] Allocating these costs consistent with cost causation is in the public interest. Additionally, according to Nucor witness Higgins, "[t]he treatment of Account 870 has a minor impact on the cost allocation among classes."[33] PSE includes $1.6 million in total expense in Account 870 in its COSS model and allocates these costs to classes based on the overall allocation of other distribution operation expenses.[34] Therefore, the Commission should adopt PSE's proposed exemption from WAC 480-085-060.

C. Direct Assignment of Costs to Puget LNG

16 The Commission should set Schedule 88T rates no lower than Puget LNG's full cost of service to prevent an inequitable cost shift from PSE's affiliate, Puget LNG, to its core customers. As demonstrated in the testimony of Nucor witness Higgins, and accepted in part by PSE in its rebuttal testimony,[35] PSE under-assigns costs in its COSS to Schedule 88T due to several errors.

17 In Docket UG-230393, the Commission addressed the prudency of the Tacoma LNG facility as well as the allocation of the revenue requirement associated with non-distribution

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[30] 18 C.F.R. § 201 (2024) (System of Accounts Prescribed for Natural Gas Companies Subject to the Provisions of the Natural Gas Act) (emphasis added).

[31] WAC 480-85-060(2).

[32] Taylor, Exh. JDT-1T at 15:3-9; Watkins, Exh. GAW-1T at 24:5-7; Higgins, Exh. KCH-1T at 19:21-20:2.

[33] Higgins, Exh. KCH-1T at 20:1-2.

[34] Taylor, Exh. JDT-4 (Tab A-RR Cross-Reference at cell E154).

[35] Higgins, Exh. KCH-1T at 15:13-16:14; Taylor, Exh. JDT-8T at 14:1-3 & Exh. JDT-10.

facilities as well as the Four-Mile 16-Inch segment between Puget LNG and PSE's regulated customers.[36] In this proceeding, PSE also includes in base rates approximately $16.9 million in rate base and $1.9 million in revenue requirement associated with two other distribution upgrades, the Golden Givens Section and the Frederickson Gate Station upgrades.[37] PSE's initial COSS incorrectly allocated the costs of these distribution upgrades. PSE acknowledged and fixed a portion of its error in rebuttal testimony, which increased Schedule 88T's revenue requirement from approximately $517,000 to $728,000.[38] However, PSE's updated analysis fails to properly directly assign the full costs of the distribution upgrades to Puget LNG.

18 More specifically, as outlined by Nucor witness Higgins, PSE's COSS understates plant balances and overstates accumulated depreciation by failing to account for the fact that these distribution upgrades are of a more recent vintage than PSE's other distribution mains.[39] Nucor therefore recommends that "the rate base (gross plant, accumulated depreciation and accumulated deferred income tax) and depreciation expense associated with the LNG-related distribution upgrades be separately tracked and assigned to Schedule 88T in the COSS model."[40] Additionally, to the extent that there are other distribution mains serving the Tacoma LNG Facility, Nucor recommends that Schedule 88T be included in the allocation of those mains using the peak and average allocator.[41]

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[36] *Wash. Utils. and Transp. Comm'n v. Puget Sound Energy*, Docket UG-230393, Final Order 07 at ¶ 272 (Apr. 24, 2024).

[37] Higgins, Exh. KCH-1T at 15:6-12.

[38] Taylor, Exh. JDT-8T at 14:13-15:9 & Exh. JDT-15.

[39] Higgins, Exh KCH-1T at 17:1-18:14.

[40] *Id.* at 18:16-19.

[41] Higgins, Exh KCH-9T at 8:3-13.

19 Other parties, including AWEC witness Kaufman and Public Counsel witness Dismukes, also recommend a greater revenue allocation to Schedule 88T. Specifically, AWEC witness Kaufman recommends that Schedule 88T receive 75 percent of the system average increase,[42] and Public Counsel witness Dismukes recommends that Schedule 88T revenues be held constant in this proceeding.[43]

20 PSE bears the burden in this proceeding of proving that the method used to allocate costs to its affiliate in this proceeding are just and reasonable. Specifically, WAC 480-07-510(g) requires that "[t]he company must support the allocation method the company used to distribute common costs between regulated and nonregulated affiliated entities and the dollar amount of those costs." Nucor urges the Commission to bring Schedule 88T to full cost of service in this proceeding to prevent unjust cost shifts and protect PSE's captive ratepayers.

III. NATURAL GAS RATE SPREAD

21 The Commission should adopt a natural gas rate spread as proposed in the testimony of Nucor witness Higgins in this proceeding. Specifically, Nucor urges the Commission to do the following:

(1) Apply 90 percent of the system average increase to Schedules 16/23/53;

(2) Apply 110 percent of the system average increase to Schedules 41/41T, 85/85T, and 87/87T;

(3) Apply 125 percent of the system average increase to Schedules 31/31T;

(4) Apply 70 percent of the system average increase to Schedules 86/86T; and

(5) Set Schedule 88T rates to full parity.[44]

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[42] Kaufman, Exh. LDK-1T at 33:3-8 & Table 8.

[43] Dismukes, Exh. DED-1T at 29:19-23.

[44] Higgins, Exh. KCH-1T at 24:3-12.

These rate spread figures reflect the cost allocation methods proposed by Nucor witness Higgins in his COSS filed in this proceeding.[45] As discussed above, the parity ratio of 0.91 justifying the 110 percent rate increase for Schedules 87/87T in Nucor witness Higgins' COSS is the same as the parity ratio reached by PSE witness Taylor in conducting a direct assignment analysis and similar to AWEC witness Kaufman in this proceeding. These proposed rate spreads therefore have ample COSS evidence supporting their adoption in this proceeding.

22 Other witnesses in this proceeding propose different natural gas rate spreads, specifically for the Schedule 87/87T customers. For example, PSE proposes applying 150 percent of the system average increase to Schedules 87/87T.[46] Staff witness Watkins, as discussed above, conceptually supports PSE's proposed revenue allocation.[47] Public Counsel witness Dismukes recommends that Schedule 87/87T customers receive 125 percent of the system average increase.[48] AWEC witness Kaufman recommends these customers receive 25 percent of the system average increase based on Dr. Kaufman's recommended COSS.[49] As discussed above, even using the higher direct assignments provided in PSE witness Taylor's rebuttal testimony, Schedules 87/87T are within ten percentage points of rate parity and thus should receive no more than a maximum of 110 percent of the system average rate increase.[50]

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[45] To the extent the Commission approves a lower revenue requirement than that requested by PSE in this case, Nucor recommends "scaling each core customer class's base revenues in proportion to each class's share of total proposed base revenues" in accordance with Nucor witness Higgins' recommendations. *Id.* at 27:6-8. Nucor also recommends proportionately reducing the Schedules 87/87T volumetric delivery charges and demand charge by an equal percentage relative to the rates shown in Exhibit KCH-7 to target the class revenues. *Id.* at 27:8-10.

[46] Taylor, Exh. JDT-1T at 27:7-16.

[47] Watkins, Exh. GAW-1T at 27:18-28:4.

[48] Dismukes, Exhs. DED-1T at 29:11-23 & DED-8.

[49] Kaufman, Exh. LDK-1T at 33, Table 8.

[50] Taylor, Exh. JDT-14.

23 Importantly, the Company, Nucor, and each of the other intervenors' proposed rate spreads include a lower than system average increase for Residential customers (except AWEC, which recommends a system average increase based on Kaufman's COSS results).[51] Nucor requests the Commission adopt the natural gas rate spread proposed by Nucor witness Higgins and apply 110 percent of the system average rate increase to Schedules 87/87T. Alternatively, Nucor supports a lower increase for the class if the Commission adopts AWEC witness Kaufman's proposed cost allocation recommendations.

24 Even if the Commission declines to adopt Nucor witness Higgins' class allocation method for distribution mains, Nucor urges the Commission to adopt Nucor witness Higgins' proposed rate spread. As the Commission has stated,

> [a] COSS is not the only factor [it considers] when allocating costs to customers and customer classes. [The Commission] may also consider, as appropriate, such factors as fairness, perceptions of equity, economic conditions in the service territory, gradualism, and rate stability.[52]

Additionally, RCW 80.28.425(1) provides that when considering a multi-year rate plan, the Commission may consider "environmental health and greenhouse gas emissions reductions, health and safety concerns, economic development, and equity, to the extent such factors affect the rates, services, and practices of a gas or electrical company regulated by the commission."[53] PSE witness Taylor also acknowledges that the rate design process "consists of finding a reasonable balance"

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[51] Taylor, Exh. JDT-1T at 27:9-10; Higgins, KCH-1T at 24:5; Dismukes, Exh. DED-8; Kaufman, Exh. LDK-1T at 33, Table 8. As noted above, Staff witness Watkins supports PSE's rate spread proposal. Watkins, Exh. GAW-1T at 27:18-28:4.

[52] *Wash. Utils. and Transp. Comm'n v. Avista Corp.*, Dockets UE-200900, et al., Final Order 08/05 at 328 & 341 (Sept. 27, 2021).

[53] RCW 80.28.425(1).

among competing criteria.[54] Several factors warrant moderation in this proceeding beyond cost causation principles.

25 First, as discussed above, the change in cost allocation method for distribution mains from PSE's previously filed COSS dramatically increases the rate base allocated to Schedule 87/87T customers by almost 65%, while it reduces the rate base allocated to Residential customers by less than 1%.[55] Such a drastic change in rate base allocation (and corresponding increase in rates) should be closely scrutinized and moderated to the extent possible. Rate stability and gradualism are important principles which the Commission has repeatedly emphasized in past cases and in approving the cost of service rulemaking.[56]

26 Additionally, there is a misalignment in the revenue requirement incorporated in the COSS as compared to the actual increases requested in this proceeding; the system average rate increases during the MYRP are much higher than the class percentage increases in the COSS. For example, for Rate Year 1, Exhibit JDT-10, which shows PSE's rebuttal COSS, shows a $107 million total system increase, whereas Exhibit JDT-12 shows that the 2025 proposed revenue increase is $198 million after accounting for the roll-in of Schedules 141N and 141R. The Commission should consider "the mismatch between the adjusted historical periods used in the COSS and the forecasted periods that are the basis for PSE's Rate Years 1 and 2 revenue requirements and rate design."[57]

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[54] Taylor, Exh. JDT-1T at 26:14-21.

[55] Higgins, Exh. KCH-1T at 8:23-9:9.

[56] *See, e.g., In the Matter of Amending WAC 480-07-510 and Adopting Chapter 480-85 WAC Relating to Cost of Service Studies for Electric and Natural Gas Investor-Owned Utilities*, Dockets UE-170002 & UG-170003, General Order R-599 at 31 (July 7, 2020) ("the results of a cost of service study are only one basis upon which the Commission establishes fair, just, reasonable, and sufficient rates. . . . [The Commission exercises] judgment, considering a variety of factors as appropriate, such as fairness, perceptions of equity, economic conditions in the service territory, gradualism, and rate stability when determining rate spread and rate design and establishing just and reasonable rates.").

[57] Exh. KCH-1T at 21:9-23:2.

27 Finally, PSE's as-filed rate increase is extremely large, and any movement closer to parity in this case must be mindful of the overall impact on customers. RCW 80.28.010(1) requires that all rates be "just, fair, reasonable and sufficient."[58] These factors support the use of rate moderation in this proceeding in order to moderate the extreme rate impacts of PSE's rate filing on Schedule 87/87T customers as filed. Therefore, to the extent that the Commission does not accept Nucor witness Higgins' or AWEC witness Kaufman's proposed *cost allocation methods* in this proceeding, the equities and principles outlined by the Commission justify a natural gas *rate spread* as proposed by Nucor witness Higgins in this proceeding.

IV. CONCLUSION

28 WHEREFORE, for the reasons stated above, Nucor respectfully requests that the Commission:

(1) Adopt a natural gas cost allocation method which excludes Schedules 85, 85T, 86, 86T, 87, and 87T from the allocation of small distribution mains (<2"), and 87 and 87T should also be excluded from the allocation of medium mains (2-3"), consistent with past practice and the principles of cost causation;

(2) Adopt PSE's proposed functionalization and allocation of FERC Account 870;

(3) Assign all of the costs attributable to Puget LNG to Schedule 88T and bring it to full cost of service in this proceeding; and

(4) Apply a natural gas rate spread as recommended by Nucor witness Higgins in this proceeding.

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[58] RCW 80.28.010(1).

DATED this 4th day of December 2024.

Respectfully submitted,

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