

**ATTACHMENT D**

**MULTI-YEAR RATE PLAN**  
**ANNUAL REPORT**  
**REGARDING PLANT INVESTMENT AND**  
**METRICS REPORTING**

**EXPLANATIONS FOR SIGNIFICANT**  
**VARIANCES BETWEEN FORECASTED AND**  
**ACTUAL PLANT CLOSINGS**

PUGET SOUND ENERGY  
DOCKETS UE-220066 AND UG-220067  
(CONSOLIDATED)

MARCH 31, 2023

### **Variance Explanations for Actual vs. Approved Plant Closings**

Item I.C. in the Annual Report shows the total variance between actual plant closings and amounts approved when setting rates subject to refund per the Multiparty Settlement Agreement (“Settlement Agreement”) approved in consolidated Dockets UE-220066 and UG-220067 (the “2022 GRC”). This Attachment to the Annual Report provides narrative explanations of the causes for the majority of the variance noted below.

(in millions)		
<b>Line</b>	<b>Description</b>	<b>Gross Plant</b>
1	<b>Electric</b>	
2	Approved	\$ 488.2
3	Actual	\$ 507.9
4	Over / (Under)	\$ 19.6
5		
6	<b>Natural Gas</b>	
7	Approved	\$ 275.2
8	Actual	\$ 247.0
9	Over / (Under)	\$ (28.2)
10		
11	<b>Combined</b>	
12	Approved	\$ 763.4
13	Actual	\$ 754.8
14	Over / (Under)	\$ (8.6)

A breakdown of the above variance by business unit is provided below:

<b>Electric and Gas Combined</b>	<b>Actual CWIP Closings</b>	<b>Forecast CWIP Closings</b>	<b>Forecast &lt; Actual (Forecast &gt; Actual)</b>
<b>Facilities</b>	<b>\$ 19,991,035.83</b>	<b>\$ 9,888,258.83</b>	<b>\$ 10,102,777.00</b>
<b>Generation</b>	<b>\$ 70,738,028.33</b>	<b>\$ 64,807,644.12</b>	<b>\$ 5,930,384.21</b>
<b>IT</b>	<b>\$ 90,643,168.33</b>	<b>\$ 68,168,887.97</b>	<b>\$ 22,474,280.36</b>
<b>NP&amp;S</b>	<b>\$ 12,524,821.00</b>	<b>\$ 6,996,452.78</b>	<b>\$ 5,528,368.22</b>
<b>Operations</b>	<b>\$ 547,344,782.76</b>	<b>\$ 607,715,992.03</b>	<b>\$ (60,371,209.27)</b>
<b>Storm</b>	<b>\$ 8,127,099.35</b>	<b>\$ 3,675,133.44</b>	<b>\$ 4,451,965.91</b>
<b>Other</b>	<b>\$ 5,457,023.02</b>	<b>\$ 2,174,555.87</b>	<b>\$ 3,282,467.15</b>
<b>Grand Total</b>	<b>\$ 754,825,958.62</b>	<b>\$ 763,426,925.06</b>	<b>\$ (8,600,966.44)</b>

<b>Electric + Allocated Common</b>	<b>Actual CWIP Closings</b>	<b>Forecast CWIP Closings</b>	<b>Forecast &lt; Actual (Forecast &gt; Actual)</b>
Facilities	\$ 15,105,619.26	\$ 8,042,440.04	\$ 7,063,179.22
Generation	\$ 68,714,138.03	\$ 62,077,030.08	\$ 6,637,107.95
IT	\$ 65,265,714.33	\$ 47,266,107.42	\$ 17,999,606.91
NP&S	\$ 12,503,112.66	\$ 6,996,452.78	\$ 5,506,659.88
Operations	\$ 335,377,686.57	\$ 361,916,230.65	\$ (26,538,544.08)
Storm	\$ 8,127,099.35	\$ 3,675,133.44	\$ 4,451,965.91
Other	\$ 5,219,762.06	\$ 2,094,343.31	\$ 3,125,418.75
<b>Grand Total</b>	<b>\$ 510,313,132.26</b>	<b>\$ 492,067,737.72</b>	<b>\$ 18,245,394.54</b>

<b>Gas + Allocated Common</b>	<b>Actual CWIP Closings</b>	<b>Forecast CWIP Closings</b>	<b>Forecast &lt; Actual (Forecast &gt; Actual)</b>
Facilities	\$ 4,885,416.57	\$ 1,845,818.79	\$ 3,039,597.78
Generation	\$ 2,023,890.30	\$ 2,730,614.04	\$ (706,723.74)
IT	\$ 25,377,454.00	\$ 20,902,780.56	\$ 4,474,673.44
NP&S	\$ 21,708.34	\$ -	\$ 21,708.34
Operations	\$ 211,967,096.19	\$ 245,799,761.38	\$ (33,832,665.19)
Storm	\$ -	\$ -	\$ -
Other	\$ 237,260.96	\$ 80,212.56	\$ 157,048.40
<b>Grand Total</b>	<b>\$ 244,512,826.36</b>	<b>\$ 271,359,187.33</b>	<b>\$ (26,846,360.97)</b>

Narrative explanations for the majority of the deviations between actual and forecasted investment are provided below and are at the business unit level, i.e. Information Technology ("IT"), Generation, and Operations. Related to variance explanations for projects that did not go into service as forecasted in 2022, PSE placed in service \$173 million of investments that were not originally forecasted vs. \$159 million of investments that did not close as planned for 2022. A detail listing of the variances on all projects that underlie the overall \$8.6 million variance in the initial table above is provided in Attachment B to the Annual Report. Furthermore, total actual rate base is higher than that approved in rates (both refundable and non-refundable) demonstrating that overall, PSE's rates were reasonably set. As of December 31, 2022, actual adjusted rate base for electric is \$40 million above the 2022 GRC rate base and gas is \$10 million above.

### Information Technology Business Unit

IT placed in service approximately \$22.5 million more than was approved in PSE's rates. Most of this variance, or \$20.1 million, was attributed to projects forecast to be in service in 2021 that went in service in 2022.

As shown below, most of the \$13.5 million from the first quarter is related to 2021 efforts that were planned for December 2021 in-service and were delayed until the first quarter of 2022. Causes for these carry over items plus the remainder of the items shown below are all related to projects that were either deferred or delayed from 2021 due to COVID supply chain issues, storm stoppages<sup>1</sup> or vendor delivery difficulties and delays.

	(In millions)
First Quarter – mainly carry over	\$13.5
Second Quarter	2.2
Third Quarter	0.2
Fourth	4.2
Total explained	<u>\$20.1</u>

No one single project is attributable to the overage shown above, it is just the net of shortages and overages from over 100 IT projects.

### Generation Business Unit

Generation placed in service approximately \$5.9 million more than was included for 2022 in PSE's rates. Aside from the Goldendale Major Maintenance project discussed in Attachment C, there is a remaining -\$3.7 million variance in the Generation Business Unit. The -\$3.7 million variance is due to the optimization of projects within the Generation Business Unit portfolio in order to remain within, or under, budget. The \$9.2 million Upper Baker Phase II Spillway Stabilization project was delayed in order to accommodate spending for \$3.9 million for a Hot Gas Path inspection for the Sumas Generating facility which was forecast to be completed in 2023, but due to the condition of the equipment was performed early in 2022 as well as for a project to replace the Runner at Unit 2 at the Upper Baker Hydro Facility, which was forecasted to be partially in service in 2021 with the remainder to be in service in 2022 but that was all delayed until 2022 due to COVID-19 concerns related to parts delivery such that the entire project was placed in service in 2022 from the forecast of \$12.3 million to \$17.7 million. Finally, the ongoing replacement of units of property by the OEM for PSE's Wild Horse and LSR wind facilities were under-budget by \$3.7 million.

### Facilities Business Unit

Facilities placed in service approximately \$10.1 million more than was approved in PSE's rates. This variance was primarily due to the closing of three projects in 2022 that

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<sup>1</sup> When PSE declares a major storm event, in order to ensure a stable environment, all IT projects are paused until the major storm event is over.

had been forecasted to close in 2021. The projects were related to the retirement, refresh and relocation of PSE leased properties in Bellevue. The delay in the in-service dates of these projects was due to supply chain issues and having to wait for items that were necessary to complete the work.

Operations Business Unit

Operations placed in service approximately \$60.4 million less than was forecast. \$47 million of this amount is related to the specific projects identified in Attachment C that were forecast to be in service in 2022, but have been delayed as discussed in Attachment C. The below table presents the variances by project and a discussion for the majority of the causes for these variances follows. Attachment B contains a more detail detailed presentation of the table broken down by electric and gas and by Used and Useful category.

Project	Actual Plant Closings	Forecast Used to Set Rates	Forecast < Actual (Forecast > Actual)
AMI - Common	\$ 3,826,725	\$ 42,532,246	\$ (38,705,522)
AMI - Electric	40,475,988	1,283,134	39,192,853
AMI - Gas	25,815,026	-	25,815,026
Bainbridge Tlines Trans	-	7,967,622	(7,967,622)
Capacity - Electric	3,945,898	3,072,519	873,378
Capacity - Gas	3,900,721	4,938,755	(1,038,034)
CIAC - Electric	(8,593,300)	(17,388,700)	8,795,400
CIAC - Gas	(1,411,391)	(1,548,400)	137,009
Customer Requests - Electric	63,227,199	8,026,289	55,200,911
Customer Requests - Gas	80,981,288	112,076,224	(31,094,936)
Emergent Electric	72,642,929	58,072,643	14,570,286
Emergent Gas	14,673,047	18,021,826	(3,348,779)
Energize Eastside	357,667	-	357,667
EV Circuit	-	3,158,696	(3,158,696)
Gas Modernization	11,783,551	19,964,351	(8,180,801)
Grid Modernization	115,130,677	141,899,987	(26,769,309)
Major Projects Electric	2,444,954	18,519,243	(16,074,289)
Major Projects Gas	-	3,362,350	(3,362,350)
Marine Crossing	458,640	1,256,366	(797,726)
Pipeline Replacement	40,403,894	53,168,012	(12,764,118)
Projected	24,543,654	66,290,475	(41,746,821)
Public Improvement - Electric	25,465,272	13,427,257	12,038,015
Public Improvement - Gas	25,978,106	9,705,748	16,272,358
Resilience Enhancement	1,294,239	966,467	327,773
Sammamish Juanita	-	22,989,917	(22,989,917)
Thurston Transmission Capacity	-	15,952,967	(15,952,967)
<b>Over (Under) Closed</b>	<b>\$ 547,344,783</b>	<b>\$ 607,715,992</b>	<b>\$ (60,371,209)</b>

### **1. AMI – Electric, Gas and Common**

The -\$38.7 million variance for the common AMI assets relates to the AMI network closing earlier than expected in December 2021 instead of March 2022 as forecasted.

The \$39.2 million and \$25.8 million variance for electric and gas AMI assets relate to a difference between the forecasting methodology which forecasts that pre-capitalized meters and modules will be placed in service at the final completion of the AMI roll-out versus these assets actually being placed in service monthly. In the 2022 GRC, support for this project was provided by Ms. Catherine A. Koch in Exh. CAK-1T.

### **2. Bainbridge Island Transmission Line Project**

The -\$8 million variance for the Bainbridge Island Transmission Line Project was due to the project being delayed due to jurisdictional code amendments which are needed to permit the new transmission line. In the 2022 GRC, support for this project was provided by Mr. Roque B. Bamba in Exh. RBB-1T.

### **3. Contributions in Aid of Construction (“CIAC”), Customer Requests and Public Improvement – Electric and Gas**

The events that caused the \$75.4 million variance on electric and -\$14.1 million variance on gas CIAC, Customer Requests and Public Improvement was previously communicated in PSE’s First Revised Response to AWEC Data Request No. 034 (“AWEC 34”) in the 2022 GRC. AWEC 34 is included as Attachment E to the Annual Report and a summary of the causes include:

#### *Electric Customer Requests and Public Improvement*

The closing percentage applied to capital expenditures to estimate plant closings for electric Customer Requests and Public Improvement projects was too low which in turn resulted in the forecasted plant closings for this program being too low.

#### *Gas Customer Requests and Public Improvement*

The forecasted reimbursement rate for gas was too low. The correct rate should have been set at 9% of new customer construction as indicated in AWEC 34.<sup>2</sup>

### **4. Emergent Electric and Gas**

In the 2022 GRC, support for this project was provided by Ms. Koch. The variance of \$14.6 million on Emergent Electric was due to more non-storm outage damage requiring repair than originally forecasted as well as a difference in the type of costs that were capitalized under this program than was assumed in the forecast.

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<sup>2</sup> AWEC 34 references Exh. CAK-1T as the source for the corrected percentage. However, the citation provided in AWEC 34 should have been to the July 6, 2022 revision on page 33 of Exh. CAK-1Tr.

The variance of -\$3.3 million for Emergent Gas was due to less cathodic protection remediation being required than originally planned.

#### **5. EV Circuit**

In the 2022 GRC, support for this project was provided by Ms. Koch. PSE closed \$3.2 million less for the EV Circuit Enablement project than planned. The project identifies and replaces transformers with load that exceeds certain thresholds. An AMI tool that is needed to identify the candidate transformers took longer than expected to develop resulting in fewer transformer replacements than planned.

#### **6. System Modernization – Electric and Gas**

The -\$26.8 million variance on Electric System Modernization was due to two items. The first was a difference between the closing assumption utilized for forecasting and the actual closing pattern experienced which resulted in a -\$35 million variance of plant closings. This variance was partially offset by an \$8 million variance of plant closings due to several large transmission projects that were delayed due to outage constraints, weather and complex permitting.

The -\$8.2 million variance on Gas System Modernization was due to a delay in closing projects which resulted in closings occurring in 2023 instead of 2022 as planned. In the 2022 GRC, support for these projects was provided by Ms. Koch.

#### **7. Major Projects – Electric and Gas**

In the 2022 GRC, support for these projects was provided by Ms. Koch. The -\$16.1 million variance for Electric Major Projects was due to the following reasons.

##### *Electron Heights - Enumclaw 55/115kV (\$6.8 million)*

-\$6.8 million of the variance is due to the project experiencing a civil construction delay of the substation rebuild portion.

##### *Bellingham Sedro #4 115kv Line (\$5.2 million)*

-\$5.2 million of the variance is associated with the delay of the Bellingham Sedro #4 115kv Line project which is now expected to be in service with Phase C planned for 2024.

##### *Greenwater Tap 55 (\$2 million)*

-\$2.0 million of the variance is associated with the delay of the Greenwater Tap 55 project which was the result in a delay in securing the purchase of the property needed for the project.

The -\$3.4 million variance for Gas Major Projects was primarily due to delays associated with supply chain issues related to the SWARR upgrades, which comprised -\$2.8 million of the variance. Additionally, Williams Pipeline delayed

their own pipeline replacement work that they had planned which delayed \$0.6 million of equipment upgrades PSE had forecasted were needed in 2022.

#### **8. Pipeline Replacement**

In the 2022 GRC, support for this program was provided by Ms. Koch. The - \$13.3 million variance for Pipeline Replacement was the result of project delays with City of Seattle permitting for Dupont pipe replacement projects resulting in 31% less footage replacement than planned.

#### **9. Projected**

The -\$41 million variance in the Projected category relates to an adjustment related to the Energize Eastside project agreed to in the Settlement Agreement. Page 9 of the Settlement Agreement states:

Energize Eastside. The Settling Parties agree that delayed service dates for Energize Eastside are assumed to be incorporated into the agreed upon revenue requirement above (i.e., South Phase in service by October 2023 and North Phase in service by October 2024). The Settling Parties agree that estimated costs associated with Energize Eastside (as described in PSE's initial filing) may enter rates provisionally (on the updated timeline, outlined above), subject to refund. Settling Parties accept and will not challenge that PSE has met its threshold prudence requirement to demonstrate that the investment should be provisionally included in rates. Settling Parties may challenge the costs of the project in the review of investments after the plant is placed in service.

Further, page 14 of Exhibit A to the Settlement Agreement provides a discussion of this adjustment and states:

The in-service timing for the Energize Eastside project is changed by the Settlement since the assumptions were set in the board approved budget that was used as the basis for PSE's original filing. Accordingly, PSE has updated the timing of the plant closings for Energize Eastside in Exhibit I from those used in the original filing. The Settlement provided that there would be no impact to the agreed upon revenue requirement for the change in timing for Energy Eastside as the presumption is that PSE will follow its governance process to manage plant closings to the overall budget, so a corresponding capital adjustment has been applied the Projected Provisional Proforma, Adjustment 6.34 "Projected Provisional Proforma" in Exhibit D to the Settlement, offsetting the impacts of the update to the Energize Eastside assumptions.

The adjustment shown in 2022 represents the reclassification of costs previously forecasted for the Energize Eastside project in 2022 to other transmission projects. A demonstration of the treatment of these costs



under the Settlement Agreement is shown below with additional information included in Attachment B on the tab “Eng ES Stmt Chg”.

JAK-5 Filing Date Jul - Dec 2021	2022	2023	2024	2025	Total	
Original Filing	\$ -	\$ (40,119,811)	\$ -	\$ (256,428,722)	\$ (254,417)	\$ (296,802,951)
Compliance Filing	-	-	(40,119,811)	(256,683,139)		\$ (296,802,951)
Change	\$ -	\$ (40,119,811)	\$ 40,119,811	\$ 254,417	\$ (254,417)	\$ -

### **10. Sammamish Juanita**

In the 2022 GRC, support for this project was provided by Mr. Bamba. The - \$23.0 million variance is due to a delay in the project in-service date due to challenges with permitting and additional time required related to acquiring real estate through condemnation proceedings.

### **11. Thurston Transmission Capacity**

In the 2022 GRC, support for this project was provided by Mr. Bamba. The - \$16.0 million variance is due to a delay in the project in-service date due to supply chain issues related to major transformer equipment.

### **Status of Benefits Discussed in 2022 GRC**

A list of the benefits included in PSE’s rates was provided on page 24 through 26 of Exh. SEF-1Tr in the 2022 GRC. A significant portion of the hard benefits associated with the plant investments that were included in the rates subject to refund was comprised of the roll forward of test year plant which was included in rates that were not subject to refund.

PSE provided the below benefits in its 2022 GRC. The below table is a combination of Table 1 included in the Prefiled Direct Testimony of Josh A. Kensok, Exh. JAK1T and PSE’s Response to WUTC Staff Data Request No. 071.<sup>3</sup> As discussed by Josh A. Kensok in PSE’s 2022 GRC in Exh. JAK-1T, because PSE increases its O&M budget at a rate that is less than inflation, O&M is inherently constrained compared to if PSE built its O&M budget from the bottom up. This process is how benefits such as those shown below, are incorporated into the budget. As such, these benefits were considered to be incorporated into the operational forecast to which the business is held which was also the basis for the forecast that was used to set rates. And that is how it was ensured that these benefits were achieved as well as passed back to customers.

<sup>3</sup> The primary witness for ADMS should have been listed as Catherine A. Koch in PSE’s Response to Staff DR 071.

<b>CSA</b>	<b>Witness</b>	<b>Location</b>	<b>Exhibit / Work Paper File Name</b>	<b>JAK-1T Table 1</b>	<b>Comment</b>
Community Solar	Will T. Einstein	Testimony	Exh. WTE-1CT	\$ 623,760	Included in MYRP Rev Req
eProcurement Phase 3	Dawn M. Reyes	Testimony	Exh. DMR-1T	\$ 3,760,000	
Up & Go	Will T. Einstein	Testimony	Exh. WTE-1CT	\$ 31,775	Included in MYRP Rev Req
WECC CIP-014- 02 Mitigation	Suzanne L. Tamayo	Exhibit	Exh. SLT-10	\$ 78,096	
Generation RFP	Josh A. Kensok	Work Paper	NEW-PSE-WP-JAK-CSA- Generation-RFP-Automation- Planning-Design-to-Execution.pdf	\$ 195,000	
Front Office	Josh A. Kensok	Work Paper	NEW-PSE-WP-JAK-Front Office.pdf	\$ 163,000	
ADMS	Suzanne L. Tamayo	Exhibit	Exh. SLT-14, CAK-5, CAK-5 App D	\$ 9,138,994	
GTZ IWM for Gas Operations	Suzanne L. Tamayo	Exhibit	Exhs. SLT-1T, SLT-6, SLT-8	\$ 1,180,995	
Platform of Insights	Suzanne L. Tamayo	Exhibit	Exh. SLT-12	\$ 1,200,000	